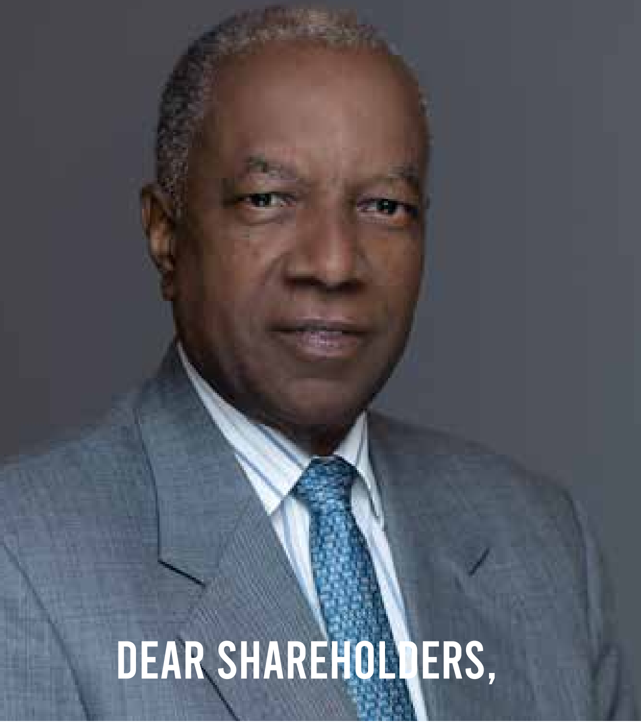
ANNUAL REPORT 2023

COMMONWEALTH
BREWERY LIMITED
THE BAHAMAS
Part of the HEINEKEN Company


KALIK

CONTENTS



CHAIRMAN'S MESSAGE

JULIAN FRANCIS

DEAR SHAREHOLDERS,

THE GLOBAL CONTEXT

Following respectable global economic growth of 3.5 percent in 2022, performance in 2023 was somewhat slower, estimated at no more than 3 percent. This reflected ongoing disruption from political instability in Eastern Europe and more recently in the Middle East, and the impact of continuing measures in the United States to lessen the inflationary aftershocks of Covid.

The United States did, however, improve on its 2022 economic growth outcome, with a marginal increase to approximately 2.5 percent. This modest shift in global growth in the direction of North America, away from the rest of the world, has no doubt strengthened the underlying conditions which have supported a softer landing of The Bahamas economy as it adjusts from the post-Covid period.

THE BAHAMAS ECONOMY

Over the years 2021 and 2022 we saw average growth in the Bahamian economy of 7 percent per annum, compared to 1.6 percent per annum between the 2015 to 2019 period – reflecting large-scale special funding to sustain and restart economic activity during and immediately post-Covid. The 2.3 percent by which The Bahamas economy grew in 2023, therefore, represents a return to what one might consider a more normal level of growth.

As I indicated last year, The Bahamas Tourism sector has been experiencing unprecedented levels of growth, according to the most widely-accepted measure – the arrival count! The 7 million tourist arrivals in 2022 expanded further to 9.6 million in 2023, a 38 percent increase.

It is noteworthy though that as a percentage of total arrivals, stop-over visitors to The Bahamas have declined in relation to cruise visitors, from an average of 25 percent per annum over the 2015-2019 period, to an average of 21 percent per annum between 2022 and 2023. This shift points to a likely decline in the marginal spending benefit to the economy of the increases in arrival numbers since 2022.

CBL'S PERFORMANCE

In terms of net revenue, 2023 saw 5 percent growth year-on-year, driven mainly by volume increase and mix, thus achieving its targets for the year. The result reflects CBL's ability to maintain a commanding position in the beverage sector, which is noteworthy considering the number of significant participants in the market, post-Covid dynamics around imbalanced inventories and consumers reshuffling their baskets of goods.

GOING FORWARD

This dynamic environment offers an important new opportunity for well-positioned commercial enterprises such as CBL to influence, or even define, what their place will be, and how they benefit in and from a growing, increasingly efficient and rapidly more competitive economy.

Post-Covid demand is slowing down, even in the United States, and market supply is becoming saturated. CBL is well-positioned to navigate these trends with locally-produced and distributed products, continued innovation, and an increased focus on customer service. With these tools we will be well positioned in The Bahamas beverage market in the years to come, and continue to satisfy shareholders with the result and return on their investment.

As always, I thank our shareholders, team members, commercial partners and faithful customers for their continuing dedication.

JULIAN W. FRANCIS | **CHAIRMAN**

MANAGING DIRECTOR'S REPORT

ANCA OLTEANEU

OUR RESULTS

I am pleased to share that, 2023 has been a good year for CBL in which we were able to meet our targets of increased revenue and sales, despite increased inflationary pressures and limited price increases passed on to our consumers and customers.
This year we continued to heavily invest in our brands and capabilities while maintaining our productivity commitments and delivering balanced results top and bottom line.
Results are noteworthy in the context of evolving post Covid market dynamics and changing consumers preferences in certain alcohol beverage categories.

STRATEGIC DIRECTION

We are now well ahead into our Evergreen Strategy execution that 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.

Our integrated Evergreen strategy is built on 5 essential and focused pillars:

- 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

For 2024, we expect the market developments and post-Covid trends to remain a factor of uncertainty that may impact our business. We are also paying close attention to the US beverage alcohol market that has been negatively impacted across the board by high inventory levels, tighter disposable incomes, and rapid change in consumer preferences.
In this context, our focus going forward will be on growth by continuing to invest behind our brands, innovations meant to capture new trends and consumer preferences, commercial capabilities and route-to-consumer.

THANK YOU

Would like to thank our shareholders for their trust and commitment to us. We are pleased to announce that CBL has distributed dividends totaling $13.8 million, which represents 119% of our total net income for the year. This marks the highest dividend payout since 2017 and underscores our commitment to delivering substantial returns to our shareholders.

Would also want to extend a "thank you note" to all of our employees for their level of commitment, our partners and suppliers for their support and collaboration during 2023, and express our gratitude to our consumers and customers.

