Matthew Clark (Holdings) Ltd

Directors' report and consolidated financial statements

For the year ended 28 February 2009

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 2009. The results for the year ended 29 February 2008 include the results of Matthew Clark Wholesale, Limited, Forth Wines Limited and The Wine Studio Limited from the date of acquisition on 17 April 2007.

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 beverage, both alcoholic and non - alcoholic, to a wide variety of customers including pubs, bars, hotels, restaurants and leisure outlets.

The group offers a comprehensive wholesale and distribution proposition to the UK on-premise trade. Employing a 200-strong sales force the Matthew Clark Group offers a complete next-day drinks solution to customers, both in the independent free trade sector and the large national multiple operators.

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 clear preferred brands strategy across the other major drinks sectors such as spirits and beer.

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% subsidiaries being Matthew Clark Wholesale Ltd, Forth Wines Ltd and Wine Studio Ltd. 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.

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 to the on trade 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 on trade has suffered as a result of the economic slow down during the year, with volumes down by 2.6% compared to last year. Sales, however have increased, with reported sales up by 18% on last year, and up 3.7% on a like for like basis. The increase is due to a combination of supplier price and duty increases, and the impact of sterling weakness on costs of imported goods.

Distribution costs are up on last year due to the increased cost of haulage and associated costs this was offset by a reduction in administration costs through tight cost control.

Trends and developments

Over the course of the year there have been a number of continuing trends within the UK on trade. The economic weakness has impacted consumer spend and the trade has seen a decline in both the number of outlets and also the number of customer visits. Most operators have reported lower footfall and customer spend, with a decline in drinks spending being offset by increase in food volumes. There has been a consistent move to value offerings in many operators. All product sectors in the market have seen decline which accelerated in the closing part of 2008.

The market remains depressed and there is a cautious outlook across the trade. There remain opportunities for quality operators and outlets and accordingly the Group is being selective as to the business that it pursues.

Results and dividends

The Group made a loss after tax for the year of £27,256,000 *(2008: £2,940,000)*. The Directors do not propose a dividend *(2008: £Nil)*.

As required by FRS 11 "Impairment of Fixed Assets and Goodwill", the Directors have reviewed for impairment the goodwill which arose on the acquisition of Matthew Clark Wholesale Limited, Forth Wines Limited and The Wine Studio Limited at 28 February 2009 which is the end of the first full financial year of ownership. As a result of this, an impairment of £29,552,000 has been identified, based on the present value of the future cashflows. Further details are given in note 8. Excluding this impairment, the Group made a profit after tax of £2,296,000.

Directors' report *(continued)*

Directors

The following directors served during the year or were appointed post year end:

N Preston	
J Paveley	
S Dando	
T Christensen	
D Klein	(resigned 3 April 2009)
H Glennie	(appointed 3 April 2009)

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

Troy

Troy Christensen
Director

28 May 2009

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

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).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that year.

In preparing these 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 proper accounting records that 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 1985. 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 LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

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

We have audited the group and parent company financial statements (the "financial statements") of Matthew Clark (Holdings) Limited for the year ended 28 February 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Group and Company Reconciliation of Shareholder's Funds, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Matthew Clark (Holdings) Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 28 February 2009 and the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 May 2009

Consolidated Profit and Loss Account
for the year ended 28 February 2009

	Note	**2009 £000**	**2009 £000**	*Restated* 2008 £000	*Restated* 2008 £000
Turnover	*2*		**580,803**		492,465
Cost of sales			**(500,848)**		(419,701)
Gross profit			**79,955**		72,764
Distribution costs			**(32,611)**		(27,059)
Administration expenses			**(38,743)**		(35,844)
Exceptional impairment charges	*8*		**(29,552)**		-
Operating profit before impairment charges		**8,601**		9,861	
Exceptional impairment charges		**(29,552)**		-	
Operating (loss)/profit			**(20,951)**		9,861
Interest payable and similar charges	*6*		**(3,760)**		(3,682)
(Loss)/profit on ordinary activities before taxation	*3-5*		**(24,711)**		6,179
Tax on (loss)/profit on ordinary activities	*7*		**(2,545)**		(3,239)
(Loss)/profit for the financial year	*17*		**(27,256)**		2,940

All results arose from continuing operations.

