Matthew Clark (Holdings) Limited

Directors' report and consolidated financial statements

For the year ended 28 February 2011

Registered number 06133835

Contents

Directors' report

The Directors present their annual report on the affairs of the Group and Company, together with the financial statements and auditor's report, for the year ended 28 February 2011

Principal activities

The Group's principal activity during the year has been that of wholesale wine and spirits merchants, operating in the UK

Business review

The Group is a leading independent supplier of drinks to the on-premise licensed trade Operating solely in the UK the Group supplies beverages, both alcoholic and non-alcoholic, to a wide variety of customers including pubs, bars, hotels, restaurants and leisure outlets

Focusing on the provision of wine and spirits the Group has established itself as the leading composite drinks supplier to the UK on-trade

Competition

The Group has placed itself in the market as the leading non-brewer owned distributor with scale and reach to supply the whole on-trade market, from small independent outlets to the major national managed retail chains The core specialism is the wine range together with a wide ranging competitive offering across the other major drinks sectors such as spirits, beer and soft drinks

The Group's competitors can be broken down into a number of groups

- Global brewers who focus on beer distribution with other drinks as service lines and represent the largest volume operators in the market by virtue of their beer volumes
- National independent wholesalers who offer similar product and service offerings to the Group
- Independent regional wholesalers who, whilst lacking national scope, have strong local distribution and customer bases

Business structure

The Group conducts its business through three 100% owned subsidiaries being Matthew Clark Wholesale Limited, Matthew Clark (Scotland) Limited (formerly Forth Wines Limited) and The Wine Studio Limited All the businesses operate within the same market but with different target customers and, to a large extent, differentiated product offerings to suit their respective markets

On 2 August 2010, Matthew Clark (Scotland) Limited completed a trade and assets sale to Dollar Trade Limited for £3,370,000 giving rise to profit on disposal of £114,000 Matthew Clark (Scotland) Limited ceased trading from that date

Legal and regulatory environment

The Group acknowledges that it works in an environment that has both a developing and increasing regulatory agenda In the areas of health and safety, quality control, environmental obligations and employee welfare the Group seeks to ensure that it works in an appropriate manner with the relevant regulatory bodies and encourages a proactive approach to changes in the legal environment

Aims and objectives

The Group's objectives are to grow profits and cash flow by focusing on core competencies of service and range, whilst leveraging scale with both suppliers and customers

The Group's strategy is centred on the need to grow the business to acquire scale, whilst delivering higher levels of service to the customer base Matthew Clark has taken a leadership position in the on-trade market through a composite offering with a clear wine specialism

Directors' report *(continued)*

Business review *(continued)*

Risk/uncertainty

The Group takes a moderate approach to risk, taking appropriate mitigation over legal, regulatory and financial exposures It uses a consistent documented approach in its treatment of financial risk and debtor exposure

There are well documented uncertainties over both the economic outlook and the impact of any downturn on consumer spend The Group has seen declines in many of its key markets over the course of the last year Regular management review and strategic exercises seek to identify those areas of risk and uncertainty that need to be addressed and put in place appropriate actions to mitigate them

Measurement

The Group has a well established performance measurement system that focuses the business on the key levers of sales volume and profit growth, together with cost control and cash flow Profit growth and cash flow are reported in the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement This is linked to a detailed annual planning process as part of the strategic planning exercise

This target setting is then directly linked to individual employee's remuneration through a variety of incentive schemes across the businesses that align individual responsibilities with corporate aims and objectives

The annual budget process ensures that targets relating to business growth and development are set in conjunction with the Group's long term strategic goals and objectives

Performance

The year saw the Group take advantage of opportunities in the market, whilst continuing to control costs, working capital and cashflow The disposal of the business and assets of Matthew Clark (Scotland) Limited during the year, reduced Group turnover, but also costs The proceeds were used to pay down debt

Profit growth from Matthew Clark Wholesale and Wine Studio Limited helped the Group increase pre tax profits by 22%

Cash flows were strong as the Group repaid £20 million of debt over the year, driven out of profits and tight working capital management

Trends and developments

The strategy of pursuing selective growth has continued, whilst the market remains depressed there remain opportunities for quality operators and outlets