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 | DIRECTOR

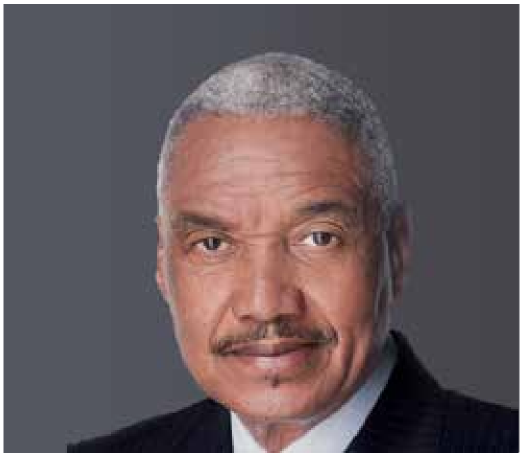
Mr. Fields is the Director of Business Development for Nassau Cruise Port Ltd. and has a vast knowledge of and experience in the Public Relations, Financial Services, Insurance and Hospitality Industries. Mr. Fields has more than 20 years' experience as Senior Vice-President of Public Affairs and Retail 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.

PIOTR NOWAKOWSKI | DIRECTOR

Mr. Nowakowski is the Chief Financial Officer of Heineken Americas, a position he's held since March 2024. Mr. Nowakowski has worked for 25 years in the Heineken company in various countries and on various positions within the Finance Function. Most recently he held the position of Chief Financial Officer of Heineken Brazil, one of the biggest operations of Heineken globally. Mr. Nowakowski holds a Master of Science in Economics degree from Academy of Economics in Katowice, Poland.

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



LESLIE MILLER | DIRECTOR

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.

EXECUTIVE MANAGEMENT TEAM

ANCA OLTEANU
MANAGING DIRECTOR

JAMES KOMOR
FINANCE DIRECTOR

NATASHA O'BRIEN
SUPPLY CHAIN DIRECTOR

ANDRE WOLDT
MARKETING DIRECTOR

PAUL HAVEN
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 2023 Financial Year saw Commonwealth Brewery (CBL) continued to produce revenue growth, driven by a balance of volume growth, strategic pricing, and better mix of products sold. As a result, CBL's revenue increased by $6M, or 5%, at the end of the year, compared to the previous period. This increase was driven mainly by our locally produced products – Kalik, Guinness, Heineken, Eclipse, Vitamalt - and imported spirits through our strategic partnerships with Moet Hennessy and Diageo. On-premises channels grew fastest thanks to continued growth in the tourism sector and the roll-out of our cash & carry program. We also realized strong growth in the off-trade channel through 700 Wines & Spirits and our off-trade customers.

OPERATING EXPENSES

Input costs increased throughout the portfolio due to higher prices from suppliers coupled with increased transportation costs. On top of this Commonwealth Brewery continued to invest in its brands and its people in 2023, to be well prepared for the future and drive long-term superior balanced growth. Operating expenses were further impacted by increase in non-trading expenses following thorough review of aged items in the balance sheet. This resulted in total operating expenses increasing by $8M during the year--an increase of 8%. The company was able to identify specific cost mitigations and gross savings to partially offset inflationary pressures. Overall, total net profit for the year 2023 came in at $11.6M which was a decrease of -$2.1M compared to the previous period which is excluding a +$6.7m revaluation gain. CBL will continue to focus on the execution of the EverGreen strategy to drive superior balanced growth.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents amounted to $7.6M at December 31st, 2023 which represented a $3.1M decrease when compared to 2022. This decrease was mainly the result of the increased inventory levels and based on a cash surplus, the company paid a $7.8M interim dividend in December 2023. A net increase of $2.7M in Trade Receivables was attributed to the increase in economic activity during the last month of the year, as trade customers prepared for the holiday season. Property, plant & Equipment increased $5.5M as the Company remains committed to future investments.

CAPITAL RESOURCES

On December 31, 2023, 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, 2023, 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 shortterm 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, 2023 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

Several transactions and agreements are in place between CBL and other entities of the Heineken 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 15 of the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Note 3 of the consolidated financial statements outline material 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.

Rake-and-scrape or Soca. Junkanoo or Carnival. Pancakes or boil' fish. Whether your naval string is buried in the backyard or lost in the landfill…

No matter where you sit, we're all #ProudToBe Bahamian.

That's why KALIK, The Beer Of The Bahamas, marked the 50th Anniversary of Independence by showcasing all the ways we feel Bahamian today.

We asked Bahamians what made them #ProudToBe Bahamian, starting a national conversation where all voices could be heard. We showcased the best the Bahamas has to offer, and inspired with limited-edition bottles featuring uplifting lines from our national anthem.

Together with the people, we honoured our heritage, celebrated our cultural identity, and shared our national pride – showing that Kalik really is The Beer Of The Bahamas.

Proud To Be
FIFTY
HAPPY 50TH INDEPENDENCE
MARCH ON
GLORY
LIFT UP
EXCEL
UNITY
SCAN ME
Grab a KALIK
Scan a KALIK

KALIK

FIFTY
Proud To Be
FIFTY

LIMITED EDITION
SLEEK CANS
SAME GREAT BEER.
NEW FRESH LOOK.
Proud To Be
FIFTY
KALIK
LIMITED EDITION
KALIK
LIMITED EDITION
KALIK
SCAN QR ON CAN

Proud To Be
FIFTY

Proud To Be
FIFTY
National Anthem Video
SCAN TO WATCH FULL VIDEO
A. MAJOR
Sweet Emily
NEHEMIAH HIELD
KELSEY MARIE
JUDAH THA LION
Charisa Smith

