

# evolve



COMMONWEALTH BREWERY LIMITED  
**Annual Report 2013**

**VISION STATEMENT:**

Commonwealth Brewery Limited is committed to being a stable, profitable, respected and viable Bahamian beverage company which contributes on a continuous basis to the well-being of our shareholders, employees, the Bahamian economy and society in general.

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*This Annual Report contains some forward-looking statements which readers should be cautious when interpreting. Forward-looking statements are based on a variety of unavoidable assumptions and changes in these assumptions could cause actual results to differ materially from stated expectations.*

# Introduction

## Evolve

Companies, like civilizations, must adapt to changing conditions in order to survive. But beyond mere survival, they must EVOLVE in order to thrive. Commonwealth Brewery Limited (CBL) chose the theme EVOLVE because we aim to thrive through the corporate culture that position us to do so – adaptability, flexibility, agility – traits that allow us to adjust to a dynamic, constantly changing landscape. We believe that a commitment to EVOLVE sparks vision, inspires teamwork and ignites creativity.

Long-term, our ability to thrive is dependent internally in how we value staff and externally in how we respect customers. It will be reflected in the way we give back to the country in which we operate and the respect for the planet on which we live. Taken together, those commitments prepare us to embrace change. They establish the foundation from which we EVOLVE.

We know that what we do today sets the stage for what we will be able to accomplish tomorrow. It is to that end that we share this annual report titled EVOLVE with you, our shareholders.

We selected EVOLVE as a theme not because of where we have been but because of where we are going. Our commitment to continue evolving is strong and unshakable. We believe evolution is not a luxury; it is a necessity in order to remain a significant player in the manufacturing, bottling and distribution of beer, wine and spirits in The Bahamas. We will EVOLVE to meet that changing market landscape. We will EVOLVE to meet changing consumer tastes and needs by constantly refining the selection of brands in our portfolio and by improving our service. We will EVOLVE by continually training staff, equipping them with new skills and by making CBL an ever more desirable place to work. We will EVOLVE through operating an ever more efficient brewery and recycling plant with greater output. We will EVOLVE through our ongoing growing role as corporate citizen with an integral role to fulfill in Bahamian culture.

Finally, we will EVOLVE at a pace that keeps CBL not only a valuable player and a respected corporate citizen, but makes this company the investment that you, the shareholder, values.





## Financial Highlights

BSD '000	2013	2012	2011	2010	2009	2008
Volume ('000 hectoliters)	196	199*	187	187	203	213
Revenue	119,124	118,468	113,409	109,376	111,833	113,831
Result from operating activities	19,145	19,297	17,278	19,943	16,104	14,747
Earning per share (cts)	0.64	0.64	0.58	0.74	0.57	0.46
Assets	70,163	73,280	72,008	76,967	83,363	83,165
Long term liabilities	nil	nil	nil	nil	nil	1,652
Dividends	19,200	17,400	25,153	26,268	6,850	10,250
Capital expenditure	1,721	2,445	1,314	1,404	1,885	5,236
Employees (FTE)	385	381	390	384	390	408

1 hectoliter = 100 litres or 3,381 fl. oz. (US)

\* Volume as of 2012 restated to include Free Product

# Commonwealth Brewery Limited Directors' Bios



**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 New York University.



**Nico Pinotsis**  
*President and Managing Director*

Mr. Pinotsis is the President and Managing Director of Commonwealth Brewery Limited. With more than 25 years of experience with Heineken NV, Mr. Pinotsis has operated in various capacities within the company and around the world in sales, export, brand development and management positions. He has been in Managing Director positions for the last 15 years. He holds a Master of Science degree in Naval Architecture and Shipyard Operations.



**Ed Fields**

Mr. Fields is the Senior Vice President of Retail Services and Public Affairs for Atlantis and General Manager of Ocean Club Estates and Golf Course. A well-known radio host with a diverse background, he serves as Managing Director of the Downtown Nassau Partnership and as Commissioner of the Bahamas National Festival Committee. Mr. Fields holds a Bachelor's degree in Government from St. John's University in Minnesota and a Master's degree in Public Administration from the University of Georgia.



**Dennis Hanna**

Mr. Hanna is the Distribution and Retail Manager for Burns House Limited. He has more than 23 years' experience with the Burns House Group of Companies in various capacities: Brand Manager, Logistics Manager and Supply Chain Manager. He presently serves as a member of the Vestry for Epiphany Anglican Church. Mr. Hanna holds a Bachelor of Science Degree in Accounting from Elmira College.



**Radovan Sikorsky**

Mr. Sikorsky, CFO of Heineken Americas Region in New York, has been working with Heineken for the last 13 years. He has held Finance Director roles in Poland, Hungary and Slovakia. Prior to joining Heineken, Mr. Sikorsky was a Senior Audit Manager with KPMG. He is a South African Chartered Accountant, and holds an Honours degree in Accounting.



**Cecile Sheena Williams-Bethel**

Ms. Williams-Bethel serves as Senior Deputy Director with responsibility for the Operations Division at the National Insurance Board. She began her 20 year career with NIB as a Programmer/Analyst in the Information Technology Department in 1990, and has held a range of managerial positions. Ms. Williams-Bethel holds a Bachelor's degree in Computer Science from Acadia University. She serves as 1st Vice-President of the American Commission on Organization and Administrative Systems, (CAOSA), a commission working out of the Inter-American Conference on Social Security (CISS).



**Eugene Ubalijoro**

Mr. Ubalijoro is the Managing Director of Heineken Caribbean & American Export. He has had a varied career with Heineken since joining in 1990 as the first African international trainee. In 1995, Mr. Ubalijoro became Heineken USA's first Regional Marketing Manager for the Southeast Region. He has been a consultant in Amsterdam, Commercial Manager in Sub Sahara Africa and Managing Director in La Reunion. Mr. Ubalijoro holds a Bachelor's degree in Business Administration from Georgetown University and an MBA from Université de Sherbrooke.

## Chairman's Message

Dear Shareholders,

It is my pleasure to share with you the 2013 results, achievements and other news of our Company.

I'm happy to report that despite industry challenges resulting from a reduction in stay-over visitors and an increase in parallel products in the market, our Company held its ground.

Revenue exceeded \$119 million, an increase of \$0.7 million over 2012 despite a slight decrease in sales volume with other income and expenses remaining more or less at the same levels as the previous fiscal year. With operating expenses increasing \$0.8 million over 2012, the result was a \$19.1 million net income, \$0.2 million below 2012. Your Board of Directors has for this reason decided to pay out \$0.39 per share as a final dividend. This also makes the total dividend per share paid over 2013 the same as in 2012, amounting to \$0.64 per share.

For CBL, 2013 was an exciting year. Not only did we celebrate 40 years of Independence of The Commonwealth of The Bahamas, we also celebrated the 140th anniversary of the Heineken brand and the 25th anniversary of our own Kalik.

**"Our company is proud of the fact that we are the only Bahamian entity in our industry which is publicly traded,..."**

The celebration of the 25th anniversary of Kalik was particularly engaging with events and festivals all over The Bahamas, in a style that will be a lasting contribution to the development of our nation through the creation of the Commonwealth Brewery Education Fund. The Fund was launched in commemoration of this significant milestone in the development of the Kalik brand. Governed by a special board with representatives from both the Company and the education sector, the Fund will provide \$50,000 per year for the next five years to selected, qualified, promising and deserving Bahamian students in the pursuit of higher education.

I am also pleased to inform you that next to delivering sound financial results, Commonwealth Brewery Limited again this year improved on most of its sustainability indicators with reductions in the natural resources used in the brewery and an increase in the volume of bottles processed by our bottle recycling center, bringing the percentage of reused bottles in local production to 60%. In addition, the safety and health record also improved with the number of accidents in the Company declining. And the Company played a leading role in developing a "do not drink and drive" campaign prominently posted all over The Bahamas.

Our company is proud of the fact that we are the only Bahamian entity in our industry which is publicly traded, with 25% of our share capital owned together between The Bahamas Government through the National Insurance Board and more than 3,000 Bahamian individual and institutional shareholders. The remaining 75% of our share capital is owned by Heineken N.V.

The above financial results, and focus on our people and the environment, we think, represents a healthy, necessary balance between people, profit and planet.

The near term outlook will much depend on what we can expect from the financial reforms as announced to take place in 2014, and the possibility of operating on a level playing field after these reforms are introduced, where all in the industry pay taxes, duties and fees at comparable rates, with offenders being appropriately penalized.

The outcome of these reforms ultimately will impact the future financial results of our business.

On behalf of the Board of Directors, I wish to thank all our customers for their support, our consumers for their continued preference of our brands, the management and staff for their continued service and you, our shareholders, for your confidence and trust. We will continue to do all we can to keep you proud of Commonwealth Brewery Limited.



**Julian W. Francis**  
Chairman

## Managing Director's Review

In 2013 the business environment became a bit more challenging for Commonwealth Brewery Limited as stay over tourist arrivals declined, unemployment figures remained high, and the cost of doing business increased as well. An increase in excise duties on spirits, an announced significant increase in business license tax as well as once again an increase of energy rates over inflation has put pressure on our operating expenses.

At the same time our company was confronted with an increase of parallel imports in the market and a sensation that consumer spending did not increase.