The whole group is investing heavily in IT and general infrastructure, together with increased sales and marketing capability to enable it to take advantage of the market opportunities

Results and dividends

The Group made a profit after tax for the year of £6,122,000 *(2010 £5,070,000)* The directors of Matthew Clark (Holdings) Limited have proposed a final ordinary dividend in respect of the current financial year of £16,000,000 *(2010 £Nil)* This has not been included within creditors as it was not approved before the year end

Directors' report *(continued)*

Directors

The following Directors served during the year or were appointed post year end

E Bashforth	(appointed 31 January 2011)
T Christensen	(resigned 28 June 2010, appointed 31 January 2011)
S Dando	
P Dutton	(appointed 1 November 2010, resigned 31 January 2011)
H Glennie	(resigned 28 June 2010)
J Lousada	(appointed 28 June 2010)
N Preston	(resigned 01 November 2010)
L Schnorr	(appointed 28 June 2010, resigned 31 January 2011)
G Thorley	

Statement of disclosure to auditors

The Directors who held office at the date of approval of the Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

S Dando
Director

Constellation House,
The Guildway,
Old Portsmouth Road,
Guildford,
Surrey

23 May 2011

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the Group and parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period In preparing each of the Group and parent Company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

KPMG

Independent auditor's report to the members of Matthew Clark (Holdings) Limited

We have audited the financial statements of Matthew Clark (Holdings) Limited for the year ended 28 February 2011 set out on pages 7 to 28 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 28 February 2011 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Matthew Clark (Holdings) Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

AC Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

23 May 2011

Consolidated Profit and Loss Account

for the year ended 28 February 2011

	Note	**2011 £000**	2010 £000
Turnover	*2*	**608,752**	637,843
Cost of sales		**(530,927)**	(554,849)
Gross profit		**77,825**	82,994
Distribution costs		**(32,162)**	(34,478)
Administration expenses		**(34,288)**	(38,245)
Operating profit		**11,375**	10,271
Profit on disposal of discontinued activities	*22*	**114**	-
Interest payable and similar charges	*6*	**(1,869)**	(2,394)
Profit on ordinary activities before taxation	*3-5*	**9,620**	7,877
Tax on profit on ordinary activities	*7*	**(3,498)**	(2,807)
Profit for the financial year	*17*	**6,122**	5,070

There were no recognised gains and losses in the current or prior year other than those shown above

No statement of historical cost profits and losses is included here as there is no material difference between the historical cost profit and the reported profit in either the current or prior year

Consolidated Balance Sheet
at 28 February 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Intangible fixed assets	*8*		24,361		25,877
Tangible fixed assets	*9*		7,854		8,109
			32,215		33,986
Current assets					
Stocks	*11*	28,434		29,657	
Debtors	*12*	65,395		73,135	
Cash at bank and in hand		15,260		2,944	
		109,089		105,736	
Creditors. amounts falling due within one year	*13*	(87,693)		(83,866)	
Net current assets			21,396		21,870
Total assets less current liabilities			53,611		55,856
Creditors amounts falling due after more than one year	*14*		-		(7,570)
Provisions for liabilities	*15*		(6,735)		(7,532)
Net assets			46,876		40,754
Capital and reserves					
Called up share capital	*16*		-		-
Share premium account	*17*		30,007		30,007
Acquisition reserve	*17*		441		441
Profit and loss account	*17*		16,428		10,306
Shareholders' funds			46,876		40,754

These financial statements were approved by the board of Directors on 23 May 2011 and were signed on its behalf by

S Dando
Director

Registered number 06133835

Company Balance Sheet
at 28 February 2011

	Note	2011		2010	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*10*		**70,908**		70,908
Current assets					
Debtors	*12*	**7**		7	
Cash at bank and in hand		**-**		237	
		7		244	
Creditors amounts falling due within one year	*13*	**(47,635)**		(39,162)	
Net current liabilities			**(47,628)**		(38,918)
Total assets less current liabilities			**23,280**		31,990
Creditors. amounts falling due after more than one year	*14*		**-**		(7,570)
Net assets			**23,280**		24,420
Capital and reserves					
Called up share capital	*16*		**-**		-
Share premium account	*17*		**30,007**		30,007
Profit and loss account	*17*		**(6,727)**		(5,587)
Shareholders' funds			**23,280**		24,420