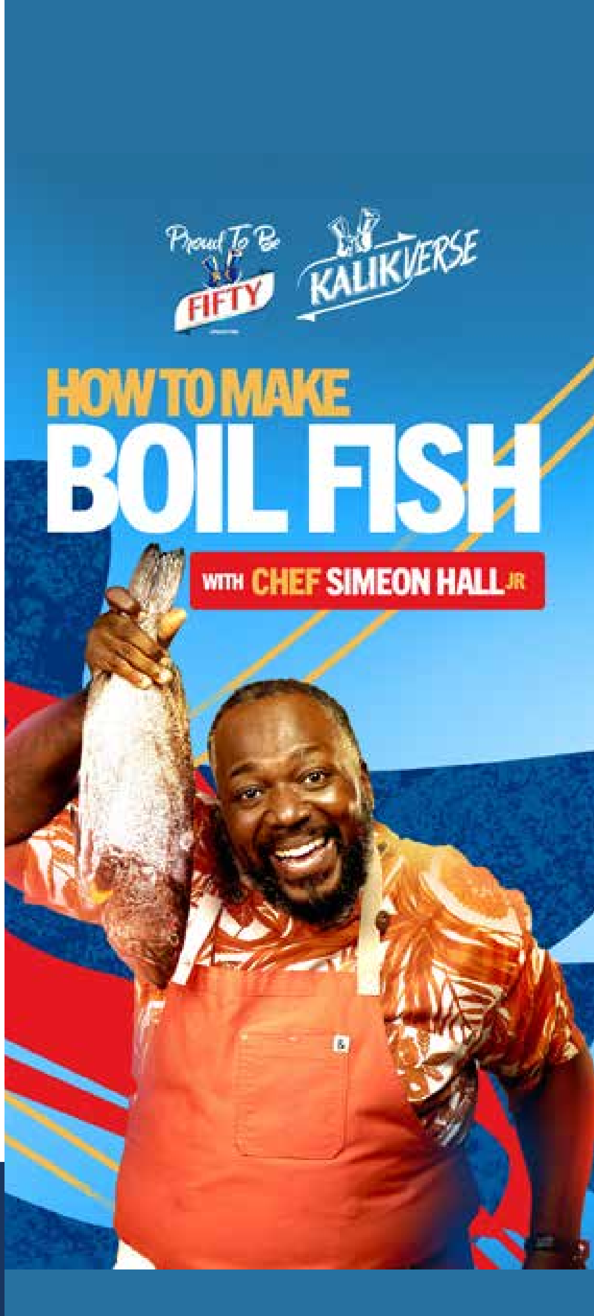
KALIK: PROUD TO BE

2023 saw 50 years of independence for The Bahamas – a time for celebrating, for remembering, and for reflecting on what it means to be Bahamian today. Kalik, The Beer of The Bahamas, marked this milestone with its 'Proud to Be' campaign – celebrating the many ways in which people feel "Proud to be" Bahamian. Partnering with local influencers and subject-matter experts, Kalik hit the streets to ask locals about their unique Bahamian experience:

What is real Bahamian music? What is the ultimate Bahamian Sunday dinner plate? Grouper or Sapper? and of course…what is your favourite conch dish?

The responses were as colourful and interesting as you'd expect from Bahamians, and it led to some of the brand's most engaging social content – connecting with Bahamians like never before.

In a year of national pride celebrating what it means to be Bahamian, Kalik showed it deserves its reputation as The Beer of The Bahamas.



WELCOME TO THE KALIKVERSE

The celebration of national pride continued with an immersive digital journey into Bahamian culture like no other: the "Kalikverse". Each limited-edition 'national anthem' bottle of Kalik featured a QR code, which consumers could scan to enter the Kalikverse – a unique augmented reality platform.

Kalik fans could explore a range of content curated by the Kalik team each month, create their own 'Proud to Be' selfies, and even join in the cultural referendum with a head-tilt.

The exclusive content showcased the best of Bahamian culture and aimed to make our rich cultural history more accessible – with everything from how to make conch salad and boil fish, to the history of one of the country's most historic Junkanoo groups, to a recap from Tonique Williams-Darling on how she felt running to the finish line to win the country's first individual Olympic gold medal in track and field.

The Kalikverse created the ultimate celebration of everything Bahamian, in a year full of celebrations – and put it right in the palm of your hand!

The excitement generated by this unique consumer experience helped the brand see +12% volume growth, with 14,000 bottles being scanned during the campaign.

HEINEKEN SILVER TAKES OVER BAHAMAS CARNIVAL

Around the world, the start of the summer sees the return of concerts and music festivals of every kind – and it's no different here in the Bahamas. This took on even more meaning in 2023, as the Bahamas Carnival Concert series returned to the celebration scene after a 3-year hiatus due to COVID-19.

The 3-day event made a splashy return to the island of New Providence with an exciting lineup of international artists like Bunji Garlin and the legendary Buju Banton – and proved the perfect place to launch the new Heineken® Silver.

Inspired by the new ways we gather together to celebrate and enjoy live performances, and driven by the creativity and innovation of the 'new normal', the focus was to elevate and enhance concertgoers' experience and provide thoughtful and exciting new elements to transform what a carnival concert in The Bahamas can be.

The highly-anticipated return of this event deserved something extra special, and CBL and the Heineken® team delivered: the debut of Heineken® Silver. "We were so excited to be able to create an unforgettable experience for the return of the Carnival Concert Series by launching our newest product, Heineken® Silver. The beer is light and refreshing and this made for the perfect outdoor event to launch the brand." said Markita Stubbs, Heineken Brand Manager for CBL.

Attendees were welcomed by lights which drew them towards a vibrant tunnel-like entrance, and were greeted with perfectly-chilled, complimentary Heineken® Silver. Guests could be seen hopping into the 360 photobooth set up, excited to capture the beginning of an evening they were sure to never forget.

The return of the Bahamas Carnival Concert series after 3 years proved a vibrant and exciting new beginning – for Heineken® Silver and the Carnival experience itself. Cheers to new beginnings. . .and cheers to no bitter endings!

RICARDO HARD SWITCHA

In a year of celebrating being Bahamian, Ricardo Rum – famous as the "Rum of The Bahamas" – brought the celebration directly to the people in a way which resonated deeply with consumers.

Marking the occasion with a brand-new way to enjoy Ricardo Rum, renowned restaurants like Da Art District and Crew House introduced Ricardo Hard Switcha, a refreshing flavoured lemonade infused with Ricardo Gold rum, featuring tantalizing flavours such as mango, strawberry, and passionfruit.

Setting up vibrant pop-up bars, Ricardo Rum's team greeted patrons with samples of Hard Switcha, creating an immersive experience that encouraged orders by the pitcher. The campaign didn't stop at just serving drinks; it also created a wave of brand visibility. Pop-up bars were adorned with Ricardo-branded facades, sail flags, cups, napkins, and t-shirts, ensuring the brand's presence was felt throughout the venues.

The interactive approach was complemented by a giveaway of Ricardo-branded merchandise, further endearing the brand to new and loyal customers alike.

Ricardo Hard Switcha, made with Ricardo Gold, White, and Anejo rums, all crafted in The Bahamas at Commonwealth Brewery, was the star of the campaign. This initiative highlighted the versatility and appeal of the "Uniquely Bahamian" flavours and reinforced Ricardo Rum's standing as a beloved national brand.

This vibrant and strategic campaign's success is a testament to Ricardo Rum's commitment to delivering authentically Bahamian experiences and flavours, cementing Ricardo Rum's reputation as the quintessential "Rum of the Bahamas".