Despite the above the company realized a revenue that was \$119.1 million +\$0.7 million above 2012 although its sales volume declined slightly by -1.5% compared to 2012.

Net profit that was only 0.9% below the result of 2012 and amounted to \$19.1 million.

This was mainly the result of continuing to enhance operational excellence, strengthening our brand portfolio, and continuing our programs to increase brand preference and loyalty with

our consumers as well as increasing the service levels to our customers.

### Financial Performance

Revenue increased by \$0.7 million in 2013 versus 2012. Operating expenses were well contained with a slight growth of 0.8% as a result of expenditure reduction policies, and better management of returnable packaging.

The company delivered \$19.1 million Net Income or \$0.64 per share, on track with expectations. Net Income declined \$0.2 million compared to 2012, but should be considered satisfactory compared to earlier years and the economic environment of 2013.

The cash generation remained strong. Investments and working capital needs were sourced from the operating cash flow. Commonwealth Brewery Limited's balance sheet at 31 December 2013 remained debt-free and because of available cash balances the company paid a \$7.5 million in interim dividends to shareholders in December 2013.





## Marketing Programs

Our marketing programs in 2013 featured a mix of successfully proven repeats as well as new ideas that were generally well received by our consumers.

Kalik's marketing programs were mainly centered on the 25th anniversary of the Brand and the 40th Independence celebrations of The Commonwealth of The Bahamas.

With many activities and promotions and community events organized around these dates, probably the highlight of events was the 'Festival of The Bahama Islands' that was organized during a full day in the botanical Gardens with both music and cultural exhibitions from all islands culminating in a concert with live telecast all over the country.

Junkanoo, Native Sloop Regattas, Homecomings and other indigenous festivals also received our continued support over 2013.

With Heineken we celebrated the 140th anniversary of the Heineken brand at the beginning of 2013. During the year,

in addition to a large number of Full Moon parties and music concerts, the main consumer promotion, called the Voyage, presented its winner with a once in a lifetime trip to Space camp in Amsterdam and the ultimate chance to go to space.

The Heineken Express continued to be a treat for many cruising the streets of Nassau, and the first year of sponsoring the Bahamas Rugby Union can certainly be considered a success. In May, Heineken Premium Light was one of the local co-sponsors of the first LPGA golf championship at the Ocean Club.

Guinness brought people together to celebrate Arthur Guinness Day and offered many other occasions to relax with music and dance.

Vitamalt saw the successful introduction of Vitamalt Light in 2013, a product that quickly gained distribution and repeat consumers.

With our Spirits and Wine portfolio many events were organized or sponsored, each with its own sense of fun, joy and community goodwill.

In order provide our consumers with new choices we expanded our portfolio with amongst others, a number of premium rums, vodkas, and whiskies.





### Community Programs

Commonwealth Brewery Limited continued to support the work of a large number of organizations directly or indirectly through donations in money or in kind which amongst others included The Bahamas Red Cross, The Bahamas Blood Bank, The Bahamas Cancer Society, The Bahamas Heart Foundation, The Bahamas Aids Foundation, The Bahamas National Youth Council, The Royal Bahamas Police Force and The Bahamas National Trust specially in their initiative to protect and preserve conch in The Bahamas.

Commonwealth Brewery Limited continued the funding of a scholarship at St Andrews as well as the support of other educational institutions at specific events.

During the celebrations of the 25th anniversary of Kalik the launch of the Commonwealth Brewery Scholarship Fund was announced, which has a commitment to grant scholarships to the tune of \$50,000 per year over for the next five years.



### Safety, Health and Environment

The balance between people, profit and planet remains an important value for Commonwealth Brewery Limited.

Long term growth should come in a sustainable and responsible way, and we all at Commonwealth Brewery Limited are working hard to contribute to a greener, happier and healthier society. I am glad to inform you that all our environmental indicators improved again in 2013 over 2012. We used less energy, less electricity and less water per hectoliter of locally produced beer and the bottle return rate of locally produced beer increased to 60% in 2013.

Once again I am proud to share with you that by continuously focusing on adherence to safety policies and procedures, we reduced the number of accidents in our Brewery by 33% from 9 to 6 in 2013. Although the numbers are low, our target will remain set at zero accidents as every accident is one too many. As of 2013 we have been reporting accidents not only at the Brewery but company wide.

In order to stimulate responsible alcohol consumption and discourage driving after drinking Commonwealth Brewery Limited erected, in partnership with The Ministry of Transport Department of Road Traffic and The Ministry of Works, a dozen road signs in New Providence, Grand Bahama, Abaco and Eleuthera. The intention is to increase this number in the next few years.

“...we will continue to defend our position in the market as supplier of choice.”

### People

The success of the company depends on the commitment and skills of its employees, and the results delivered to you could not be produced without the contribution of all. I would like to thank all members of the CBL team for their contribution to these results.

In order for the company to further prosper and adjust to the current and future industry landscape a large number of trainings and workshops were organized to increase our teams' skills and competencies. A change management program has also been initiated through all departments and first results are becoming visible.

A Bahamian candidate was recruited for the Heineken Caribbean and Export Management trainee program who after a first intense training at CBL left for a six month internship at a sister company in Nigeria, becoming the first Bahamian international trainee.

The company did not see significant changes in its total number of employees and is 99% staffed by Bahamian Nationals.

During the course of 2013 we had to say goodbye to three of our management Committee members, CFO Shun Chou, Brewery Manager Remi den Broeder, and Group Human Resource Manager Christiane Jung, who accepted different functions within the Heineken organization and were respectively replaced by Mr. Rodrigo Galan, Mr. Teus van Dieren and Ms. Denise Barnes. Mr. Galan is a Spanish national and Mr. van Dieren is Dutch, both with extensive experience in the Heineken Group, while Ms. Barnes is a seasoned Bahamian Human Resources professional with many years' experience in the hospitality industry and banking business.

### Outlook for 2014

As much as we would like to do, it is at the moment impossible to predict, considering all the current unknowns with regards to the announced changes in the fiscal regime, the short or midterm impact of these on our business environment.

Clear is that if these changes are to generate a large inflationary effect the impact on Commonwealth Brewery Limited is likely to be significant.

It is also paramount that in this fiscal reform, the playing field needs to remain level, not in the least to avoid The Commonwealth of The Bahamas becoming a dumping ground for cheap imported products that jeopardize our competitiveness and hence survival as a local manufacturer. We will continue our dialogue with Government in order to safeguard our interests in this matter.

Irrespective of the above, we will continue to defend our position in the market as supplier of choice. We will need to continue to earn brand preference among consumers and win new customers.

For 2014 a number of product innovations have been slated, both through extensions of our existing brands as well as through introductions of new brands. We will also continue with the gradual upgrade of our best located retail stores.

Exciting activities, service levels second to none, and a team of colleagues that are passionate and entrepreneurial will clearly be on top of the list if we want to navigate through the coming times of fiscal change and increased competition.

Simultaneously we will need to continue our efforts that are already embedded in our company culture to further increase our efficiencies and keep operating costs to a minimum.

Taking all uncertainties into consideration I have confidence that if we are able to execute according to the plan, we will be able to close 2014 in a satisfying manner.



**Nico Pinotsis**

*President and Managing Director*

# Management Discussion and Analysis

This management discussion and analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the year end December 31, 2013 and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars. This MD&A is dated March 20th, 2013.

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

## Financial Performance

Please note that as of 2013 the company started to report free product in its volume reporting, this implies that the volume has been restated for last year from 196 thousand Hectoliters to 199 thousand Hectoliters.

Revenue in 2013 slightly increased +0.7% compared to 2012 (\$119.1 vs \$118.5) despite a small decrease in sales volume (-1.5%).

This volume decline has been mainly caused by higher parallel imports of both spirits and imported beer brands, which have increased significantly compared to 2012. The economic challenges many Bahamians are experiencing, and the relatively weak 2013 Spring Break season, combined to retard the growth of the alcoholic beverage market.

Overall, costs were under control. Operating expenses increased marginally (\$0.8 million or 0.8%), primarily driven by higher Personnel Costs (\$0.5 million), Excise Duties and Taxes (\$0.3 million), Distribution and Marketing expenses (\$0.5 million) and Other expenses (\$0.3 million). These were mainly compensated for by reductions in Cost of Inventories (\$0.6 million), Royalties (\$0.1 million) and Insurance (\$0.1 million).

Despite increases in Excise Duties in the middle of 2013 and continued occasional increases of our spirit and wine supplier costs, the cost of inventories decreased.

This reduction was mainly realized by improving the performance of our Bottle Recycle Center and hence reducing the number of new bottles used in our local production.

The increase in Excises Duties and Taxes was related to both the mid-year increase in Excise Duties on locally manufactured spirits as well as to a volume increase in locally produced beer.

Distribution and Marketing expenses were mainly higher due to the cost associated with Kalik's 25th anniversary.

Despite increases in the rates of utilities, the company, due to good energy management, kept costs stable, whilst savings were also realized through better Repair and Maintenance budget management.

Personnel costs increased from \$15.8 million to \$16.3, mainly due to salary increases and the additional FTEs.