These financial statements were approved by the board of Directors on 23 May 2011 and were signed on its behalf by

S Dando
Director

Registered number 06133835

Consolidated Cash Flow Statement

for the year ended 28 February 2011

	Note	2011 £000	2010 £000
Cash flow statement			
Net cash inflow from operating activities	23	24,402	19,291
Returns on investments and servicing of finance	24	(1,375)	(1,844)
Taxation		(4,269)	(2,735)
Capital expenditure and financial investment	24	(1,978)	(824)
Cash inflow before management of liquid resources and financing		16,780	13,888
Acquisitions and disposals	24	3,088	-
Financing	24	(7,552)	(16,173)
Increase/(decrease) in cash in the year		12,316	(2,285)

Reconciliation of net cash flow to movement in net debt

	Note	2011 £000	2010 £000
Increase/(decrease) in cash in the year		12,316	(2,285)
Cash outflow from debt and lease financing		7,552	16,173
Movement in net debt in the year		19,868	13,888
Movement in non-cash flows		(199)	(199)
Net debt at the start of the year		(15,335)	(29,024)
Net debt at the end of the year	25	4,334	(15,335)

Reconciliations of Movements in Shareholders' Funds
for the year ended 28 February 2011

	Group 2011 £000	**Company 2011 £000**	Group 2010 £000	Company 2010 £000
Profit/(loss) for the financial year	**6,122**	**(1,140)**	5,070	(1,572)
Net addition to/(reduction in) shareholders' funds	**6,122**	**(1,140)**	5,070	(1,572)
Opening shareholders' funds	**40,754**	**24,420**	35,684	25,992
Closing shareholders' funds	**46,876**	**23,280**	40,754	24,420

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group and parent Company statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

Going concern

The financial statements have been prepared on a going concern basis, which assumes the Group and Company will be able to meet its liabilities as they fall due, for the foreseeable future

The Group and Company's funding is based on secured financing which is in place until April 2012 subject to banking covenants and the Directors are confident that this will be renewed The Directors have prepared cash flow forecasts and while the nature of the Group's business means that there can be unpredictable variation in the timing of cash flows, taking account of reasonably possible changes in the Group's performance, the Directors have concluded that the Group should be able to operate within the level of its current facilities

In preparing those forecasts, the Directors have taken into account various risks and uncertainties The principal areas of risk and uncertainty are the impact of the wider economic climate on the achievement of operating targets, in particular projected revenue and gross margins In addition to these risks and uncertainties, the Group's performance is also impacted by financial risks, interest rate risk and credit risk The Board has a documented policy in relation to manage these risks

After making enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiary undertakings made up to 28 February 2011 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the Consolidated Profit and Loss Account from the date of acquisition or up to the date of disposal

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

Turnover

Revenue from the sale of goods includes excise and import duties which the Group pays as principal but excludes amounts collected on behalf of third parties, such as value added tax Sales are recognised depending upon individual customer terms at the time of despatch, delivery or other specified point when the risk of loss transfers Provision is made for returns where appropriate Sales are stated net of price discounts, allowances for customer loyalty and certain promotional activities and similar terms

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows

Freehold buildings	-	between 33 to 50 years
Leasehold land and building	-	length of lease
Machinery, fixtures, fittings and vehicles	-	between 2 to 15 years
Computer equipment	-	between 3 to 5 years

Assets in course of construction are stated at cost, however no depreciation is provided until the asset in brought into use

No depreciation is provided on freehold land

Stocks

Stocks are valued at the lower of cost (including Customs and Excise Duty where incurred), determined on a first-in-first-out basis, and net realisable value Provision is made, as appropriate, for obsolete and slow moving stock