VITAMALT GIVES BACK TO THE COMMUNITY IN A BIG WAY

Beloved brand Vitamalt made its return to the Wulff Road Community and neighbouring areas, hosting its annual Back-to-School event with the support of several new and returning partners. During the event, over 2,500 students eagerly jumped in the bouncing castle, had their faces painted, or played with the many lawn games in the park. Parents accompanying the excited students were treated to delicious free hot dogs, cheesy pizza, and ice-cold Vitamalt as they watched their children at play.

The group of corporate sponsors that came alongside Vitamalt for the event comprised The Bahamas Telecommunications Corporation (BTC), Cash & Go, BAF Financial and Insurance, Caribbean Bottling Company, Marco's Pizza, and The University of The Bahamas. Students received complimentary haircuts in addition to backpacks outfitted with stationery supplies and lunch boxes thanks to the support and contributions from partners.

2023 marked Vitamalt's 5th year hosting the highly anticipated back-to-school event and is just one of many brand-led community events during 2023. The brand has also proudly supported local initiatives like the Jay Fitness Autism Awareness 5K Fun, Run, Walk, the 50th Carifta Games, and several other community-focused events.

HENNESSY IN THE PAINT LEAVES ITS MARK IN THE BAHAMAS

Hennessy In the Paint is a transformative global initiative marrying the worlds of art and basketball to create vibrant spaces of unity and inspiration. With a commitment to community engagement and revitalization, Hennessy collaborates with local artists to breathe new life into neglected basketball courts. The courts are transformed into colourful canvases, reflecting the diverse cultures and communities that gather to enjoy both the sport and the arts.

The Bahamas was one of four Caribbean countries to unveil its contributions in 2023, with the induction of 12 additional courts expected before the end of 2024. Bahamian native and award-winning artist, Stefan Davis, professionally known as 'Stefan Legend', joined the list of talented artists around the world who have worked in partnership with the brand to curate unique art installations for local basketball courts.

The Tom "The Bird" Grant Sporting Complex in the Yellow Elder community of New Providence was transformed into Davis' largest canvas to date. "We hope that this partnership with the Yellow Elder community served as an inspiration, that the significance of the mural elements incites drive, that Stefan's journey as a self-taught artist provokes passion, and that the words "game never stops" motivates a world of endless possibilities," said Pareece Johnson, Hennessy Brand Manager.

Hennessy Bahamas also welcomed Joakim Noah, former NBA player, and Hennessy In The Paint Ambassador, to the unveiling of the newly renovated basketball courts, where Noah teamed up with members of the Bahamas Basketball Federation for a light-hearted game during the celebrations.

BAREFOOT WINE BEACH CLEAN-UP

Barefoot Wines, the local champion known for keeping our beaches and ocean clean, partnered with local organizations and took to the shores of Adelaide Beach to engage in an exciting day of community service in observance of International Coastal Clean Up Day.

This global initiative is geared towards highlighting the importance of keeping our coastal areas and waterways litter-free. Each year Barefoot Wines proudly partners with various Rotary Clubs, The University of The Bahamas, and other affiliates, together making up the 150 volunteers that participate in the cleanup.
Corporate partners, Avery's Restaurant, Bahamas Waste, Kiwanis, Phi Beta Sigma Fraternity, and Suntera Global provided support, and Member of Parliament for Golden Isles and Minister for Environment and Natural Resources, Vaughn Miller, took part in the clean-up efforts alongside members of the Adelaide Community Outreach Group.

Altogether the group was able to remove more than 70 bags of debris from the beach and was install 15 new garbage bins that were donated to the community. CBL is committed to supporting initiatives that promote sustainability within our communities and Barefoot Wines will continue to champion efforts to keep The Bahamas' beaches and coastal areas clean.

SPONSORSHIP IMPACT

CBL has continued to be a major contributor in the Bahamian community. As our business reaches across the archipelago, so does our community engagement and impact.

EDUCATION AND YOUTH ENGAGEMENT – $250,000 to UB's Educational Fund, supporting various youth programs in country such as Junior Achievement Bahamas, Journeys International, Junior Baseball League of Nassau, Bahamas Primary School Student of the Year Foundation and Governor General's Youth Award.

HUMAN HEALTH & WELLBEING – CBL supported Lupus 242 Association with a monetary donation and provided product for their fun run walk. Employees participated in "Put on Purple" Friday followed by a purple themed mixer to create awareness about Lupus.

ARTS AND CULTURE – The Bahamas National Youth Choir is a group of young talented Bahamians keeping our culture alive through music and the arts. CBL didn't hesitate to support this organization for the second year in a row.

TRANSFORMATIVE AND SUSTAINABLE COMMUNITIES – With our partner Rotary Club of Old Fort and other community organizations, we organized Barefoot beach cleanups in April and September 2023. As part of our mission to "Brew a Better World", our employees also volunteered.

SUPPORTING EMERGENCY PREPAREDNESS & RESPONSE – CBL is pleased to support the ongoing work of The Bahamas Red Cross with a donation to their annual ball. Proceeds from this fundraising event assist key functions of the Red Cross which include food and disaster relief.

When we invest in our community through these priorities, we build a brighter future for The Bahamas, as well as for CBL.

COMMUNITY NEWS

RED RIBBON BALL

Anticipation filled the air when The Bahamas AIDS Foundation announced, "The Ball is back" under the magical theme of "1001 Arabian Nights". CBL, a strategic partner since 2015, contributed a donation, plus the Grand Prize of a trip for two to the Santa Margherita Vineyards in Portogruaro, Italy, and wine for the event.

"AIDS is a very present issue in this country still, and we still have adolescents and children living infected and affected with HIV and AIDS that we need to support. There are patients needing food and medication. We are grateful for companies such as Commonwealth Brewery Limited who support this worthy cause on an annual basis" said Arame Ford, AIDS Foundation Committee Member.

In addition to supporting the annual ball, CBL's office spaces and retail locations have been utilized by the foundation for special meetings and fundraising activities. We are committed to doing our part to sensitize the Bahamian public on this worthy cause.

THE BAHAMAS FEEDING NETWORK

CBL joins the fight against hunger, providing a donation to the Bahamas Feeding Network.

This monetary support offered flexible assistance to the non-profit organization which distributes food items to its hundreds of feeding centres and programs throughout The Bahamas.