Commonwealth Brewery Limited remained debt-free with \$6.8 million in Cash and Equivalents following a \$7.5 million interim dividend payment to shareholders in December 2013.

The decrease in the Cash and Equivalents aggregate was mainly caused by higher year end stocks which were a result of slower than anticipated fourth quarter sales for wines and spirits, as well as a decrease of accounts payable during the year.





“Commonwealth Brewery Limited has continued nevertheless to invest in brands and people in 2013 in order to be well prepared when the economy speeds up again.”

Following the strong sales performance of 2012 which was largely the result of an exceptional first half year, including a buoyant spring break period, the economic environment in 2013 was generally unfavorable.

Commonwealth Brewery Limited has continued nevertheless to invest in brands and people in 2013 in order to be well prepared when the economy speeds up again.

#### **Results from Operations**

Results from operating activities amounted to \$19.1 million, \$0.15 million below 2012 and close in line with net income. The company has no finance costs.

In a not too favorable economic environment, Commonwealth Brewery Limited sales volumes decreased slightly and revenue ended up 0.6% higher than 2012. Net Profit was 0.9% below 2012. Average revenue per Hectoliter, adjusted after volume restatement, increased from \$595 in 2012 to \$608 in 2013.

The results per reportable segment in note 24 of the financial statements show a similar trend of revenue growth across the entire company, with a 1% increase in Wholesale, Retail and Production. Exports to the United States showed some recovery after the decrease in 2012 as Revenue increased 8.5% with higher marketing and sales activities.

## Consolidated Statement of Financial Position

Cash and Cash Equivalents amounted to \$6.8 million at December 31st, 2013 (-\$5.1 million or -43% compared to 2012). This is mainly caused by higher year end inventories (\$2.4 million) and a \$3.1 million reduction in accounts payable and accrued expenses. This amount is the remaining balance after the company paid a \$7.5 million interim dividend in December 2013 in view of available surplus cash.

Property, plant and equipment, and intangible assets declined respectively (\$0.9 million) and (\$0.2 million). The Company continued to execute a prudent investment program in 2013 at a level below depreciation.

## Liquidity

Commonwealth Brewery Limited's cash flow generation from operating activities in 2013 amounted to \$15.8 million of which \$1.7 million was used for replacement investments. The remaining cash flow was allocated to dividend payout. Under stable market conditions the Company normally does not experience major fluctuations in liquidity due to working capital requirements or development activities. The Company does not employ derivative financial instruments and is free of long term debt. The liquidity risk of the Company is described in notes 14 and 23(c) of the disclosures to the consolidated financial statements and relates mainly to account payable obligations and operating leases. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities and other commitments when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

## Capital Resources

At December 31, 2013, Commonwealth Brewery Limited had no material commitment of capital resources in place. The Company generates sufficient cash from operations for its needs.

In 2013 the Group had access to \$1 million overdraft facilities with local banks, as well as to a \$2 million unsecured loan facility with one of the affiliates for contingency purposes. At December 31st, 2013 these facilities were not in use.

The dividend policy of Commonwealth Brewery Limited is to distribute 100% of net income. The frequency and payout ratio for any dividend remains at the discretion of the Board of Directors and subject to approval at the Annual General Meeting of shareholders.

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

## Off Balance Sheet Arrangements

As of December 31st, 2013 the Company had no off balance sheet arrangements with any parties. Note 14 of the consolidated financial statements lists the commitments and contingent liabilities of the Company. The majority of commitments relate to lease contracts for commercial real estate, most of which are short-term with duration of 1 to 5 years. The main contingent liabilities are related to Customs bond guarantees and standby letter of credits.

Contractual obligations 2013	Payment due by period				
	(all figures in \$)	Total	< 1 year	1-2 years	2-5 years
Long term debt	NIL	NIL	NIL	NIL	NIL
Capital leases	NIL	NIL	NIL	NIL	NIL
Operating leases	5,821,768	1,658,143	1,378,881	1,913,922	870,822
Purchase obligations	NIL	NIL	NIL	NIL	NIL
Accounts payable and accrued expenses	10,136,702	10,136,702	NIL	NIL	NIL
<b>Total contractual obligations</b>	<b>15,958,470</b>	<b>11,794,845</b>	<b>1,378,881</b>	<b>1,913,922</b>	<b>870,822</b>

### Transactions with Related Parties

Commonwealth Brewery Limited has a number of transactions and agreements with other entities of the Heineken Group in place. These transactions and agreements relate to the secondment of senior employees, purchasing of raw and packaging materials, supply chain consultancy, transport of products, bottling, trademark licensing, IT services and know-how fees. The amounts related to these transactions are specified in note 15 to the consolidated financial statements.

### Critical Accounting Estimates and Policies

Note 2 and 3 of the consolidated financial statements detail the significant accounting policies and estimates of Commonwealth Brewery Limited. Management considers none of these accounting policies and estimates to be critical, meaning that the policies and estimates require the company to make assumptions about matters that are highly uncertain and that different estimates are reasonably likely to occur from period to period, which could have a material impact on financial results.

Note 8 details the assumption used to test impairment on goodwill annually. The company carries net \$4,487,242 in goodwill, resulting from the acquisition of 100% ownership interest in Butler & Sands Company Limited in the year 2000. Goodwill by nature is subject to the risk of impairment if key

assumptions like the projected sales volume of acquired wine and spirits brands change. However using reasonable expectations only a limited change in key assumptions would occur, and this would not cause a material impact on results.

### New Standards and Interpretations Not Yet Adopted

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



## Executive Management Team



***Pictured left to right:***

*Back row:* Rodrigo Galan, Group Finance Manager; Brent Ferguson, Group Sales Manager; Teus Van Dieren, Brewery Manager; Dennis Hanna, Retail & Distribution Manager

*Front row:* Lino Villarreal, Group Marketing Manager; Denise Barnes, Group Human Resources Manager and Nico Pinotsis, Managing Director



# Corporate Responsibility

## Education

Commonwealth Brewery Limited remains committed to supporting the field of education in order to promote national professional development. The Company continued to invest through support of various educational institutions with donations in money or in kind.

**“The computers that Commonwealth Brewery Limited gave us will go a long way in developing the computer skills of our students. For us this contribution is timely as we aim to give our students the tools necessary for them to succeed.” Mr. Collin Johnson, Principal of R.M. Bailey Secondary School.**

In 2013, to commemorate the 25th anniversary of Kalik, The Commonwealth Brewery Education Fund was established. The fund, which will come into effect in time for the 2014 school year, will provide annual scholarships for Bahamian college students for the next 5 years. The annual scholarships will be awarded to the most outstanding Bahamian students graduating from local secondary schools upon the commencement of their tertiary education at The College of The Bahamas in specific areas of study including Business Administration, Engineering Technology, Biology and Chemistry.

## Charity

Commonwealth Brewery Limited’s 2013 charity work focused on the health and education sectors and further cemented the company’s commitment to programs and causes that exemplify its long standing respect for ‘The individual, society and the planet’ as a corporate citizen, business partner and employer.

Among other institutions and organizations that benefitted from the company’s charity in 2013 were The Bahamas National Youth Council, The Flamingo Gardens Family Life Support Centre, The Bahamas Crisis Centre and The Governor General’s Youth Award.

**“The Sir Victor Sassoon (Bahamas) Heart Foundation wishes to thank Commonwealth Brewery Limited for its donation to the Heart Ball which will go a long way in assisting Bahamian Children that require surgery due to various heart diseases.” Mrs. Portia Nottage and Mrs. Coretta Owens, Co-Chairs, Heart Ball Committee.**

**“The Bahamas AIDS Foundation is grateful for the generous donation earmarked for our Outreach Program for Adolescents infected and affected by HIV/AIDS. This donation enables us to provide support 5 days a week, through after school tutoring, a hot meal, counseling, peer support, life skills training, coping strategies, a food and clothing bank, computer skills training, home/school visits, and job placement/training to our adolescents.” Camille, Lady Barnett, President, The Bahamas AIDS Foundation.**

## Sponsorships

Commonwealth Brewery Limited is committed to bringing enjoyment to consumers through the responsible promotion of its products; one good way to accomplish this is by sponsoring organizations whose goals and ambitions match those of the company’s brands.



**“Commonwealth Brewery Limited via Kalik its national beer brand, is committed to seeing Junkanoo thrive all across The Bahamas as this celebration represents the largest and most unique of all things Bahamian.” Brent Ferguson, Group Sales Manager.**

The year 2013 saw an increase in the number of sponsorships that were undertaken. Emphasis was placed on the areas of youth, sports and culture.

While Kalik has always remained synonymous with Bahamian culture and a symbol of national pride, this identity was solidified in 2013. A regatta, homecoming or indigenous festival was sponsored in every major Family Island by The Beer of The Bahamas.

Kalik’s instrumental support for cultural events in many of the smaller islands not only helped garner revenue for those communities but it also brought a new level of exposure to several established traditions, such as The Red Bay’s Snapper Tournament in Andros, The Spanish Wells’ Fisherman Fest in Eleuthera and The Bimini Homecoming among others.

In 2013, Kalik’s support for Junkanoo remained strong in New Providence through the sponsorship of The Junkanoo Corporation New Providence Ltd. (JCNP), in addition to efforts in the Family Islands.