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Post-retirement benefits

Matthew Clark Wholesale Limited and Matthew Clark (Scotland) Limited (formerly Forth Wines Limited) participate in The Matthew Clark Pension Plan which provides benefits based on final salary pensionable pay operated by Constellation Europe (Holdings) Limited (formerly Matthew Clark Limited) on behalf of Matthew Clark (Holdings) Limited and for the benefit of its employees Following the formation of the Company as a joint venture on 17 April 2007, the Joint Venture Agreement provided that Matthew Clark (Holdings) Limited will procure that Matthew Clark Wholesale Limited and Matthew Clark (Scotland) Limited shall pay £1,250,000 per annum for a period of 10 years to the Matthew Clark Group Pension Plan Trustees (see note 15) The amount is fixed at a Group level regardless of what the pension trust might request Should the Trustees request additional amounts, these shall be refunded to Matthew Clark Holdings Limited by Hertford Cellars Limited (a subsidiary of Constellation Brands Inc) Should the Trustees request a payment less than £1,250,000 then the difference shall be treated as a distribution from Matthew Clark Wholesale Limited and Matthew Clark (Scotland) Limited to Matthew Clark (Holdings Limited)

For money purchase schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for permanent diminution value

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years

Goodwill is stated at cost less any impairment losses The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment Goodwill is considered for impairment testing if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows If any such indication exists, the recoverable amount of goodwill is estimated An impairment loss is recognised whenever the carrying amount of goodwill exceeds its recoverable amount Impairment losses are recognised in the profit and loss account The recoverable amount of goodwill is the greater of their fair value less costs to sell and value-in-use In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post tax discount rate

Share based payments

Participation in the scheme that had operated within Matthew Clark Wholesale and Matthew Clark (Scotland) Limited (Constellation Long Term Stock Incentive Plan) is no longer available to employees of the Group

2 Turnover

Turnover consists of sales in the United Kingdom arising from the Group's principal activity

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2011	2010
	£000	£000
Depreciation and other amounts written off tangible fixed assets	**1,706**	1,495
Goodwill amortisation	**1,516**	1,514
Operating lease charges		
- Plant and machinery	**411**	528
- Vehicles	**2,169**	2,594
- Land and buildings	**2,989**	3,140
Loss on disposal of fixed assets	**81**	-

Notes *(continued)*

3 Profit on ordinary activities before taxation *(continued)*

Auditor's remuneration	**2011**	2010
	£000	£000
Audit of these financial statements	**26**	30
Audit of the financial statements of subsidiaries pursuant to legislation	**59**	53
	85	83

4 Remuneration of directors

Group

The remuneration of the Directors was as follows

	2011	2010
	£000	£000
Directors' emoluments	**545**	380
Pension payments	**31**	41
	576	421

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £317,000 *(2010 £223,000)* and Company pension contributions of £17,000 *(2010 £23,000)* were made to a money purchase scheme on his behalf During the year, the highest paid Director exercised share options

The number of Directors who

	Number of directors	
	2011	2010
Are members of defined contribution pension schemes	**2**	2
Exercised share options (note 21)	**2**	-

Company

Directors' emoluments were £Nil *(2010 £Nil)* in the year The Directors' remuneration was borne by a fellow Group Company in both the current and prior year

Notes *(continued)*

5 Staff numbers and costs

Group

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows

	2011 No.	2010 No
Selling and distribution	846	876
Administration	350	374
	1,196	1,250

The aggregate payroll costs of these persons were as follows

	Group 2011 £000	Group 2010 £000
Wages and salaries	30,769	32,260
Social security costs	3,225	3,263
Other pension costs (see note 20)	922	932
	34,916	36,455

Company

The Company had no employees during the current or prior year

6 Interest payable and similar charges

	2011 £000	2010 £000
On bank loans and overdrafts	1,375	1,844
Unwinding of discount (note 15)	494	550
	1,869	2,394

Notes *(continued)*

7 Taxation

Analysis of charge in year

	2011	2010
	£000	£000
UK corporation tax		
Current tax on income for the year	3,262	2,637
Adjustments in respect of prior years	(41)	(58)
Total current tax	3,221	2,579
Deferred tax (see note 12)		
Origination and reversal of timing differences	221	204
Effect of changes in tax rates	(10)	-
Adjustments in respect of prior periods	66	24
Total deferred tax	277	228
Tax on profit on ordinary activities	3,498	2,807