The aim of the Network is to perform as a hub for the collection and distribution of food items and financial and physical resources to the entities that interact daily with thousands throughout the archipelago plagued with the uncertainty of knowing where their next meal is coming from.

The Network has more than 100 feeding centres/programs in New Providence and the Family Islands.

CANS FOR KIDS

As a sponsor of the 50th Carifita Games, CBL provided recycle bins from "Cans for Kids" in all areas where CBL set up.

Cans for Kids is a non-profit organization that raises funds for schools and youth organizations through the recycling of aluminium cans.

CBL is proud to support this organization and believes that recycling has long-term benefits for our business and community.

SUSTAINABILITY

2023 saw CBL roll out new sustainable packaging for all Vitamalt beverages sold by the case as part of our "Brew a Better World" sustainability strategy.

This move to utilize craft boxes rather than traditional corrugated cardboard is another step toward achieving our goal of becoming a low-carbon operation.

"There is no time like the present to start adding more sustainable practices into our everyday lives. Apart from the standard recycling habits, the Vitamalt brand decided to be an early adopter of utilizing eco-friendly cartons across the region," shared Densil Deveaux, Brand Manager for Vitamalt at CBL. "Our choice to use biodegradable materials will assist us in helping with the global fight against harmful chemicals being released in our environment."

Anca Olteanu, Managing Director, added: "Holding our value to Care for People & Planet, we are keeping sustainability at the forefront of our innovations. Step by step, we will extend our efforts throughout our brand delivery and packaging design. We encourage our consumers to join us on our sustainability journey."

When consumers buy Vitamalt, they are choosing a brand that prioritizes the environment.


KALIK
LIGHT
KALIK
LIGHT

CONSOLIDATED FINANCIAL STATEMENTS

COMMONWEALTH BREWERY LIMITED

YEAR ENDED DECEMBER 31ST, 2023

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and Management Consultants
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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, 2023, 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 material accounting policy information.

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, 2023, 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, 2023 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. There are a number of underlying assumptions used to determine the value-in-use, including the long-term growth and discount rate applied on net cash-flows. 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.

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 scepticism 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
May 30, 2024

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Financial Position

As at December 31, 2023, with corresponding figures for 2022
(Expressed in Bahamian dollars)

	Note(s)		2023	2022
Assets				
Current assets:				
Cash and cash equivalents	4	$	7,636,646	10,783,179
Trade receivables, net	5		6,165,371	3,491,290
Prepaid expenses and other assets	6		4,084,135	6,403,972
Inventories	7		30,149,599	26,418,447
Total current assets			48,035,751	47,096,888
Non-current assets:				
Right of use asset	8		6,560,940	8,972,772
Property, plant and equipment	10		47,103,591	41,520,503
Goodwill	9		4,487,242	4,487,242
Other intangible assets	11		1,410,087	1,878,085
Total non-current assets			59,561,860	56,858,602
Total assets		$	107,597,611	103,955,490
Liabilities and equity				
Current liabilities:				
Accounts payable and accrued expenses	12	$	17,772,895	16,318,479
Short-term lease liability	23		2,128,748	2,440,283
Total current liabilities			19,901,643	18,758,762
Non-current liabilities:				
Long-term lease liability	23		4,882,101	6,951,632
Total liabilities			24,783,744	25,710,394
Equity:				
Share capital	13		150,000	150,000
Share premium			12,377,952	12,377,952
Contributed surplus			16,351,369	16,351,369
Revaluation surplus	10		16,083,580	9,284,462
Retained earnings			37,850,966	40,081,313
Total equity			82,813,867	78,245,096
Total liabilities and equity		$	107,597,611	103,955,490

These consolidated financial statements were approved for issue on behalf of the Board of Directors on May 30, 2024 by:

Julian Francis _____ Director

_______________________ Director

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2023, with corresponding figures for 2022
(Expressed in Bahamian dollars)

	Note(s)		2023	2022
Income:				
Revenue	24	$	138,922,023	134,989,917
Excise			(7,313,752)	(9,677,692)
Net revenue			131,608,271	125,312,225
Operating expenses:				
Raw materials, consumables and services	17		93,331,115	85,070,125
Personnel costs	15, 18		19,589,505	19,251,892
Depreciation	10		6,203,855	6,450,587
Amortisation	11		478,872	457,636
Total operating expenses			119,603,347	111,230,240
Other income	16, 27		536,508	53,850
Results from operating activities			12,541,432	14,135,835
Finance expenses	8, 27		971,779	456,335
Total net profit	19, 24	$	11,569,653	13,679,500
Other comprehensive income				
Gain on revaluation	10		6,799,118	-
Total net profit and comprehensive income		$	18,368,771	13,679,500
Basic and diluted earning per share	19	$	0.39	0.46

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2023, with corresponding figures for 2022
(Expressed in Bahamian dollars)

		Share Capital	Share premium	Contributed Surplus	Revaluation surplus	Retained earnings	Total equity
Balance as at 31 December 2021	$	150,000	12,377,952	16,351,369	9,284,462	32,401,813	70,565,596
Net profit		-	-	-	-	13,679,500	13,679,500
Transactions with owners recorded directly to equity:							
Dividends declared $0.20 per share	(Note 20)	-	-	-	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2022		150,000	12,377,952	16,351,369	9,284,462	40,081,313	78,245,096
Net profit		-	-	-	6,799,118	11,569,653	18,368,771
Transactions with owners recorded directly to equity:							
Dividends declared $0.46 per share	(Note 20)	-	-	-	-	(13,800,000)	(13,800,000)
Balance at December 31, 2023	$	150,000	12,377,952	16,351,369	16,083,580	37,850,966	82,813,867

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED
Consolidated Statement of Cash Flows

Year ended December 31, 2023, with corresponding figures for 2022
(Expressed in Bahamian dollars)

	Note(s)		2023	2022
Cash flows from operating activities				
Net income		$	11,569,653	13,679,500
Adjustments for:				
Depreciation	10		6,203,855	6,450,587
Amortisation	11		478,872	457,636
Impairment loss recognized on cash and cash equivalents and trade receivables	17		1,083,213	1,120,425
Impairment loss on prepaid expenses and other assets			2,031,704	-
Interest expense			424,136	635,097
Net cash from operations before changes in working capital			21,791,433	22,343,245
Changes in working capital	21		(5,745,897)	(7,094,236)
Net cash from operating activities			16,045,536	15,249,009
Cash flow from investing activities				
Additions to property, plant and equipment	10		(2,575,993)	(2,124,290)
Additions to intangible assets	11		(10,874)	(637,736)
Repayment of lease liability			(2,381,066)	(2,331,465)
Proceeds from sale of property, plant and equipment			-	694
Net cash used in investing activities			(4,967,933)	(5,092,797)
Cash flows from financing activities				
Dividends paid			(13,800,000)	(6,000,000)
Other Financing cost - stamp duty			-	(71,333)
Repayment of loans and borrowings			-	(4,999,995)
Interest paid			(424,136)	(635,097)
Net cash used in financing activities			(14,224,136)	(11,706,425)
Net decrease in cash and cash equivalents			(3,146,533)	(1,550,213)
Cash and cash equivalents, beginning of year			10,783,179	12,333,392
Cash and cash equivalents, end of year	4	$	7,636,646	10,783,179

See accompanying notes to consolidated financial statements.