The Heineken Rugby Cup, a partnership with the Bahamas Rugby Union, enjoyed its second year in 2013. Each week during rugby season, teams vie for the coveted award in Nassau and Grand Bahama. Heineken also remained a strong promoter of music sponsoring large-scale musical events throughout the year such as The R. Kelly concert and The Global Battle of The Bands.

In May, Heineken Light was the official beer of the first Annual Pure Silk-Bahamas LPGA Classic at the One&Only Ocean Club Golf Course. Guests responsibly enjoyed the Heineken Light Club which featured ice cold beer and buffet style-dining right next to the 18th green.



Vitamalt supported numerous sporting and youth organizations. On the sports side, Marathon Bahamas, The Annual Hugh Campbell Basketball Classic and The Government Secondary School Sports Association (GSSSA) Basketball Championship were among those sponsored.

Youth Development was another area of focus for Vitamalt as the brand sponsored The Bahamas National Trust Eco-Camp in Andros and The 14th Annual Artie Johnson All Eleuthera Youth Tennis Camp among others.

**“Once again, we would like to thank you for helping make our 18th Annual Nelson Cooper ‘Peace on da Street’ Basketball Classic a huge success. Having your support encouraged us to continue our efforts to bring Peace on Our Streets.” Mr. Carlos Reid, President, Youth Against Violence.**



As is the case every September, in 2013 Guinness celebrated Arthur Guinness' Birthday with a toast and sponsored a music event featuring the best local talent. Guinness also sponsored various concerts throughout 2013.

**"Commonwealth Brewery Limited is once again proud of its 2013 sponsorships and excited about having promoted local culture, sports and music while bringing responsible enjoyment to the Bahamian community." Lino Villarreal, Group Marketing Manager.**

# Environmental Sustainability

## Brewing A Better Future

Commonwealth Brewery Limited has fully adopted HEINEKEN's global sustainability program "Brewing a Better Future".

**"At Commonwealth Brewery Limited our focus remains on People, Planet and Profit. This focus is reflected in our daily activities contributing to ever improving results. We believe this is the way forward, the way we evolve and continue to build as a company," says Nico Pinotsis, Managing Director.**

"Brewing a Better Future" is a comprehensive, integrated strategy for creating a more sustainable company and future. Heineken's long-term aspiration is to be the world's greenest brewer – an aspiration that we view as a continuous journey which we will continue to measure as we progress. It is based on three strategic imperatives around which we have built our commitments and programs:

1. To continuously IMPROVE the environmental impact of our brands and business.
2. To EMPOWER our people and the communities in which we operate.
3. To positively IMPACT the role of beer in society.

Commonwealth Brewery Limited's sustainability initiatives follow these three strategic imperatives.

## Improve

Commonwealth Brewery Limited's focus is to increase the energy and water efficiency of its brewery, offices and warehouses. In 2013 the company progressed in line with continuous improvement goals.

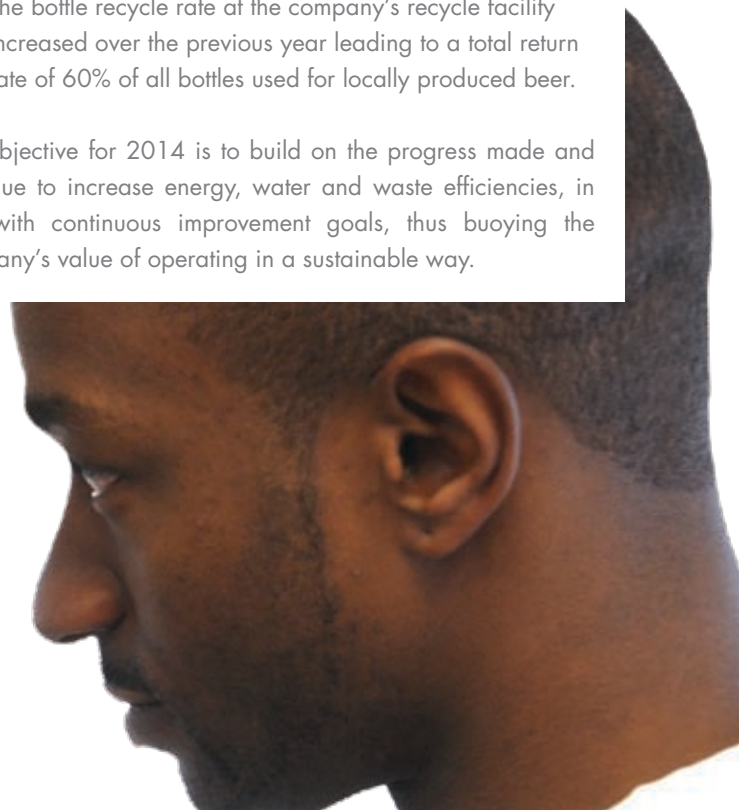
While thermal consumption was reduced in 2013, electrical consumption increased. However, overall energy consumption (thermal and electrical) of Commonwealth Brewery Limited continues to trend downward from 262.5 MJ/hl in 2011 to 234.6 MJ/hl in 2012, to 230.1 MJ/hl in 2013. Continued focus on reducing consumption (e.g. evaporation rates in brewing) as well as investment in more efficient electro motors lead to a -1.9% reduction of overall energy consumption in 2013 vs. the previous year.

Water consumption at Commonwealth Brewery Limited also decreased from 5.9 hl/hl in 2012 to 5.8 hl/hl in 2013.

Additionally in 2013, Commonwealth Brewery Limited continued its commitment to protect the environment and as a result achieved the following:

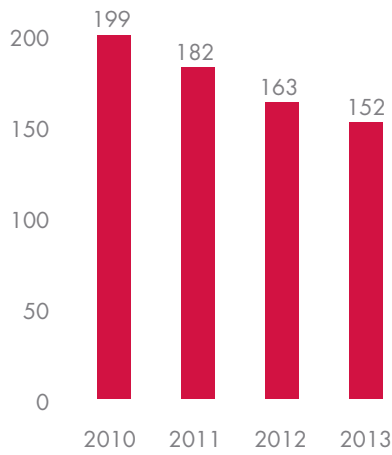
- Non-recycled industrial waste was reduced from 4.3 kg/hl in 2012 to 3.0 kg/hl in 2013.
- The bottle recycle rate at the company's recycle facility increased over the previous year leading to a total return rate of 60% of all bottles used for locally produced beer.

The objective for 2014 is to build on the progress made and continue to increase energy, water and waste efficiencies, in line with continuous improvement goals, thus buoying the company's value of operating in a sustainable way.



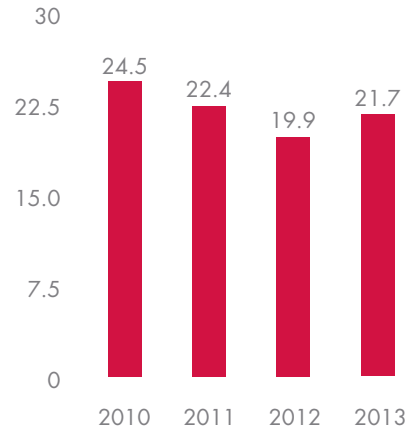
### Specific thermal energy consumption

MJ/hl beer



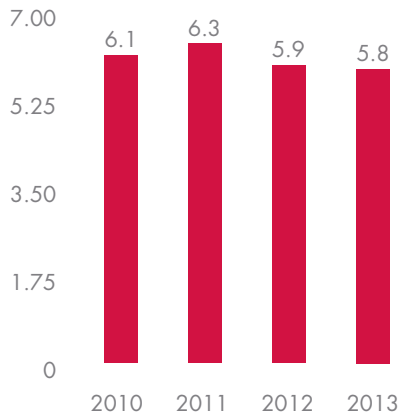
### Specific electricity consumption

(Kwh/hl)

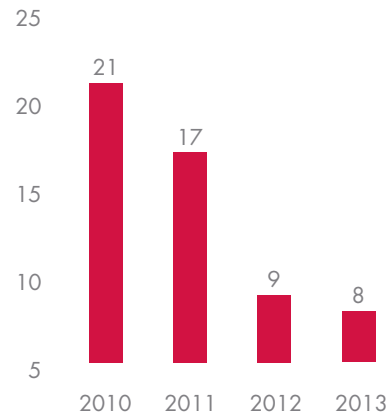


### Specific water consumption

(hl/hl beer)



### Number of accidents of company personnel\*



\*Years 2010-2012 only reflect results from our production unit



## Empower

Commonwealth Brewery Limited's goal is to achieve an accident-free work environment by continuously promoting a safe working culture. In 2013 the company increased safety awareness by introducing safety e-learning sessions, by establishing safety and health day and by encouraging all personnel to report any and all accidents. ARISO, a global reporting system and internationally recognized safety observation program (STOP by Dupont) has been implemented to emphasize the importance of safe behavior and thus increase safety awareness.

In 2013 the company suffered eight accidents which led to 76 lost working days. Earlier years' results included figures for the production site only. The 2013 result strengthened the Company's belief in the actions we have undertaken in order to lead Commonwealth Brewery Limited in the right direction.

## Impact

Beer is a natural product enjoyed by hundreds of millions of people around the world. It is, can and should be a legitimate part of a healthy balanced lifestyle when consumed in moderation.