Consolidated Balance Sheet
at 28 February 2009

	Note	2009 £000	2009 £000	Restated 2008 £000	Restated 2008 £000
Fixed assets					
Intangible fixed assets	*8*		**27,391**		60,092
Tangible fixed assets	*9*		**8,780**		8,904
			36,171		68,996
Current assets					
Stocks	*11*	**33,461**		31,856	
Debtors	*12*	**79,824**		78,423	
Cash at bank and in hand		**5,229**		2,442	
		118,514		112,721	
Creditors: amounts falling due within one year	*13*	**(92,863)**		(87,056)	
Net current assets			**25,651**		25,665
Total assets less current liabilities			**61,822**		94,661
Creditors: amounts falling due after more than one year	*14*		**(17,869)**		(22,672)
Provisions for liabilities	*15*		**(8,269)**		(9,049)
Net assets			**35,684**		62,940
Capital and reserves					
Called up share capital	*16*		**-**		-
Share premium	*17*		**30,007**		30,007
Acquisition reserve	*17*		**441**		29,993
Profit and loss account	*17*		**5,236**		2,940
Shareholders' funds			**35,684**		62,940

These financial statements were approved by the board of directors on 28 May 2009 and were signed on its behalf by:

Troy

Troy Christensen
Director

Company Balance Sheet
at 28 February 2009

	Note	2009		2008	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*10*		**70,908**		70,908
Current assets					
Debtors	*12*	**5**		1,110	
Cash at bank and in hand		**145**		1	
		150		1,111	
Creditors: amounts falling due within one year	*13*	**(27,197)**		(21,360)	
Net current liabilities			**(27,047)**		(20,249)
Total assets less current liabilities			**43,861**		50,659
Creditors: amounts falling due after more than one year	*14*		**(17,869)**		(22,672)
Net assets			**25,992**		27,987
Capital and reserves					
Called up share capital	*16*		**-**		-
Share premium	*17*		**30,007**		30,007
Profit and loss account	*17*		**(4,015)**		(2,020)
Shareholders' funds			**25,992**		27,987

These financial statements were approved by the board of directors on 28 May 2009 and were signed on its behalf by:

Troy Christensen
Director

Consolidated Cash Flow Statement
for the year ended 28 February 2009

	Note	2009 £000	2008 £000
Cash flow statement			
Cash flow from operating activities	23	**17,287**	3,588
Returns on investments and servicing of finance	24	**(3,158)**	(3,113)
Taxation		**(2,345)**	(1,087)
Capital expenditure and financial investment	24	**(1,295)**	(890)
Acquisitions and disposals	24	**-**	(67,822)
Cash inflow/(outflow) before management of liquid resources and financing		**10,489**	(69,324)
Financing	24	**(7,702)**	71,766
Increase in cash in the year		**2,787**	2,442

Reconciliation of net cash flow to movement in net debt

	Note	2009 £000	2008 £000
Increase in cash in the year		**2,787**	2,442
Cash outflow/(inflow) from debt and lease financing		**7,702**	(41,758)
Change in net debt resulting from cash flows		**10,489**	(39,316)
Movement in net debt in the year		**10,489**	(39,316)
Movement in non-cash flows		**(197)**	-
Net debt at the start of the year		**(39,316)**	-
Net debt at the end of the year	25	**(29,024)**	(39,316)

Reconciliations of Movements in Shareholders' Funds
for the year ended 28 February 2009

	Group 2009 £000	Company 2009 £000	*Restated* Group 2008 £000	Company 2008 £000
(Loss)/profit for the financial year	**(27,256)**	**(1,995)**	2,940	(2,020)
New share capital subscribed (net of issue costs)	-	-	30,007	30,007
Fair value of equity consideration on acquisition (see note 22)	-	-	29,993	-
Net (reduction in)/addition to shareholders' funds	**(27,256)**	**(1,995)**	62,940	27,987
Opening shareholders' funds	**62,940**	**27,987**	-	-
Closing shareholders' funds	**35,684**	**25,992**	62,940	27,987

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 28 February 2009

	2009 £000	*Restated* 2008 £000
(Loss) for the financial year	**(27,256)**	(2,940)
Total gains and losses relating to the financial year	**(27,256)**	(2,940)
Prior year adjustment (as explained in note 1)	**1,377**	
Total gains and losses recognised since last annual report	**(25,879)**	

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 under the historical cost convention and in accordance with applicable accounting standards.

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. 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 Director's 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.

Prior year adjustment

The Directors identified during the year that the fair value of consideration on the acquisition of Matthew Clark Wholesale Limited, Forth Wines Limited and The Wine Studio Limited did not include the fair value of the non-cash consideration given by the Group. As described in note 22, the fair value of consideration has therefore been restated to include the fair value of shares issued by the vendor of £29,993,000 and the result is an increase in goodwill and reserves of £29,993,000. The profit and loss account has also been restated to include the effect of the increased amortisation charge. The result is a reduction in profit after tax of £1,375,000.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 28 February 2009. 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 230(4) of the Companies Act 1985 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 Company 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 Forth Wines 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. 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 Forth Wines 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 Forth Wines 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 Forth Wines Limited (Constellation Long Term Stock Incentive Plan) is no longer available to employees of the Group. No options have been granted by the Group, although those who held options prior to the formation of the joint venture are still entitled to hold those options through to vesting date and exercise those options.