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 accounting standards / amendments and International Financial Reporting Standards (IFRS) interpretations that are effective for the year ended December 31, 2023

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The following amendments and interpretations are effective for the year ended December 31, 2023.

IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)

The Group has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

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

2.1 New accounting standards / amendments and International Financial Reporting Standards (IFRS) interpretations that are effective for the year ended December 31, 2023 (*continued)*

The Group does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

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

2.1 New accounting standards / amendments and International Financial Reporting Standards (IFRS) interpretations that are effective for the year ended December 31, 2023 (continued)

The Group has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

2.2 New accounting standards and IFRS interpretations that are 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 financial statements of the Group.

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

2.2 New accounting standards and IFRS interpretations that are not yet effective (continued)

New and amended Standards		**Effective for annual periods beginning on or after**
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
Amendments to IAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1 Presentation of Financial Statements	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments	Disclosures - Supplier Finance Arrangements	January 1, 2024
Amendment to IFRS 16 Leases	Lease Liability in a Sale and Leaseback	January 1, 2024

(*) The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

3. Material accounting policy information

Following is a summary of the material accounting policy information 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").

3. Material accounting policy information *(continued)*

(b) *Basis of preparation*

These consolidated financial statements are prepared under the historical cost convention, except for land and buildings included in property, plant and equipment, which are carried at revalued amounts.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability 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;
- 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.

3. Material accounting policy information *(continued)*

(c) *Basis of consolidation (continued)*

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's 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.

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.

3. Material accounting policy information *(continued)*

(e) ***Use of estimates and judgements*** *(continued)*

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(f)	Financial instruments
Note 3(h)	Trade receivable
Note 3(i)	Inventories
Note 3(j)	Property, plant and equipment
Note 3(l)	Impairment
Note 3(p)	Provisions
Note 9	Goodwill
Note 14	Commitments and contingencies

(f) ***Financial instruments***

All regular way purchases or sales of financial assets are recognised and derecognized 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.

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.

3. Material accounting policy information *(continued)*

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

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 deposits held with banks with an original maturity of ninety days or less.

(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.

3. Material accounting policy information *(continued)*

(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.

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.

3. Material accounting policy information *(continued)*

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

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. Goodwill represents the excess of the cost of acquisition over the net fair value of the identifiable assets and liabilities of Butler & Sands Company Limited and its subsidiaries recognised at the date of acquisition less accumulated amortisation thereon to December 31, 2004, at which time amortisation ceased and goodwill was deemed to have an indefinite useful life. Thereafter, goodwill is tested for impairment annually.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The computer software is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is computed on the straight-line method over an estimated useful life of up to five years.

(l) *Impairment*

Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

3. Material accounting policy information *(continued)*

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

Non-financial assets (continued)

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised except for assets normally carried at revalued amounts.

(m) ***Related parties***

A related party is a person or entity that is related to the entity that is preparing its consolidated 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.

3. **Material accounting policy information** *(continued)*

(m) ***Related parties*** *(continued)*

(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.

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

(i) 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.

3. Material accounting policy information *(continued)*

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

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.

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.

3. Material accounting policy information *(continued)*

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

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.

(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.

3. Material accounting policy information *(continued)*

(r) *Revenue recognition* *(continued)*

Products sold (continued)

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

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

Services

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

Customer loyalty programme

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

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

(s) *Employee benefits*

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to the fund. The Group has no legal or constructive obligation to pay further contributions. Contributions to the Group's defined contribution pension plans are recognised as an employee benefit expense in the consolidated statement of profit or loss and other comprehensive income in the periods during which services are rendered by employees.

3. Material accounting policy information *(continued)*

(s) ***Employee benefits*** *(continued)*

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

(t) ***Finance income***

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

(u) ***Earnings per share***

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

(v) ***Dividends***

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

(w) ***Operating segments***

Business segments are components of an enterprise about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance.

Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments.

For management purposes, the Group is currently organised into two business segments: (i) Wholesale and (ii) Retail. These divisions are the basis on which the Group reports its operating segment information.

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

On 1 January 2015, the Bahamas Government implemented a consumer VAT. Output VAT related to the sale of goods is payable to the Government upon delivery of goods and property rights to customers. Input VAT related to goods and services purchased is generally recoverable against output VAT. It is presented net on the Consolidated Statement of Financial Position as it is off set and settled on a net basis.

(Expressed in Bahamian dollars)

3. Material accounting policy information *(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

		2023	2022
Cash on hand	$	20,275	89,001
Cash held with banks		7,616,371	10,694,178
Cash and cash equivalents	$	7,636,646	10,783,179

The Group has an unsecured overdraft facility of $3,000,000 (2022: $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. At December 31, 2023, the balance of the facility used was $nil (2022: $nil).