Company's safety data	Unit	2011*	2012*	2013
<b>Parameters (absolute values)</b>				
Fatalities of company & contractor personnel	Cases	0	0	0
Permanent disabilities of company personnel	Cases	0	0	0
Accidents of company personnel	Cases	17	9	8
Accidents of contractor personnel	Cases	0	0	0
Lost working days of company personnel	Days	141	70	76

\*Years 2011 and 2012 reflect only results from our production unit.





### **Responsible Consumption**

Commonwealth Brewery Limited takes its responsibility to educate consumers about moderate consumption seriously. With this in mind, the company has implemented in recent years a consistent approach to encourage responsible alcohol consumption.

Starting in 2012, all advertising for any and all of the alcohol-based brands the company brews and/or distributes included a 'responsible consumption' message. Also in 2012, a "responsible consumption" legend was added to the primary packaging of all locally manufactured alcohol-based brands.

To further strengthen its commitment to responsible consumption, Commonwealth Brewery Limited partnered in 2013 with the Ministry of Transport's Department of Road Traffic and with The Ministry of Works to launch the 'Don't Take the Chance, Don't Drink and Drive' campaign. As part of the project, Commonwealth Brewery Limited installed 12 road safety signs in Abaco, Eleuthera, Grand Bahama and New Providence. The campaign informs motorists about the dangers of driving under the influence and promotes the use of designated drivers.

**"The National Road Safety Committee in conjunction with The Ministry of Transport and Aviation is pleased to partner with Commonwealth Brewery Limited in this initiative to raise awareness about road safety. We recognize and thank Commonwealth Brewery Limited for this gesture, demonstrating corporate responsibility and interest in the welfare of road users," said Mrs. Hope Strachan, Minister of State for Transportation.**

In addition to the above mentioned efforts, Commonwealth Brewery continuously educates all of its employees on its Internal Alcohol Policy and trains its commercial team in promoting the responsible consumption message.



**Kalik Celebrated its 25th Anniversary**

# The Bahamian

Since its creation in 1988, Kalik has been enjoyed and appreciated by Bahamians and visitors alike. Dubbed “The Beer of The Bahamas” it is unquestionably the largest selling beer in the country.

In celebrating its 25th anniversary, Kalik impacted several areas of the country including commerce, education, tourism, sports and culture.

*“This year Kalik celebrated in a big way, the Bahamian way. In the planning of Kalik’s 25th anniversary celebration foremost in our minds was giving back to our consumers, as well as positively impacting the communities.”* Jannifer Thurston, Kalik Brand Manager.



On February 19th, 2013 Kalik kicked off the celebration with a formal Anniversary Launch at Commonwealth Brewery Limited. In addition to the Bahamian fanfare including ice-cold beer, conch salad, Bahamian music and even a Junkanoo rush-out, guests were treated to a behind-the-scenes look at the production, bottling and packaging of Kalik as they toured Commonwealth Brewery Limited located at Clifton Pier.

**“On behalf of the Government of The Bahamas, I offer congratulations to Commonwealth Brewery Limited on the launch of the 25th anniversary celebrations of Kalik, The Beer of The Bahamas that proves even taste is better when it is made in The Bahamas.” Mr. Khaalis Rolle, Minister of State for Investments.**

A month after the official kick-off, Kalik moved the celebration to 11 communities throughout New Providence, Abaco and Grand Bahama by holding appreciation community parties.

The celebration also had an impact within the Company as staff appreciation events were held in Abaco, Andros, Bimini, Cat Island, Eleuthera, Grand Bahama, Long Island and New Providence.

Kalik’s 25th anniversary main event, The Festival of The Bahama Islands, an official event of the Bahamas’ 40th Anniversary celebrations, was truly a one of a kind cultural extravaganza. Held on Saturday June 29th, 2013 at the Botanical Gardens in New Providence, the event was a convergence of Bahamian arts and crafts, food, music and folklore from all the islands.



# Way



Straw plaiting lessons, crab catching, quadrille dancing, plaiting the maypole, cascarilla bark harvesting demonstrations and live Junkanoo music were among the many activities that made this a unique event.

It culminated with an all-Bahamian concert entitled 'Celebrating 40 years of Bahamian music' also in celebration of the country's 40th independence.

**"It is a pleasure to congratulate Kalik and its organizers for staging The Festival of The Bahama Islands which showcased all of the components that make us Bahamians. Festivals such as this solidify our identity and expose young people to our Bahamian heritage, which is vital to our growth and development." Dr. Daniel Johnson, Minister of Youth, Sports and Culture.**

**"The success of Kalik is nothing short of phenomenal. We are proud of what Kalik has come to symbolize in The Bahamas; "**

Then, along came a citation on the international front. Conch salad, a Bahamian staple and Kalik, The Beer of The Bahamas together received honorable mention from Business Insider as one of the '40 Meals You Should Eat in Your Lifetime'. The caption spoke of the delights experienced by visitors' reaching the shores of The Bahamas – 'a bowl of conch salad, an ice cold Kalik, listening to the waves and burying one's feet in the sand.'

Kalik's 25th anniversary celebrations ended with a bigger and grander Pop the Top Promotion with consumers winning over \$500,000 in cash and prizes.



**"The success of Kalik is nothing short of phenomenal. We are proud of what Kalik has come to symbolize in The Bahamas; a beer that has become as much a part of local experience, as it has contributed to the vacation memories for millions of visitors." Mr. Nico Pinotsis, Managing Director, Commonwealth Brewery Limited.**

## Heineken Overview



Heineken International B.V. is a company incorporated on November 19, 1959 and existing under the laws of the Netherlands. It currently holds 75% of the issued and outstanding shares in Commonwealth Brewery Limited either directly or through a nominee. Heineken International B.V. is a holding company and a wholly owned subsidiary of Heineken N.V. Heineken N.V. is a company incorporated on January 11, 1873 and existing under the laws of the Netherlands. Today, Heineken is Europe's largest brewer and the world's third largest brewer by volume.

Heineken has the broadest geographical presence of all brewers, operating in more than 170 countries worldwide. With total consolidated volume of 195 million hectoliters in 2013, the company produces beer in more than 70 countries through its 165 breweries and through other brewers under license.

Heineken N.V. shares are listed on Euronext Amsterdam and options on these shares are traded on the Euronext.Liffe options exchange. For further information pertaining to Heineken, please visit: [www.heinekeninternational.com](http://www.heinekeninternational.com).

# List of Stores

## Abaco

Butler & Sands (A&K)  
Beverage Depot (AB1)  
Butler & Sands (Spanky's)

## Andros

Beverage Depot  
Central Beverage Depot  
Beverage Depot  
Beverage Depot (A4)

## Bimini

Butler & Sands

## Cat Island

Beverage Depot (Two Corners Liquor Store)

## Eleuthera

Beverage Depot  
Butler & Sands  
Beverage Depot  
Butler & Sands  
Beverage Depot  
Butler & Sands (Bayside)

## Exuma

Beverage Depot (B.G.S.)  
Butler & Sands (John Marshall)

## Grand Bahama

Burns House  
Ole Nassau  
Beverage Depot  
Butler & Sands  
Ole Nassau  
Beverage Depot  
Butler & Sands  
Ole Nassau (House of Rum)  
Beverage Depot  
Butler & Sands

## Long Island

Beverage Depot

Marsh Harbour  
Marsh Harbour  
Treasure Cay

Low Sound  
Fresh Creek  
Mangrove Cay  
South Andros

Alice Town

New Bight

Rock Sound  
Governor's Harbour  
Bluff  
Jean's Bay  
Harbour Island  
Harbour Island

Georgetown  
Georgetown

Queen's Highway  
International Airport  
Churchill Square  
RND Shopping Centre  
Freeport Arcade  
Plaza Liquor THM  
Seahorse Plaza  
Port Lucaya  
Eight Mile Rock  
West End

Queen's Highway

## New Providence

Butler & Sands  
Butler & Sands  
Beverage Depot (Henrea Carlette)  
Beverage Depot (Saunders Beach)  
Beverage Depot (I Need A Liquor)  
Ole Nassau (Esquire Liquors)  
Burns House (Tipsters #2)  
Ole Nassau  
Ole Nassau (THM Emporium)  
Burns House (Express Macy's)  
Ole Nassau (Maury Roberts)  
Beverage Depot (Captain's Cabin)  
Butler & Sands (The Caves)  
Butler & Sands (Harbour Bay Liquors)  
Butler & Sands (Bahamas Wines & Spirits)  
Burns House Express (Midway Liquors)  
Beverage Depot (Budget Liquor)  
Beverage Depot  
Beverage Depot (The Deck)  
Butler & Sands (Wholesale Wines & Spirits)  
Beverage Depot  
Ole Nassau (International Departure)  
  
Ole Nassau (Sammy's Liquor Store)  
  
