

Unaudited Financial Statements of

COMMONWEALTH BREWERY LIMITED

Six months ended June 30, 2020

COMMONWEALTH BREWERY LIMITED

Management comments on Interim Financial Statements (Unaudited)

Six months ended June 30, 2020

The COVID-19 pandemic has had a significant impact on Commonwealth Brewery Limited's (CBL) operations in the second quarter of 2020. The temporary cessation by government of alcohol sales (between March 19th and May 6th), the dramatic increase in unemployment and the virtual halt in tourist arrivals severely reduced operating results and required that our business continuously adjust to the diverse challenges posed by the impact of the COVID-19 pandemic. During the period of the community lockdown, CBL successfully transitioned the back office staff to remote working. Following the resumption of alcohol sales in early May, CBL successfully utilized new routes to market leveraging our online store www.700winesandspirits.com with store to door delivery.

Net revenue during the second quarter declined by 47.8%, while operating expenses reduced by 30%. As a result, a total comprehensive loss of \$3million was realized, compared to a positive result of \$4.12 million during the corresponding period of 2019.

Principally as a result of the 2nd quarter's operations, net revenue for the first half of 2020 declined by 30.5%, and the net loss for the first six months of the year was \$3.16 million.

The above second quarter results, and other short-term balance sheet adjustments, have necessitated an increase in short-term borrowing of \$8 million, compared to the position at the end of the 1st quarter of the year. CBL also implemented other mitigating actions such as revising our credit terms and reducing the recurrent operational spend.

CBL will continue its focus on top line sustainability and cost reduction. During this period of uncertainty, CBL has maintained its current staff complement prior to the lockdown and maintained salary levels and full staff benefits by the above leveraging of its financial position. The decrease to personnel costs in the 2nd quarter of 16.3% is due to Management's decision to forgo any 2021 bonus related to the 2020 financial year.

The impact of the COVID-19 pandemic and related measures taken by government to combat its spread, have resulted in unavoidable constraints on our operations and results. However, actions taken thus far are to ensure that CBL limits the longer-term impact to our business. Management is confident that CBL is poised to rebound and return to profitability once economic conditions permit.

COMMONWEALTH BREWERY LIMITED

Statement of Financial Position (Unaudited)

June 30, 2020, with corresponding figures for December 31, 2019

(Expressed in Bahamian dollars)

	June 2020	December 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,349,019	5,979,119
Trade receivables, net	2,566,967	6,866,047
Prepaid expenses and other assets	2,876,066	5,575,456
Inventories	28,987,115	28,748,459
Total current assets	36,779,167	47,169,081
Non-current assets:		
Property, plant and equipment	49,089,651	49,744,732
Right of use asset	7,483,912	6,290,324
Goodwill	4,487,242	4,487,242
Other intangible assets	2,161,847	2,319,731
Total non-current assets	63,222,652	62,842,029
Total assets	\$ 100,001,819	110,011,110
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,804,809	28,909,306
Short-term lease liability	2,511,252	1,854,766
Loans and borrowings	13,783,293	7,836,255
Total current liabilities	31,099,354	38,600,327
Non-current liabilities:		
Long-term lease liability	5,177,816	4,529,834
Total liabilities	36,277,170	43,130,161
Equity:		
Share capital	150,000	150,000
Share premium	12,377,952	12,377,952
Contributed surplus	16,351,369	16,351,369
Revaluation surplus	12,473,768	12,473,768
Retained earnings	22,371,560	25,527,860
Total equity	63,724,649	66,880,949
Total liabilities and equity	\$ 100,001,819	110,011,110

COMMONWEALTH BREWERY LIMITED

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

For the three months ended June 30, 2020, with corresponding figures for the three months ended June 30, 2019

(Expressed in Bahamian dollars)