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011 This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 28 February 2011 has been included in the figures above

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the deferred tax asset of approximately £51,000 This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reductions from 27% to 23%, if these applied to the deferred tax balance at 28 February 2011, would be to further reduce the deferred tax asset by approximately £202,000

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the tax charge for the current year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax, is as follows

	2011	2010
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**9,620**	7,877
Current tax at the standard rate of corporation tax in the UK 28% *(2010 28%)*	**2,694**	2,205
Effects of		
Expenses not deductible for tax purposes	**580**	636
Profit on disposal of property	**(111)**	-
Capital allowances in excess of depreciation	**35**	(37)
Origination and reversal of timing differences	**16**	(167)
Adjustments in respect of prior periods	**(41)**	(58)
Post cessation expenses carried forward	**11**	-
Chargeable gains	**37**	-
Total current tax charge (see above)	**3,221**	2,579

8 Intangible fixed assets

Group	**Goodwill**
	£000
Cost	
At beginning and end of year	62,978
Amortisation	
At beginning of year	37,101
Charged in year	1,516
At end of year	38,617
Net book value	
At 28 February 2011	**24,361**
At 28 February 2010	25,877

Notes *(continued)*

9 Tangible fixed assets

	Land and buildings	Assets in course of construction	Machinery, fixtures, fittings and vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000
Group					
Cost					
At beginning of year	2,376	160	972	8,614	12,122
Additions	93	1,618	22	245	1,978
Disposals	(70)	(16)	(53)	-	(139)
Disposal of trade and assets (note 22)	(528)	-	(289)	(296)	(1,113)
At end of year	1,871	1,762	652	8,563	12,848
Depreciation					
At beginning of year	567	-	332	3,114	4,013
Charge for year	205	-	99	1,402	1,706
Disposals	(20)	-	(38)	-	(58)
Disposal of trade and assets (note 22)	(125)	-	(260)	(282)	(667)
At end of year	627	-	133	4,234	4,994
Net book value					
At 28 February 2011	**1,244**	**1,762**	**519**	**4,329**	**7,854**
At 28 February 2010	1,809	160	640	5,500	8,109

On 2 August 2010, Matthew Clark (Scotland) Limited sold its trade and assets to Dollar Trade Limited (note 22)

Freehold land and buildings includes £110,000 (*2010 £110,000*) in respect of land

The Company has no tangible fixed assets

Notes *(continued)*

10 Fixed asset investments

Company

	Shares in Group Undertakings £000
Cost and net book value	
At beginning and end of year	**70,908**

The undertakings in which the Company's interest at the year end is more than 20% are as follows

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Matthew Clark Wholesale Limited	UK	Wholesale wine and spirits merchant	100% ordinary share capital
Wine Studio Limited	UK	Wholesale wine merchant	100% ordinary share capital
Matthew Clark (Scotland) Limited (formerly Forth Wines Limited)	UK	Wholesale wine and spirits merchant	100% ordinary share capital

11 Stocks

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Finished goods and goods for resale	28,434	-	29,657	-

Notes *(continued)*

12 Debtors

	Group 2011 £000	**Company 2011 £000**	Group 2010 £000	Company 2010 £000
Trade debtors	**57,121**	**-**	60,465	-
Amounts owed by controlling parties	**1,402**	**-**	2,329	-
Deferred tax assets	**1,366**	**-**	1,643	-
Other debtors	**3,088**	**-**	6,573	-
Prepayments and accrued income	**2,418**	**7**	2,125	7
	65,395	**7**	73,135	7

The movement on the deferred tax account during the year has been as follows

	£000
At the start of the year	1,643
Charged to the profit and loss account for the year (note 7)	(277)
At end of the year	**1,366**

The elements which make up the deferred tax asset are	**2011 £000**	2010 £000
Differences between accumulated depreciation and amortisation and capital allowances	**(402)**	(433)
Other timing differences	**1,768**	2,076
	1,366	1,643