Heineken Duty Free Shop

Cable Beach  
J.F. Kennedy Drive  
Cable Beach  
West Bay Street  
West Bay Street  
Bay Street  
Carmichael Road  
Bay Street  
Woodes Rogers Wharf  
East & Fowler Streets  
Bay Street  
East Bay Street  
West Bay Street  
Harbour Bay Shopping Plaza  
Shirley Street  
Minnie Street & Wulff Road  
Bernard Road  
Marathon Mall  
Fox Hill Road  
East West Highway  
Independence Shopping Centre  
LPI Airport/Non-U.S. International Departure  
& Local Departure-Arrivals  
LPI Airport/Non-U.S. International Departure  
& Local Departure-Arrivals  
LPI Airport/U.S. International Departure





## Advisors

### Auditors

KPMG

Montague Sterling Centre  
East Bay Street, P.O. Box N-123

### Bankers

Scotiabank, Corporate and Commercial Banking Centre  
Rawson Square, Nassau, The Bahamas

### Citibank

110 Thompson Boulevard, P.O. Box N-8158

### First Caribbean International Bank (Bahamas Limited)

Shirley Street, P.O. Box N-7125

### Legal Counsel

#### Higgs & Johnson

Ocean Centre, Montagu Foreshore  
East Bay Street, P.O. Box N-3247

### Registrar & Transfer Agents

#### Bahamas Central Securities Depository

2nd Floor, Fort Nassau Centre, British Colonial Hilton  
Suite # 202, P.O. Box N-9307  
Bay Street, Nassau, The Bahamas

### Registered Office

#### Commonwealth Brewery Limited

c/o Higgs & Johnson Corporate Services Ltd.  
Ocean Centre, Montagu Foreshore  
East Bay Street, P.O. Box N-3247

### Corporate Office

Clifton Pier, P.O. Box N-4936





# Independent Auditors' Report



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

Telephone +1 242 393 2007  
Fax +1 242 393 1772  
Internet [www.kpmg.com.bs](http://www.kpmg.com.bs)

To the Shareholders of Commonwealth Brewery Limited

We have audited the accompanying consolidated financial statements of Commonwealth Brewery Limited ("the Company"), which comprise the consolidated statement of financial position as at December 31 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 20, 2014

KPMG, a Bahamian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG" international), a Swiss entity.



**Consolidated Statement of Financial Position**

December 31, 2013, with corresponding figures for 2012  
(Expressed in Bahamian dollars)

**COMMONWEALTH BREWERY LIMITED**

	Note(s)	2013	2012
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	4	\$ 6,753,447	11,848,434
Trade receivables	5	2,930,875	2,859,718
Prepaid expenses and other assets	6, 15	2,670,503	2,013,603
Inventories	7	19,168,108	16,804,392
Total current assets		31,522,933	33,526,147
<b>Non-current Assets:</b>			
Goodwill	8	4,487,242	4,487,242
Property, plant and equipment	9	34,121,628	35,002,959
Intangible assets	10	31,667	263,831
Total non-current assets		38,640,537	39,754,032
Total assets	24	\$ 70,163,470	73,280,179
<b>Liabilities and Equity</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued expenses	11, 15	\$ 10,136,702	13,202,341
Total current liabilities	24	10,136,702	13,202,341
<b>Equity:</b>			
Share capital	12	150,000	150,000
Share premium		12,377,952	12,377,952
Contributed surplus		16,351,369	16,351,369
Revaluation surplus	13	4,269,587	4,269,587
Retained earnings		26,877,860	26,928,930
Total equity		60,026,768	60,077,838
Commitments and contingencies	4, 14		
Total liabilities and equity		\$ 70,163,470	73,280,179

See accompanying notes to consolidated financial statements.

These consolidated financial statements were approved for issue on behalf of the Board of Directors on March 20, 2014 by:

Director



Director



	Note(s)	2013	2012
<b>Income:</b>			
Revenue	24	\$119,124,128	118,468,483
<b>Operating expenses:</b>			
Raw materials, consumables and services	7, 15, 17	81,232,862	80,881,348
Personnel costs	15, 18	16,294,044	15,830,588
Depreciation	9	2,577,172	2,632,278
Amortisation	10	232,164	195,126
Total operating expenses		100,336,242	99,539,340
Other income and expenses	16	357,387	367,364
Results from operating activities		19,145,273	19,296,507
Finance income		3,657	20,175
Net income and total comprehensive income	19, 24	\$ 19,148,930	19,316,682
Basic and diluted earnings per share	19	\$ 0.64	0.64

See accompanying notes to consolidated financial statements.

**Consolidated Statement of Changes in Equity**  
December 31, 2013, with corresponding figures for 2012  
(Expressed in Bahamian dollars)

**COMMONWEALTH BREWERY LIMITED**

	Share capital	Share premium	Contributed surplus	Revaluation surplus	Retained earnings	Total equity
Balance at December 31, 2011	\$ 150,000	12,377,952	16,351,369	4,269,587	25,012,248	58,161,156
Net income and total comprehensive income	-	-	-	-	19,316,682	19,316,682
<b>Transactions with owners, recorded directly in equity</b>						
Dividends declared (Note 20)	-	-	-	-	(17,400,000)	(17,400,000)
Balance at December 31, 2012	150,000	12,377,952	16,351,369	4,269,587	26,928,930	60,077,838
Net income and total comprehensive income	-	-	-	-	19,148,930	19,148,930
<b>Transactions with owners, recorded directly in equity</b>						
Dividends declared (Note 20)	-	-	-	-	(19,200,000)	(19,200,000)
Balance at December 31, 2013	\$ 150,000	12,377,952	16,351,369	4,269,587	26,877,860	60,026,768

See accompanying notes to consolidated financial statements.

**Consolidated Statement of Cash Flows**

December 31, 2013, with corresponding figures for 2012  
(Expressed in Bahamian dollars)

**COMMONWEALTH BREWERY LIMITED**

	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
Net income		\$ 19,148,930	19,316,682
Adjustments for:			
Depreciation	9	2,577,172	2,632,278
Amortisation	10	232,164	195,126
Bad debt expense	5, 6	(52,740)	(57,411)
Loss on disposal of property, plant and equipment	16	25,104	197,922
Finance income		(3,657)	(20,175)
Net cash from operations before changes in			
working capital		21,926,973	22,264,422
Changes in non-cash working capital			
	21	(6,104,672)	(1,950,381)
Net cash from operating activities			
		15,822,301	20,314,041
<b>Cash flows from financing activities</b>			
Dividends paid	20	(19,200,000)	(17,400,000)
Net cash used in financing activities			
		(19,200,000)	(17,400,000)
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	9	(1,720,945)	(2,445,095)
Interest received		3,657	20,175
Net cash used in investing activities			
		(1,717,288)	(2,424,920)
Net (decrease)/increase in cash and cash equivalents			
		(5,094,987)	489,121
Cash and cash equivalents, beginning of year			
		11,848,434	11,359,313
Cash and cash equivalents, end of year			
	4	\$ 6,753,447	11,848,434

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

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

## 2. Basis of preparation

### (a) Statement of compliance

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

### (b) Basis of measurement

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

### (c) Functional and presentation currency

These consolidated financial statements are presented in Bahamian dollars, the Group's functional and reporting currency. The Bahamian dollar is the currency of the country where the Group entities are domiciled and is the prime operating currency.

### (d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

### 3. Significant accounting policies

Following is a summary of the significant accounting policies which have been applied consistently by the Group in preparing these consolidated financial statements.

#### (a) Basis of consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases. Subsidiaries are entities controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those adopted by the Group. All intra-group transactions, balances, income and expenses and unrealised income and expense arising from inter-group transactions are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The carrying amount of non-controlling interests is the amount of these interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if it results in the non-controlling interests having a deficit balance.

When a controlling interest in a subsidiary is disposed of, the difference between the proceeds from the disposal and the carrying amount of the Group's interest in the subsidiary's assets and liabilities, plus the carrying amount of goodwill related to the subsidiary disposed of, is recognised in net income as a gain or loss on disposal.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### (b) Financial instruments

##### *Classification*

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

##### *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.

**3. Significant accounting policies** *(continued)***(b) Financial instruments** *(continued)**Derecognition (continued)*

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

**(c) Cash and cash equivalents**

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

**(d) Accounts receivable**

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

**(e) 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 zero.

**(f) Property, plant and equipment**

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, except land and buildings, which are carried at revalued amounts. The directors review the carrying value annually. Whenever the directors determine that the carrying value differs materially from the fair value, an independent valuation is obtained and the land and buildings are revalued.

The surplus on revaluation is recorded in equity, 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 comprehensive income as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the consolidated statement of comprehensive income.

**3. Significant accounting policies** *(continued)***(f) Property, plant and equipment** *(continued)*

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amounts substituted for cost, less its residual value.

Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the items of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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.

**(g) Intangible assets***Goodwill*

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

*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.

**(h) Impairment***Financial assets*

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

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



**3. Significant accounting policies** *(continued)***(h) Impairment** *(continued)**Financial assets (continued)*

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

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

*Non-financial assets*

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

Impairment losses are recognised in the consolidated statement of comprehensive income except for revalued assets where the impairment loss is first applied to the revaluation surplus and any excess is recognised in the consolidated statement of comprehensive income. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill associated with the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis.

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.

**(i) Related parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
  - (vi) The entity is controlled, or jointly controlled by a person identified in (a).