5. Trade receivables, net

		2023	2022
Trade receivables, gross	$	7,391,936	5,368,536
Allowance for doubtful debts		(1,226,565)	(1,877,246)
	$	6,165,371	3,491,290

Aging analysis of trade receivables, gross, as at December 31, 2023:

December 31st 2023	**Not past due**	**0-30 days**	**31-180 days**	**> 180 days**	**Total**
Expected Credit Loss Rate	0%	12%	38%	90%	
Estimated total gross carrying amount at default	3,796,293	2,120,433	723,170	773,889	7,413,785
Lifetime ECL	-	(253,359)	(275,590)	(697,616)	(1,226,565)

December 31st 2022	**Not past due**	**0-30 days**	**31-180 days**	**> 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)

(Expressed in Bahamian dollars)

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

		2023	2022
Balance at beginning of the year	$	1,877,246	1,309,956
Increase in allowance		650,681	567,290
Amounts written off as uncollectible		(1,301,362)	-
Balance at end of the year	$	1,226,565	1,877,246

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

		2023	2022
The Bahamas	$	7,310,155	5,296,176
Caribbean		-	-
Europe		81,781	72,360
United States of America		-	-
	$	7,391,936	5,368,536

6. Prepaid expenses and other assets

		2023	2022
Other receivables	$	2,929,731	4,397,981
Prepaid expenses		1,154,404	2,011,182
		4,084,135	6,409,163
Allowance for doubtful debts		-	(5,191)
	$	4,084,135	6,403,972

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

		2023	2022
Balance at beginning of the year	$	5,191	5,191
Reversal of allowance		(5,191)	-
Balance at end of the year	$	-	5,191

(Expressed in Bahamian dollars)

7. Inventories

		2023	2022
Goods bought for resale	$	17,761,316	15,987,495
Raw materials and packaging		6,389,903	7,490,692
Finished goods		2,794,565	1,426,064
Spare parts		1,962,093	1,710,025
Work-in-progress		859,024	544,502
Other stock items		650,336	173,114
		30,417,237	27,331,892
Provision for obsolescence		(267,638)	(732,564)
	$	30,149,599	26,599,328

Movement in the provision for obsolescence:

		2023	2022
Balance at beginning of year	$	732,564	354,707
Increase in provision		-	377,857
Decrease in provision		(464,926)	-
Balance at end of year	$	267,638	732,564

As outlined in note 17, the cost of inventories recognized as an expense during the year was $65,776,292 (2022: $59,551,003).

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		**2023**	**2022**
Real estate	$	6,345,139	8,520,406
Motor vehicles		215,801	452,366
Carrying amount ROU assets	$	**6,560,940**	8,972,772

Depreciation of ROU assets		**2023**	**2022**
Real estate	$	2,175,267	2,005,343
Motor vehicles		236,565	326,121
Carrying amount ROU assets	$	**2,411,832**	2,331,464

Interest expense on lease liabilities during the year was $421,584 (2022: $442,580).

(Expressed in Bahamian dollars)

9. Goodwill

Goodwill comprises the following:

	2023	2022
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:

	2023	2022
WACC	12.72%	13.00%
Expected growth rate (short term and terminal)	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, 2023 and 2022.

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.

COMMONWEALTH BREWERY LIMITED
Notes to Consolidated Financial Statements

Year ended December 31, 2023
(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, 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	-	(1,651,441)	-
Balance at December 31, 2022	6,740,000	26,526,892	41,820,841	26,075,081	1,776,359	1,525,625	104,464,798
Revaluation	3,540,776	3,258,342	-	-	-	-	6,799,118
Additions	-	176,585	1,208,337	1,106,530	11,102	73,439	2,575,993
Transfers	-	-	-	-	-	-	-
Balance at December 31, 2023	10,280,776	29,961,819	43,029,178	27,181,611	1,787,461	1,599,064	113,839,909
Accumulated depreciation:							
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
Depreciation	-	901,495	1,013,431	1,821,969	55,128	-	3,792,023
Balance at December 31, 2023	-	5,642,595	35,707,210	23,692,386	1,694,127	-	66,736,318
Net book value:-							
December 31, 2023	10,280,776	24,319,224	7,321,968	3,489,225	93,334	1,599,064	47,103,591
December 31, 2022	6,740,000	21,785,792	7,127,062	4,204,664	137,360	1,525,625	41,520,503

(Expressed in Bahamian dollars)

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

Depreciation	2023	2022
Depreciation	3,792,023	4,119,123
Depreciation of ROU assets	2,411,832	2,331,464
	6,203,855	6,450,587

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, 2023 by a qualified independent appraiser, using the both the cost approach and income approach at a discount rate ranging from 10% to 11%. This resulted in a gain of $6,799,118 (2022: $nil).

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 $6,799,118 (2022: $nil) 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 $5,657,350 (2022: $5,657,350) and of buildings would have been $12,103,308 (2022: $12,853,598).

11. Other intangible assets

Intangible assets consist of computer software as follows:

	2023	**2022**
Cost:		
Balance at January 1	6,774,468	6,136,732
Additions	10,874	637,736
Balance at December 31	6,785,342	6,774,468
Accumulated amortisation:		
Balance at January 1	4,896,383	4,438,747
Amortisation	478,872	457,636
Balance at December 31	5,375,255	4,896,383
Net book value:	**1,410,087**	**1,878,085**

(Expressed in Bahamian dollars)

12. Accounts payable and accrued expenses

Accounts payable and accrued expenses comprise the following:

	2023	**2022**
Accounts payable - third parties	10,690,509	8,953,434
Accounts payable - related parties	2,079,657	1,915,436
Accrued expenses	5,002,729	5,449,609
	17,772,895	16,318,479

13. Share capital

Authorised, issued and fully paid share capital at December 31, 2023 and 2022:

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

14. Commitments and contingencies

Other commitments and contingencies

At December 31, 2023 the Group was contingently liable under customs bond guarantees of $1,798,906 (2022: $1,886,895). These facilities are under joint and several liability of the Group in favor of each other.

At December 31, 2023 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.

At December 31, 2023 the Group was contingently liable to Anheuser-Busch International over the termination of a distribution license. The matter is pending appeal 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, 2023 the Group had Corporate Credit Card issued to the Management Team of $70,000 (2022: $70,000) in collective credit.

(Expressed in Bahamian dollars)

15. Balances and transactions with related parties

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

	2023	2022
Balances with the Parent		
Trade receivables, net (note 5)	81,781	72,360
Accounts payable and accrued expenses (note 12)	1,609,802	1,443,313
Transactions with the Parent		
Know-how fee (note 18)	529,297	481,348
IT related and other fee (note 18)	2,258,246	1,983,502
Royalties (note 18)	266,201	249,532
Balances with affiliates		
Accounts payable and accrued expenses (note 12)	407,133	390,214
Royalties (note 12)	62,722	81,909
Transactions with affiliates		
IT related fee and other fee (note 17)	603,066	379,993
Supply chain fee (note 17)	135,632	157,272
Director's fee (note 17)	42,000	42,000

Know-how fee

Effective May 18, 2010, the Group entered into an agreement with the Parent to pay 0.4% per annum of revenue to Heineken as a know-how fee. Related payments are made and/or accrued for in the normal course of business.