13 Creditors: amounts falling due within one year

	Group 2011 £000	**Company 2011 £000**	Group 2010 £000	Company 2010 £000
Trade creditors	**53,810**	**-**	38,878	-
Amounts owed to Group undertakings	**-**	**36,782**	-	28,425
Amounts owed to controlling parties	**4,942**	**-**	16,793	-
Other creditors including taxation and social security	**9,569**	**(73)**	8,523	237
Corporation tax	**250**	**-**	1,298	-
Accruals and deferred income	**8,196**	**-**	7,665	-
Bank loans	**5,926**	**5,926**	5,709	5,500
Other loans	**5,000**	**5,000**	5,000	5,000
	87,693	**47,635**	83,866	39,162

Notes *(continued)*

13 Creditors: amounts falling due within one year *(continued)*

The bank loan includes £5,925,926 *(2010 £5,500,000)* which is due to be repaid within one year The bank loan also includes *£Nil* (*2010 £209,000*) which is a floating loan secured on the Group's trade debtor balances and capped at £45,000,000 Interest on this facility is based on Barclays Bank Base Rate + 0 9% Interest of 0 45% is also charged on any amounts not utilised

Other loans comprise a loan note with a nominal value of £5,000,000 issued to Punch Taverns (PGE) Limited on 17 April 2007 The loan note is repayable on demand but is cash neutral for Matthew Clark (Holding) Limited as it will be funded through the issuance of ordinary A and B shares to both Punch Taverns (PGE) Limited and Hertford Cellars Limited for a combined consideration of £5,000,000 The loan note bears no interest

14 Creditors: amounts falling due after more than one year

	Group 2011 £000	**Company 2011 £000**	Group 2010 £000	Company 2010 £000
Bank loans and overdrafts	-	-	7,570	7,570

15 Provisions for liabilities

	Pensions £000	**Property** £000	**Total** £000
Group			
At beginning of year	6,845	687	7,532
Utilised during year	(1,250)	-	(1,250)
Amounts released unused	-	(196)	(196)
Charged to the profit and loss for the year	-	155	155
Unwinding of discounted amount	494	-	494
At end of year	6,089	646	6,735

Pension provisions relate to the agreement made by the Group in relation to the Matthew Clark Pension Plan (see note 20)

Property provisions relate to a number of properties used in the Group's business They include amounts in respect of onerous rental expenses and dilapidations, for leases expiring between the balance sheet date and 2028

The Company has no provisions for liabilities

Notes *(continued)*

16 Called up share capital

	2011	2010
	£	£
Authorised		
5,050 'A' ordinary shares of £0 01 each	50 5	50 5
5,050 'B' ordinary shares of £0 01 each	50 5	50 5
	101	101
Allotted, called up and fully paid		
5,000 'A' ordinary shares of £0 01 each	50	50
5,000 'B' ordinary shares of £0 01 each	50	50
	100	100

The controlling parties (as described in note 27) have the right to subscribe for an additional 1 ordinary share each for a combined consideration of £5,000,000

17 Share premium and reserves

Group	Share premium account	Acquisition Reserve	Profit and loss account
	£000	£000	£000
At beginning of year	30,007	441	10,306
Profit for the year	-	-	6,122
At end of year	**30,007**	**441**	**16,428**

Company	Share premium account	Profit and loss account
	£000	£000
At beginning of year	30,007	(5,587)
Loss for the year	-	(1,140)
At end of year	**30,007**	**(6,727)**

The Company's loss for the financial year was £1,140,000 *(2010 £1,572,000)*

Notes *(continued)*

18 Contingent liabilities

The Company is a member of the Group VAT registration and is therefore jointly liable for the other Group companies' outstanding net VAT liability of £6,652,029 *(2010 £3,061,000)*

The Company and certain other Group undertakings have entered into a Composite Accounting Agreement under which Barclays Bank Plc may offset money standing to the credit of any Company within the agreement against any indebtedness to the bank of a Company within the agreement The contingent asset at 28 February 2011 of the Company in respect of guarantees given to secure the banking facilities of other Group undertakings was £15,253,000 *(2010 £2,498,000 (liability))*