As a result of the joint venture and resultant acquisition of Matthew Clark Wholesale Limited and Forth Wines Limited, 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.

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:

	2009	*Restated* 2008
	£000	£000
Depreciation and amounts written off tangible fixed assets	**1,419**	1,126
Goodwill amortisation	**3,149**	2,886
Operating lease charges:		
- plant and machinery	**498**	1,163
- vehicles	**2,106**	1,821
- land and buildings	**2,718**	3,247
Exceptional item – goodwill impairment (see note 8)	**29,552**	-

Notes *(continued)*

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

Auditor's remuneration:	**2009**	2008
	£000	£000
Audit of these financial statements	**28**	23
Audit of the financial statements of subsidiary companies	**50**	51
Other services pursuant to legislation	**-**	70
	78	144

4 Remuneration of directors

The Director's of the Company received no remuneration from the Group or the Company in the current or prior year.

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:

	2009	2008
	No.	No.
Selling and distribution	**876**	914
Administration	**410**	385
	1,286	1,299

The aggregate payroll costs of these persons were as follows:

	Group	Group
	2009	2008
	£000	£000
Wages and salaries	**29,408**	25,946
Social security costs	**2,983**	2,802
Other pension costs (see note 20)	**872**	572
	33,263	29,320

Company

The Company had no employees during the current or prior year.

Notes *(continued)*

6 Interest payable and similar charges

	2009	2008
	£000	£000
On bank loans and overdrafts	**3,158**	3,114
Accretion of pension liability	**602**	568
	3,760	3,682

7 Taxation

Analysis of charge in year

	2009	2008
	£000	£000
UK corporation tax		
Current tax on income for the year	**2,113**	2,935
Adjustments in respect of prior years	**(162)**	-
Total current tax	**1,951**	2,935
Deferred tax (see note 12)		
Origination and reversal of timing differences	**418**	111
Capital allowances in excess of depreciation	**47**	176
Rate change to 28%	-	17
Adjustments in respect of prior periods	**129**	-
Total deferred tax	**594**	304
Tax on profit on ordinary activities	**2,545**	3,239

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:

	2009 £000	*Restated* 2008 £000
Current tax reconciliation		
(Loss) / profit on ordinary activities before tax	**(24,711)**	6,179
Current tax at the standard rate of corporation tax in the UK 28.17% *(2008: 30%)*	**(6,961)**	1,854
Effects of:		
Expenses not deductible for tax purposes	**9,539**	1,146
Capital allowances in excess of depreciation	**(47)**	(176)
Origination and reversal of timing differences	**(418)**	111
Adjustments in respect of prior periods	**(162)**	-
Total current tax charge (see above)	**1,951**	2,935

8 Intangible fixed assets

Group	*Restated* **Goodwill** £000
Cost	
At beginning and end of year	62,978
Amortisation	
At beginning of year	2,886
Charged in year	3,149
Impairment charge	29,552
At end of year	35,587
Net book value	
At 28 February 2009	**27,391**
At 29 February 2008	60,092

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is amortised over a period of 20 years. See note 22 for further details.

The impairment charge of £29,552,000 arises as a result of the review conducted by the Directors. In performing this review, the Directors have compared the carrying value of goodwill to its recoverable amount based on the preset value of the future cash flows. The future cash flows have been discounted using a pre-tax discount rate of 12.8%.

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	2,009	68	935	7,018	10,030
Additions	214	892	30	159	1,295
Disposals	-	-	(27)	-	(27)
At end of year	2,223	960	938	7,177	11,298
Depreciation					
At beginning of year	101	-	112	913	1,126
Charge for year	212	-	128	1,079	1,419
Disposals	-	-	(27)	-	(27)
At end of year	313	-	213	1,992	2,518
Net book value					
At 28 February 2009	**1,910**	**960**	**725**	**5,185**	**8,780**
At 29 February 2008	1,908	68	823	6,105	8,904

Freehold land and buildings includes £110,000 in respect of land.

The Company has no tangible fixed assets.