**3. Significant accounting policies** *(continued)***(i) Related parties** *(continued)*

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(c) A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

**(j) Leases**

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

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

**(k) Share capital**

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

**(l) 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.

**(m) Foreign currencies**

Transactions in foreign currencies are translated into Bahamian dollars at exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in such currencies at the year-end date are translated at the rates prevailing at that date.

Any differences arising on translation are recognised as exchange gains/losses within other income in the consolidated statement of comprehensive income.

**(n) Revenue recognition***Products sold*

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

**3. Significant accounting policies** *(continued)***(n) Revenue recognition** *(continued)**Services*

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

**(o) Employee benefits***Defined contribution plans*

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

*Short-term employee benefits*

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

**(p) Finance income**

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

**(q) Earnings per share**

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

**(r) Dividends**

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

**(s) Operating segments**

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

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

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

**(t) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant impact on the consolidated financial statements of the Group except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

**4. Cash and cash equivalents**

	2013	2012
Cash on hand	\$ 52,848	49,968
Cash held with banks	6,700,599	11,798,466
Cash and cash equivalents	\$ 6,753,447	11,848,434

The Company has an overdraft facility of \$1,000,000 (2012: \$1,000,000) under joint and several liability of Burns House Limited ("BHL" or "Principal Subsidiary"). As at December 31, 2013 and 2012, \$nil of the overdraft facility had been utilised. This facility bears interest at the rate of Bahamian prime plus 0.625% per annum (2012: Bahamian prime plus 0.625% per annum).

**5. Trade receivables**

	2013	2012
Trade receivables, gross	\$ 3,319,396	3,288,898
Allowance for doubtful debts	(388,521)	(429,180)
	\$ 2,930,875	2,859,718

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

	2013	2012
Current (up to 30 days)	\$ 2,562,294	2,265,015
Past due but not impaired (31 to 120 days)	368,581	594,703
Past due and impaired (over 120 days)	388,521	429,180
	\$ 3,319,396	3,288,898

Movement in the allowance for doubtful debts:

	2013	2012
Balance at beginning of the year	\$ 429,180	919,020
Reversal of allowance	(40,659)	(120,905)
Amounts written off as uncollectible	–	(368,935)
Balance at end of the year	\$ 388,521	429,180

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

	2013	2012
The Bahamas	\$ 2,824,763	2,779,956
United States of America	106,112	79,762
Balance at end of the year	\$ 2,930,875	2,859,718

**6. Prepaid expenses and other assets**

	2013	2012
Other receivables	\$ 2,044,207	1,395,288
Prepaid expenses	1,090,325	933,734
Staff loans	33,114	193,805
	3,167,646	2,522,827
Allowance for doubtful debts	(497,143)	(509,224)
	\$ 2,670,503	2,013,603

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

	2013	2012
Balance at beginning of the year	\$ 509,224	445,730
Increase in allowance	–	63,494
Reversal of allowance	(12,081)	–
Balance at end of the year	\$ 497,143	509,224

**7. Inventories**

	2013	2012
Goods bought for resale	\$ 13,740,711	13,102,917
Raw materials and packaging	2,615,124	2,602,567
Finished goods	987,920	200,024
Work-in-progress	120,316	120,117
Spare parts	663,177	531,715
Other stock items	1,366,815	716,922
	19,494,063	17,274,262
Provision for obsolescence	(325,955)	(469,870)
	\$ 19,168,108	16,804,392

**7. Inventories** (continued)

Movement in the provision for obsolescence:

	2013	2012
Balance at beginning of the year	\$ 469,870	505,094
Decrease in provision	(143,915)	–
Inventories written off	–	(35,224)
Balance at end of the year	\$ 325,955	469,870

As outlined in note 17, the cost of inventories recognised as an expense during the year was \$43,226,984 (2012: \$43,850,764).

**8. Goodwill**

Goodwill comprises the following:

	2013	2012
Cost	\$ 6,363,448	6,363,448
Accumulated amortisation	(1,876,206)	(1,876,206)
Balance at end of the year	\$ 4,487,242	4,487,242

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

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

- Cash flows are projected based on actual operating results and the three year business plan. Cash flows for a further two year period are projected using expected annual growth rates.
- Cash flows after the first five years were projected using expected annual long-term inflation, based on external sources, in order to calculate the terminal recoverable amount.
- Weighted average cost of capital ("WACC") is applied in determining the recoverable amount of the CGU.

The WACC, expected growth rate and the expected long-term inflation rate are as follows:

	2013	2012
WACC	9.89%	9.89%
Expected annual long-term inflation	1.21%	2.42%
Expected growth rate	0.73% to 1.34%	1.18%

The values assigned to the key assumptions represent management's assessment of future trends in the wine & spirits industry and are based on both external and internal sources (historical data). A limited change in key assumptions will not lead to a materially different outcome. Based on the value in use calculation management has determined that there has not been any impairment in the carrying amount of goodwill as at December 31, 2013 and 2012.

**Consolidated Statement of Changes in Equity**  
December 31, 2013, with corresponding figures for 2012  
(Expressed in Bahamian dollars)

**COMMONWEALTH BREWERY LIMITED**

**9. Property, plant and equipment**

	Land	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures and equipment	Vehicle and transportation equipment	Capital work in progress	Total
<b>Cost/revalued amount:</b>								
Balance at December 31, 2011	\$ 6,455,460	15,794,540	2,441,442	31,340,580	13,378,128	939,755	1,350,851	71,700,756
Additions	-	-	-	-	-	-	2,445,095	2,445,095
Transfers	-	62,425	60,308	1,619,383	492,395	417,031	(2,651,542)	-
Disposals/Write Offs	-	-	-	-	-	-	(197,922)	(197,922)
Balance at December 31, 2012	6,455,460	15,856,965	2,501,750	32,959,963	13,870,523	1,356,786	946,482	73,947,929
Additions	-	-	-	-	-	-	1,720,945	1,720,945
Transfers	-	324,592	276,183	1,203,009	231,802	180,169	(2,215,755)	-
Disposals/Write Offs	-	-	-	(27,695)	-	-	-	(27,695)
Balance at December 31, 2013	\$ 6,455,460	16,181,557	2,777,933	34,135,277	14,102,325	1,536,955	451,672	75,641,179
<b>Accumulated depreciation:</b>								
Balance at December 31, 2011	\$ -	457,649	1,903,340	21,303,025	11,863,621	785,057	-	36,312,692
Depreciation	-	400,119	238,949	1,368,289	466,032	158,889	-	2,632,278
Disposals/write offs	-	-	-	-	-	-	-	-
Balance at December 31, 2012	-	857,768	2,142,289	22,671,314	12,329,653	943,946	-	38,944,970
Depreciation	-	421,345	171,660	1,363,077	473,622	147,468	-	2,577,172
Disposals/write offs	-	-	-	(2,591)	-	-	-	(2,591)
Balance at December 31, 2013	\$ -	1,279,113	2,313,949	24,031,800	12,803,275	1,091,414	-	41,519,551
<b>Net book value:-</b>								
December 31, 2013	\$ 6,455,460	14,902,444	463,984	10,103,477	1,299,050	445,541	451,672	34,121,628
December 31, 2012	\$ 6,455,460	14,999,197	359,461	10,288,649	1,540,870	412,840	946,482	35,002,959

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

The latest revaluation of land and buildings was done on December 31, 2010 by a qualified independent appraiser, Robin Brownrigg, using the income approach, except for one property where the cost basis was used. Had there been no revaluation, the carrying value of land would have been \$1,689,070 (2012: \$1,689,070) and of buildings would have been \$5,659,704 (2012: \$6,172,242).

**10. Intangible assets**

Intangible assets consist of computer software as follows:

	2013	2012
<b>Cost:</b>		
Balance at January 1 and December 31	\$ 3,277,317	3,277,317
<b>Accumulated amortisation:</b>		
Balance at January 1	\$ 3,013,486	2,818,360
Amortisation	232,164	195,126
Balance at December 31	\$ 3,245,650	3,013,486
<b>Net Book Value</b>	<b>\$ 31,667</b>	<b>263,831</b>

**11. Accounts payable and accrued expenses**

Accounts payable and accrued expenses comprise the following:

	2013	2012
Accounts payable - third parties	\$ 5,661,615	7,645,274
Accounts payable - related parties	1,657,556	1,525,438
Accrued liabilities	2,817,531	4,031,629
	<b>\$ 10,136,702</b>	<b>13,202,341</b>

**12. Share capital**

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

	No. of shares	Amount
<b>2013 and 2012:</b>		
Ordinary shares of \$0.005 each	30,000,000	\$ 150,000



**13. Revaluation surplus**

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

	2013	2012
Balance at January 1 and December 31	\$ 4,269,587	4,269,587

**14. Commitments and contingencies***Operating lease commitments*

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

		Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
2013	\$	1,658,143	1,378,881	1,913,922	870,822	5,821,768
2012	\$	1,820,405	1,242,774	1,689,145	873,342	5,625,666

Lease expenses of \$3,128,232 (2012: \$3,034,360) was included in occupancy expenses (see note 17) which includes rent on stores with no lease agreements. Future rentals of such stores are not included in lease commitments disclosed above.