19 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 Land and Buildings	**2011 Other**	2010 Land and Buildings	2010 Other
Group	**£000**	**£000**	£000	£000
Operating leases which expire				
Within one year	**142**	**127**	74	129
In the second to fifth years inclusive	**921**	**2,453**	952	2,368
Over five years	**1,926**	**-**	2,114	1
	2,989	**2,580**	3,140	2,498

The Company has no annual commitments under non-cancellable operating leases

20 Pension scheme

The Group operates a defined contribution scheme The assets of the scheme are held separately from those of the Group, being invested with insurance companies The pension cost charge represents contributions payable by the Group to the fund and amounted to £922,000 *(2010 £932,000)*

Matthew Clark Wholesale Limited and Matthew Clark (Scotland) Limited also participate in The Matthew Clark Pension Plan which provides benefits based on final salary pensionable pay operated by Constellation Europe (Holdings) Limited (formerly Matthew Clark Limited) on behalf of Matthew Clark (Holdings) Limited and for the benefit of its employees Because the Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, and therefore as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for as if the scheme was a defined contribution scheme

Contributions to the Matthew Clark Pension Plan are assessed in accordance with the advice of Punter Southall & Co , consulting actuaries The plan was closed to future benefit accrual at 31 March 2003, although salary linkage will remain on accrued benefits A defined contribution arrangement was opened to all active members of the plan and for new employees from 1 April 2003 The latest formal actuarial valuation of the scheme was carried out as at 31 December 2007

Notes *(continued)*

20 Pension scheme *(continued)*

Following the joint venture on 17 April 2007, the Joint Venture Agreement provided that Matthew Clark (Holdings) Limited will procure that Matthew Clark Wholesale Limited and Matthew Clark (Scotland) Limited shall pay £1,250,000 per annum for a period of 10 years to the Matthew Clark Group Pension Plan Trustees The amount is fixed at a Group level regardless of what the pension trust might request Should the Trustees request additional amounts, these shall be refunded to Matthew Clark Holdings Limited by Hertford Cellars Limited (a subsidiary of Constellation Brands Inc) Should the Trustees request a payment less than £1,250,000 then the difference shall be treated as a distribution from Matthew Clark Wholesale Limited and Matthew Clark (Scotland) Limited to Matthew Clark (Holdings Limited) The Group contribution for the year was £1,250,000 (*2010 £1,250,000*) and was paid entirely by Matthew Clark Wholesale Limited on behalf of the Group

The Group expects to contribute £1,250,000 under the above arrangements in the next financial year

21 Share based payments

Long term stock incentive plan

The long term stock incentive plan is a performance share plan under which shares are conditionally allocated to selected members of management Matthew Clark Wholesale employees have not been awarded any new options under the Constellation Long Term Stock Incentive Plan during the year

Once vested the options grant the right to purchase shares at the market price they were at the date of grant Exercise prices range from $6 44 to $27 23 The options vest after four years and expire ten years after the grant date

As a result of the joint venture and resultant change in ownership of Matthew Clark Wholesale during the year, the vesting of all options under the long term stock incentive plan was accelerated such that all options were fully vested at 16 April 2007

	Outstanding at start of year	Exercised during year	Forfeited during year	**Outstanding at end of year**
April 2000 Award (exercise price $6 4375)	8,002	(8,002)	-	-
April 2001 Award (exercise price $8 8713)	8,400	(8,400)	-	-
April 2002 Award (exercise price $13 7125)	21,810	(17,010)	-	4,800
Sept 2002 Award (exercise price $11 9750)	2,000	(2,000)	-	-
April 2003 Award (exercise price $11 7950)	17,550	(16,950)	-	600
April 2004 Award (exercise price $16 6300)	63,300	(58,500)	(1,200)	3,600
June 2004 Award (exercise price $18 5500)	2,000	(2,000)	-	-
April 2005 Award (exercise price $27 2350)	97,900	-	(11,000)	86,900
April 2006 Award (exercise price $25 8800)	112,700	-	(9,900)	102,800
	333,662	**(112,862)**	**(22,100)**	**198,700**
Weighted average exercise price	$21 96	$14 12	$26 05	$25 97
Weighted average contractual life remaining				5

Notes *(continued)*

21 Share based payments *(continued)*

Constellation Brands Inc received proceeds of $1,775,000 in respect of the 112,862 options exercised during the year