Notes *(continued)*

10 Fixed asset investments

Company

	Shares in group undertaking £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:

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
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
Forth Wines Limited	**UK**	**Wholesale wine and spirits merchant**	100% ordinary share capital

11 Stocks

	Group 2009 £000	**Company 2009 £000**	Group 2008 £000	Company 2008 £000
Finished goods and goods for resale	**33,461**	**-**	31,856	-

Notes *(continued)*

12 Debtors

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Trade debtors	**66,555**	**-**	64,509	-
Deferred tax assets	**1,871**	**-**	2,465	-
Other debtors	**10,318**	**-**	8,445	7
Prepayments and accrued income	**1,080**	**5**	3,004	16
Corporation tax	**-**	**-**	-	1,087
	79,824	**5**	78,423	1,110

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

	£000
At the start of the year	2,465
Charged to the profit and loss account (see note 7)	(594)
At end of the year	**1,871**

	£000
Differences between accumulated depreciation and amortisation and capital allowances	(396)
Other timing differences	2,267
	1,871

13 Creditors: amounts falling due within one year

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Trade creditors	**60,710**	**-**	50,420	-
Amounts owed to group undertakings	**-**	**22,071**	-	16,360
Other creditors including taxation and social security	**12,099**	**126**	12,257	-
Accruals and deferred income	**3,670**	**-**	5,293	-
Bank loan	**16,384**	**5,000**	19,086	5,000
	92,863	**27,197**	87,056	21,360

The bank loan includes £5,000,000 which is the portion of the bank loan referred to in note 14 which is due to be repaid within one year. The bank loan also includes £11,384,000 which is a floating loan secured on the Group's trade debtor balances and capped at £45,000,000. Interest is based on Barclays Bank Base Rate + 1%. Interest of 0.45% is also charged on any amounts not utilised.

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	Group 2009 £000	Company 2009 £000	Group 2008 £000	Company 2008 £000
Bank loans and overdrafts	**12,869**	**12,869**	17,672	17,672
Other loans	**5,000**	**5,000**	5,000	5,000
	17,869	**17,869**	22,672	22,672

The bank loan is repayable in instalments up to 2011 and is secured on the Group's assets, excepting those trade debtors which provide security over the floating loan (see note 13). Interest is based on LIBOR + 1.25%.

All repayments on the bank loan are due within five years.

Other loans comprise a loan with a nominal value of £5,000,000 issued to Punch Taverns (PGE) Limited on 17 April 2007. The loan note is repayable within 65 days of 17 April 2010. The loan note bears no interest.

15 Provisions for liabilities

	Environmental liabilities £000	Pensions £000	Property £000	Total £000
Group				
At beginning of year	198	8,193	658	9,049
Utilised during year	-	(1,250)	-	(1,250)
Released in the year	(198)	-	-	(198)
Charged to the profit and loss for the year	-	-	66	66
Unwinding of discounted amount	-	602	-	602
At end of year	**-**	**7,545**	**724**	**8,269**

Provisions for environmental liabilities relate to the costs of remedial activity following an oil spillage and were released during the year following agreement with the counterparty that no liability arose on Matthew Clark Holdings Limited.

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 Company's business. They include amounts in respect of onerous rental expenses and dilapidations, for leases expiring between the balance sheet date and 2028.

Notes *(continued)*

16 Called up share capital

	2009 £	2008 £
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 ultimate parent undertakings (as described in note 27) have the right to subscribed for an additional 1 ordinary share each for a consideration of £5,000,000 within 65 days of 17 April 2010.

17 Share premium and reserves

Group	**Share premium account**	*Restated* **Acquisition reserve**	**Profit and loss account**
	£000	£000	£000
At beginning of year	30,007	29,993	2,940
Loss for the year	-	-	(27,256)
Transfer in relation to impairment losses	-	(29,552)	29,552
At end of year	**30,007**	**441**	**5,236**

The transfer between reserves related to the impairment of goodwill which arose on acquisition as a result of the fair value of the non-cash consideration from Hertford Cellars (as described in note 22).

Company	**Share premium account**	**Profit and loss account**
	£000	£000
At beginning of year	30,007	(2,020)
Loss for the year	-	(1,995)
At end of year	**30,007**	**(4,015)**

The Company's loss for the financial year was £1,995,000 *(2008: £2,020,000).*

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 £3,718,000 (*2008: £1,454,000*).

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 liability at 28 February 2009 of the Company in respect of guarantees given to secure the banking facilities of other Group undertakings was £6,300,000 (*2008: £11,646,000*).

19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2009	**2009**	2008	2008
	Land and Buildings	**Other**	Land and Buildings	Other
Group	**£000**	**£000**	£000	£000
Operating leases which expire:				
Within one year	**-**	**738**	136	288
In the second to fifth years inclusive	**775**	**2,348**	558	2,942
Over five years	**1,943**	**6**	2,977	36
	2,718	**3,092**	3,671	3,266

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 £872,000 (*2008: £705,000*).