Royalties

Royalties are calculated as a percentage of revenue and are payable to the Parent based on the relevant agreement. Related payments are made and/or accrued for in the normal course of business.

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

Compensation of key management personnel

Compensation of key management personnel for the year ended 31 December 2023 comprised \$1,877,799 (2022: \$1,850,308) for salaries and other short-term benefits and \$29,823 (2022: \$28,760) for pension benefits.

(Expressed in Bahamian dollars)

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

Compensation of key management personnel (continued)

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 $46,947 (2022: $109,047).

16. Other (expense)/income, net

	2023	2022
Miscellaneous income	536,508	53,156
Loss on disposal of property, plant and equipment	-	694
	536,508	53,850

17. Raw materials, consumables and services

	2023	2022
Cost of inventories	65,776,292	59,551,003
Other expenses	5,509,932	4,603,921
Distribution & Marketing expenses	3,932,571	3,747,230
IT expenses	2,556,776	2,232,743
Occupancy expenses	2,027,678	2,219,896
Utilities	2,284,744	2,129,868
Royalties	2,294,783	1,841,400
Duties and taxes	1,835,566	1,818,928
Repairs & Maintenance	1,736,310	1,760,560
Bank charges	1,754,462	1,531,775
Expected Credit Loss	1,083,213	1,120,425
Insurance	1,086,612	1,113,557
Security services	922,879	919,231
Know-how fee	529,297	479,588
	93,331,115	**85,070,125**

18. Employee pension plans

In 1997, the Group commenced a defined contribution pension plan. In accordance with the terms of the plan both employer and employees are required to contribute 5% (2022: 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 $430,815 (2022: $427,228).

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.

(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 divided by the weighted average number of ordinary shares outstanding during the year.

		2023	**2022**
Net income	$	11,569,653	13,679,500
Weighted average number of shares		30,000,000	30,000,000
Basic and diluted earnings per share	$	0.39	0.46

20. Dividends

Dividends declared by the Group amounted to $13,800,000 (2022: $6,000,000). Dividends declared are based on basic earnings per share rounded to two decimal places.

The Group paid stamp duties and other financing costs of $81,274 (2022: $71,333) related to the distribution of dividends.

21. Changes in working capital

	2023	**2022**
Increase in trade receivables	(3,757,294)	(530,278)
Decrease/(increase) in prepaid expenses and other assets	2,319,837	(680,935)
Increase in inventory	(3,731,152)	(5,736,232)
Increase/(decrease) in accounts payable and accrued expenses	(577,288)	(146,791)
	(5,745,897)	(7,094,236)

22. 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	
	2023	2022
Todhunter-Mitchell Distillers Limited	100	100

23. Financial instruments and associated risks

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

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

(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 average exchange rate between the B$ and the Euro was B$1 = Euro 0.92 (2022: B$1 = Euro 0.95). The spot rate at December 31, 2023 was B$1 = Euro 0.90 (2022: B$1 = Euro 0.94).

Sensitivity analysis

A 10 percent strengthening of the B$ against the Euro at 31 December 2023 would have increased equity and net income by approximately $105,024 (2022: $105,647). This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the B$ against the Euro at December 31, 2023 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.

(Expressed in Bahamian dollars)

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

(b) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The Group's maximum exposure to credit risk is as follows:

	2023	**2022**
Cash held with banks (note 4)	7,616,371	10,694,178
Trade receivables, net (note 5)	6,165,371	3,491,290
Other receivables, net (note 6)	2,929,731	4,397,981
Balance at end of the year	16,711,473	18,583,449

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 $7,616,371 (2022: $10,694,178) 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)

23. 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	17,772,895	-	-	17,772,895	17,772,895
Short term liabilities	2,289,182	-	-	2,289,182	2,128,748
Long term lease liabilities	-	4,439,256	4,265,167	8,704,423	4,882,101
Balance at December 31, 2023	20,062,077	4,439,256	4,265,167	28,766,500	24,783,744

	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	2,571,916	-	-	2,571,916	2,440,283
Long term lease liabilities	-	5,626,413	5,597,926	11,224,339	6,951,632
Balance at December 31, 2022	18,890,395	5,626,413	5,597,926	30,114,734	25,710,394

The total cash outflow related to leases during 2023 amount to $2,802,650 (2022: $2,774,045)

24. Segment information

The Group has adopted IFRS 8, Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. This standard has been applied to all years presented in the consolidated financial statements. Information regarding the Group's reportable segments is presented below.

The Group's revenue from operations by reportable segment is as follows:

Segment revenue

	2023	**2022**
Wholesale	90,808,467	78,232,662
Retail	48,113,556	56,757,255
	138,922,023	134,989,917

(Expressed in Bahamian dollars)

24. Segment information *(continued)*

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

	2023	2022
Wholesale	7,057,488	7,797,315
Retail	4,512,165	5,882,185
	11,569,653	13,679,500

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

	2023	2022
Wholesale	68,805,740	66,476,703
Retail	38,791,871	37,478,787
Total segment assets	107,597,611	103,955,490
Unallocated	-	-
Total assets	107,597,611	103,955,490

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:

	2023	2022
Wholesale	20,804,563	21,582,434
Retail	3,979,181	4,127,960
	24,783,744	25,710,394

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

	2023	2022
Wholesale	2,343,235	1,932,346
Retail	232,758	191,944
	2,575,993	2,124,290

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

	2023	2022
Bahamas	138,861,183	134,965,581
United States	60,840	24,336
	138,922,023	134,989,917

Included in revenues arising from direct sales from the Group's wholesale segment to its customers is $10,786,208 (2022: $10,091,350) which arose from sales to the Group's top five customers.

(Expressed in Bahamian dollars)

25. Fair values of financial instruments

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

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

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

26. Capital management

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

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

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

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

27. Reclassification

During the year, the following amounts previously reported as exchange gain/loss have been reclassified to finance expenses.

	Effect on 2022
Statement of Profit or Loss and Other Comprehensive Income:	
Decrease in Other income	178,762
Increase in Finance expenses	(178,762)
There was no effect on total net profit as a result of these changes	-

28. Significant event

There have been no events subsequent to December 31, 2023 that require adjustments to or disclosure in the consolidated financial statements. We have evaluated subsequent events through May 30, 2024, the date on which the financial statements were authorized to issue.

COMMONWEALTH BREWERY LIMITED
THE BAHAMAS
Part of the HEINEKEN Company