The options were exercised throughout the year at prices between $6 44 and $18 55

The Company has exited the plan as part of the sale of the Constellation Europe business to CHAMP III Management Pty Limited on 31 January 2011 Vested options were terminated, either 30 or 90 days from this date, dependent on the schemes under which they were granted

22 Sale of trade and assets

On 2 August 2010, Matthew Clark (Scotland) Limited sold its trade and assets to Dollar Trade Limited for a consideration of £3,370,000 The net assets sold were as follows

	£000
Tangible fixed assets (note 9)	446
Stocks	3,041
Debtors	2,154
Creditors	(2,667)
Net assets sold	2,974
Costs relating to the sale of trade and assets	282
Profit on sale of trade and assets	114
Consideration paid	3,370

23 Reconciliation of operating profit to operating cash flows

	2011 Total £000	2010 Total £000
Operating profit	11,375	10,271
Depreciation, amortisation and other amounts written off fixed assets	3,222	3,009
Loss on disposal of fixed assets	81	-
(Increase)/decrease in stocks	(1,818)	3,804
Decrease in debtors	5,309	6,461
Increase/(decrease) in creditors	7,524	(2,967)
Decrease in provisions	(1,291)	(1,287)
Net cash inflow from operating activities	24,402	19,291

Notes *(continued)*

24 Analysis of cash flows

	2011 £000	2011 £000	2010 £000	2010 £000
Returns on investment and servicing of finance				
Interest paid		(1,375)		(1,844)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(1,978)		(824)
Financing				
Increase in short-term borrowing	18		(11,173)	
Repayment of secured loan	(7,570)		(5,000)	
		(7,552)		(16,173)
Acquisitions and disposals				
Sale of trade and assets of Matthew Clark (Scotland) Limited	3,370		-	
Costs incurred through sale of trade and assets	(282)		-	
		3,088		-

25 Analysis of net debt

	At beginning of year £000	Cash flow £000	Non-cash movement £000	At end of year £000
Cash in hand, at bank	2,944	12,316	-	15,260
Debt due after one year	(7,570)	7,570	-	-
Debt due within one year	(10,709)	(18)	(199)	(10,926)
Total	(15,335)	19,868	(199)	4,334

Notes *(continued)*

26 Related party disclosures

During the year the Group entered into transactions with companies in the Groups headed by Constellation Brands Inc /Vincor UK Limited and Punch Taverns Plc

a) Transactions with the Constellation Brands Inc./Vincor UK Limited Group

- The Group purchased goods of £134,666,000 (*2010 £191,255,000)* and services of £4,681,000 (*2010 £4,797,000*) from the Group,
- The Group made sales of £ Nil (*2010 £Nil*) to the Group, and
- The balance owing from the Company to the Group at 28 February 2011 was £4,942,000 (*2010 £16,793,000*)
- The balance owing from the Group to the Company at 28 February 2011 was £35,000 *(2010 £1,321,000)*

b) Transactions with the Punch Taverns Plc Group

- The Group purchased goods of £Nil (*2010 £Nil*) and services of £Nil (*2010 £Nil*) from Punch Taverns Plc Group,
- The Group made sales of £17,628,000 (*2010 £19,258,000*) to Punch Taverns Plc Group, and
- The balance owing from the Punch Taverns Plc Group to the Group at 28 February 2011 was £1,366,000 *(2010 £1,008,000)*

27 Controlling parties

Matthew Clark (Holdings) Limited is jointly owned by Hertford Cellars Limited, a Company incorporated in England and Wales, and Punch Taverns (PGE) Limited, a company incorporated in England and Wales

Punch Taverns (PGE) Limited's ultimate parent undertaking and controlling party is Punch Taverns plc, a Company incorporated in England and Wales

The ultimate parent undertaking of Hertford Cellars Limited has changed in the year from Constellation Brands Inc , a Company incorporated in the United States of America, to Vincor UK Limited, a Company incorporated in England and Wales 80 1% of the issued share capital of Vincor UK Limited is owned by funds managed or advised by CHAMP III Management Pty Limited