	June 2020	June 2019
Income:		
Revenue	\$ 18,217,358	34,940,730
Excise	(1,690,831)	(3,308,465)
Net revenue	16,526,527	31,632,265
Operating expenses:		
Raw materials, consumables and services	13,463,071	21,253,247
Personnel costs	4,313,872	5,151,187
Depreciation	1,562,387	1,338,422
Amortisation	98,376	25,749
Total operating expenses	19,437,706	27,768,605
Other income, net	78,037	422,055
Results from operating activities	(2,833,142)	4,285,715
Finance expenses	172,335	163,879
Total comprehensive (loss)/income	\$ (3,005,477)	4,121,836
Basic and diluted earnings per share	\$ (0.10)	0.14

COMMONWEALTH BREWERY LIMITED

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

For the six months ended June 30, 2020, with corresponding figures for the six months ended June 30, 2019

(Expressed in Bahamian dollars)

	June 2020	June 2019
Income:		
Revenue	\$ 46,887,070	67,222,610
Excise	(4,606,862)	(6,386,392)
Net revenue	42,280,208	60,836,218
Operating expenses:		
Raw materials, consumables and services	32,139,878	42,959,601
Personnel costs	9,578,596	11,964,940
Depreciation	3,063,399	2,598,217
Amortisation	194,515	48,868
Total operating expenses	44,976,388	57,571,626
Other (expense)/income, net	(114,916)	270,136
Results from operating activities	(2,811,096)	3,534,728
Finance expenses	345,204	279,150
Total comprehensive (loss)/income	\$ (3,156,300)	3,255,578
Basic and diluted earnings per share	\$ (0.11)	0.11

COMMONWEALTH BREWERY LIMITED

Interim Statement of Changes in Equity (Unaudited)

For the six months ended June 30, 2020

(Expressed in Bahamian dollars)

	Share capital	Share premium	Contributed surplus	Revaluation surplus	Retained earnings	Total equity
Balance at December 31, 2019	150,000	12,377,952	16,351,369	12,473,768	25,527,860	66,880,949
Comprehensive income (loss)	—	—	-	-	(3,156,300)	(3,156,300)
Balance at June 30, 2020	\$ 150,000	12,377,952	16,351,369	12,473,768	22,371,560	63,724,649

COMMONWEALTH BREWERY LIMITED

Statement of Cash Flows (Unaudited)

For the six months ended June 30 2020, with corresponding figures for the six months ended June 30, 2019

(Expressed in Bahamian dollars)

	2020	2019
Cash flows from operating activities		
Net (loss)/income	\$ (3,156,300)	3,255,578
Adjustments for:		
Depreciation	3,063,399	2,598,217
Amortisation	194,515	48,868
Impairment loss recognized on trade receivables	603,221	3,381
Gain on disposal of property, plant and equipment	(27,526)	(2,104)
Finance expense	345,203	279,150
Net cash from operation activities	1,022,512	6,183,090
Changes in non-cash working capital	(7,837,022)	6,227,131
Net cash from operations before changes in working capital	(6,814,510)	12,410,221
Cash flows from financing activities		
Interest paid	(345,203)	(279,150)
Dividends paid	-	(8,325,000)
Proceeds from loans and borrowings	8,000,000	-
Repayment of loans and borrowings	(2,052,962)	(4,401,163)
Net cash used in financing activities	5,601,835	(13,005,313)
Cash flows from investing activities		
Additions to property, plant and equipment	(1,237,187)	(2,125,817)
Additions to intangible assets	(36,632)	(1,014,002)
Repayment of lease liabilities	(1,149,106)	(713,698)
Proceeds from sale of property, plant and equipment	5,500	2,104
Net cash used in investing activities	(2,417,425)	(3,851,413)
Net decrease in cash and cash equivalents	(3,630,100)	(4,446,505)
Cash and cash equivalents, beginning of year	5,979,119	9,090,464
Cash and cash equivalents, end of year	\$ 2,349,019	4,643,959

1. Accounting Policies

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