*Other commitments and contingencies*

Commitments and contingencies other than lease commitments are as follows:

At December 31, the Company and BHL were contingently liable under customs bond guarantees of \$273,500 (2012: \$573,500) and \$666,500 (2012: \$336,500), respectively. These facilities are under joint and several liability of the Company and BHL in favor of each other.

At December 31, the Company and BHL were contingently liable under standby letters of credit of \$172,152 (2012: \$700,000) and \$527,848 (2012: \$522,000), respectively. These facilities are under joint and several liability of the Company and BHL in favor of each other.

At December 31, the Group had capital commitments of \$255,513 (2012 - \$361,763).

*Loan facility*

Effective May 30, 2013, BHL entered into a facility agreement with an affiliate for an unsecured loan of up to \$2,000,000. This facility bears interest at the rate of LIBOR plus 0.80% and is repayable on May 30, 2014. As at December 31, 2013, \$nil of this facility had been utilised.

*Pending Litigation*

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

**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.

	Note(s)	2013	2012
Balances with the Parent			
Accounts payable	11	\$ 1,290,716	652,615
Transactions with the Parent			
Know-how fee	17	420,761	439,110
Royalties	17	330,915	438,946
IT related and other fee	17	277,753	478,519
Dividends paid	20	14,400,000	13,050,000
Balances with affiliates			
Accounts payable	11	366,840	872,823
Transactions with affiliates			
Purchases of inventories	7, 17	675,897	763,072
IT related fee	17	867,882	860,329
Supply chain fee	17	56,082	134,505
Directors' fee	17	46,500	78,000

*Know-how fee*

With effect from May 18, 2010, the Company 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 Company 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. Related payments are made and/or accrued for in the normal course of business.

*Compensation of key management personnel*

During the year, key management personnel received compensation amounting to \$1,569,296 (2012: \$1,543,095), including short-term employee benefits of \$1,332,228 (2012: \$1,309,949), and post-employment benefits of \$237,068 (2012: \$233,146).

Included in key management costs are costs relating to a Long Term Incentive Plan. This is a share based plan which provides senior employees with Heineken N.V. shares based on the performance of the Heineken Group as a whole. The amount recognised in personnel cost amounted to \$nil (2012: \$18,615).

**16. Other income**

	2013	2012
Miscellaneous income	\$ 689,921	661,870
Exchange loss	(307,430)	(96,584)
Loss on disposal of property, plant and equipment	(25,104)	(197,922)
	\$ 357,387	367,364

**17. Raw materials, consumables and services**

	Note(s)	2013	2012
Cost of inventories (including related import duties)		\$ 43,226,984	43,850,764
Excise duties and taxes		14,396,654	14,106,360
Distribution and marketing expenses		6,226,875	5,740,590
Occupancy expenses		3,128,232	3,034,360
Utilities		3,567,603	3,513,740
Royalties	15	1,742,735	1,887,615
Bad debt expense		(52,740)	(57,411)
Insurance		1,053,150	1,133,328
Repairs and maintenance		1,998,520	1,994,123
Know-how fee	15	420,761	439,110
Other expenses	15	5,524,088	5,238,769
		\$ 81,232,862	80,881,348

**18. Employee pension plans**

In 1997, the Company commenced a defined contribution pension plan. In accordance with the terms of the plan both employer and employees are required to contribute 5% (2012: 5%) of the participants' earnings to the plan. Employees are permitted to make additional contributions in order to increase their retirement benefits. The Company's contribution to the plan included in personnel costs was \$68,585 (2012: \$92,900).

Employees are eligible to become participants of the plan upon the completion of a probationary period, provided they have attained the age of 18 years. The plan is mandatory for all employees who joined the Company after January 1, 1997 and optional for those who joined prior to January 1, 1997.

BHL has a defined contribution plan for eligible employees. The employees contribute 5% (2012: 5%) of gross salary, and BHL contributes 5% (2012: 5%) of eligible earnings. BHL's contribution to the pension costs net of forfeitures in respect to the plan for the year included in personnel costs amounted to \$267,897 (2012: \$286,472).

**19. Basic and diluted earnings per share**

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

	2013	2012
Net income attributable to owners of the Company	\$ 19,148,930	19,316,682
Weighted average number of shares	30,000,000	30,000,000
Basic and diluted earnings per share	\$ 0.64	0.64

**20. Dividends**

Dividends declared and paid by the Company amounted to \$19,200,000 (2012: \$17,400,000) including interim dividends of \$7,500,000 (2012: \$7,500,000). Dividends paid are based on basic earnings per share rounded to two decimal places.

**21. Changes in non-cash working capital**

	2013	2012
Change in trade receivables	\$ (30,498)	(952,325)
Change in prepaid expenses and other assets	(644,819)	49,244
Change in inventories	(2,363,716)	(402,388)
Change in accounts payable and accrued expenses	(3,065,639)	(644,912)
	\$ (6,104,672)	(1,950,381)

**22. Principal subsidiary and other significant operating subsidiaries**

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

	Percentage (%) Owned	
	2013	2012
Burns House Limited	100	100
Butler & Sands Company Limited	100	100
Kerland Limited	100	100
Todhunter-Mitchell Distillers Limited	100	100
Todhunter-Mitchell Wines & Spirits Limited	100	100
Wholesale Wines and Spirits Limited	100	100

## 23. Financial instruments and associated risks

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

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

### (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.

#### Currency risk

The Group is party to financial instruments or enters into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other than the Bahamian dollar. Raw materials, packaging and finished products are purchased principally from Europe and are payable in Euros. The Group does not hedge against movements in foreign currency exchange rates.

The Group's total net liability exposure to fluctuations in foreign currency exchange rates (B\$ vs. Euro) at December 31 was \$551,437 (2012: \$700,935).

The average exchange rate between the B\$ and the Euro was B\$1 = Euro 0.75 (2012: B\$1 = Euro 0.78). The spot rate at December 31, was B\$1 = Euro 0.72 (2012: B\$1 = Euro 0.76).

#### Sensitivity analysis

A 10 percent strengthening of the B\$ against the Euro at December 31, would have increased equity and net income by approximately \$55,144 (2012: \$70,094). This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the B\$ against the Euro at December 31, would have had the equal but opposite effect on equity and net income of the amounts shown above, on the basis that all other variables remain constant.

#### Interest rate risk

Interest rate risk refers to the risk of loss due to adverse movements in interest rates. The Group's interest rate risk arises from long-term borrowings and its banking facilities. The Group manages its exposure to fluctuations in interest rates by linking its cost of borrowing to prevailing domestic or international interest rates.

The interest rate on the overdraft facility is tied to the Bahamian prime rate, which at the reporting date was 4.75 percent per annum and remained stable in 2013. The interest rate on the loan facility with a related party is based on LIBOR plus 0.80%.

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

### (b) Credit risk

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

**23. Financial instruments and associated risks** (continued)**(b) Credit risk** (continued)

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

	2013	2012
Cash held with banks	\$ 6,753,447	11,798,466
Trade receivables, net	2,930,875	2,859,718
Other receivables, net	1,547,064	886,064
Staff loans	33,114	193,805
	\$ 11,264,500	15,738,053

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 \$6,753,447 (2012: \$11,798,466) was deposited with regulated financial institutions. Accordingly management considers this to bear minimal credit risk.

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities and other commitments when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has no long-term liabilities. Contractual cash flows for accounts payable and accrued expenses are equal to carrying amounts and are due within 6 months or less.

**24. Segment information**

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

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

**Segment revenue**

	2013	2012
Wholesale	\$102,918,867	101,507,447
Retail	36,235,791	36,017,347
Production	51,738,506	51,140,342
	\$190,893,164	188,665,136

**24. Segment information** (continued)**Inter-segment revenue**

	2013	2012
Wholesale	\$ 20,876,864	19,836,775
Production	50,892,172	50,359,878
	\$ 71,769,036	70,196,653

**Revenue from external customers**

	2013	2012
Wholesale	\$ 82,042,003	81,670,672
Retail	36,235,791	36,017,347
Production	846,334	780,464
	\$119,124,128	118,468,483

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

	2013	2012
Wholesale	\$ 5,042,090	5,854,089
Retail	4,368,342	4,879,976
Production	9,738,498	8,582,617
	\$ 19,148,930	19,316,682

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

	2013	2012
Wholesale	\$ 23,701,778	22,061,785
Retail	5,107,971	4,678,702
Production	30,435,161	30,626,772
Total segment assets	59,244,910	57,367,259
Unallocated	10,918,560	15,912,920
Total assets	\$ 70,163,470	73,280,179

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.

**24. Segment information** (continued)

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

	2013	2012
Wholesale	\$ 4,328,155	7,685,121
Retail	41,409	862,814
Production	5,767,138	4,654,406
	\$ 10,136,702	13,202,341

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

	2013	2012
Wholesale	\$ 328,460	465,375
Retail	397,953	303,122
Production	994,532	1,676,598
	\$ 1,720,945	2,445,095

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

	2013	2012
Bahamas	\$118,269,885	117,688,019
United States	854,243	780,464
	\$119,124,128	118,468,483

Included in revenues arising from direct sales from the Group's wholesale segment to its customers is \$18,559,442 (2012: \$27,814,995) which arose from sales to the Group's top five customers.

**25. Fair values of financial instruments**

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

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

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



**26. Capital management**

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

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

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

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







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