Matthew Clark Wholesale Limited and Forth Wines 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 16 April 2007 as described in the Director's report, the Joint Venture Agreement provided that Matthew Clark (Holdings) Limited will procure that Matthew Clark Wholesale Limited and Forth Wines 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 Forth Wines Limited to Matthew Clark (Holdings Limited). The Group contribution for the year was £1,250,000 (*2008: £1,146,000*) 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, although those who held options previously are still entitled to hold those options through to vesting date and exercise those options within the vesting period.

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 acquisition of Matthew Clark Wholesale Limited and Forth Wines Limited, 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.

Grant date	***4 October 2006***	***5 April 2006***
Share price at grant date	$29.08	$25.88
Exercise price	$29.08	$25.88
Shares / Share equivalents under scheme	12,500	162,650
Vesting period *	4 years	4 years
Expected life of option	5.5 years	5.5 years
Expected volatility **	31.2%	31.7%
Risk free rate	4.5%	4.8%
Expected dividends expressed as a dividend yield	0.0%	0.0%
Probability of ceasing employment before vesting	10%	10%
Fair value of option	$9.82	$9.00

* *4 years was the vesting period assessed when the fair value of the options was calculated at the date of grant. As noted above, the vesting period on all options was accelerated such that the options fully vested as of 16 April 2007.*

** *Expected volatility is based on historical volatility levels of Constellation Brands Inc.'s Class A Common Stock.*

The fair value of the options was calculated using the Black-Scholes model.

21 Share based payments *(continued)*

Long term stock incentive plan *(continued)*

	Outstanding at acquisition	Transferred during period*	Exercised during period	Forfeited during period	**Outstanding at 29 February 2008**
April 2000 Award (exercise price $6.4375)	17,338	-	-	-	**17,338**
April 2001 Award (exercise price $8.8713)	29,000	(3,200)	(8,800)	-	**17,000**
Sept 2001 Award (exercise price $10.2500)	22,500	(12,500)	(2,500)	-	**7,500**
April 2002 Award (exercise price $13.7125)	31,310	(2,400)	(2,300)	-	**26,610**
Sept 2002 Award (exercise price $11.9750)	2,000	-	-	-	**2,000**
April 2003 Award (exercise price $11.7950)	33,950	(7,000)	-	-	**26,950**
April 2004 Award (exercise price $16.6300)	95,300	(21,000)	(5,000)	-	**69,300**
June 2004 Award (exercise price $18.5500)	2,000	-	-	-	**2,000**
April 2005 Award (exercise price $27.2350)	146,400	(18,100)	-	(2,200)	**126,100**
April 2006 Award (exercise price $25.8800)	171,550	(28,750)	-	(3,900)	**138,900**
Oct 2006 Award (exercise price $29.0800)	12,500	(12,500)	-	-	**-**
	563,848	**(105,450)**	**(18,600)**	**(6,100)**	**433,698**
Weighted average exercise price	$21.02	$21.49	$9.94	$26.37	**$21.20**
Weighted average contractual life remaining					**7 years**

**** Options transferred with employees to other group companies during the year***

	Outstanding at 29 February 2008	Exercised during year	Forfeited during year	**Outstanding at 28 February 2009**
April 2000 Award (exercise price $6.4375)	17,338	(6,168)	(500)	**10,670**
April 2001 Award (exercise price $8.8713)	17,000	(6,400)	(600)	**10,000**
Sept 2001 Award (exercise price $10.2500)	7,500	-	-	**7,500**
April 2002 Award (exercise price $13.7125)	26,610	(2,400)	(2,400)	**21,810**
Sept 2002 Award (exercise price $11.9750)	2,000	-	-	**2,000**
April 2003 Award (exercise price $11.7950)	26,950	(7,100)	(1,100)	**18,750**
April 2004 Award (exercise price $16.6300)	69,300	-	(4,800)	**64,500**
June 2004 Award (exercise price $18.5500)	2,000	-	-	**2,000**
April 2005 Award (exercise price $27.2350)	126,100	-	(16,500)	**109,600**
April 2006 Award (exercise price $25.8800)	138,900	-	(16,000)	**122,900**
	433,698	(22,068)	(41,900)	**369,730**
Weighted average exercise price	$21.20	$9.66	$22.73	**$21.78**
Weighted average contractual life remaining				**6 years**

Constellation Brands Inc received proceeds of $213,000 in respect of the 22,068 options exercised during the year.

The options were exercised throughout the year at prices between $14.60 and $20.89.

The weighted average share price at date of exercise was $15.88.

Notes *(continued)*

22 Acquisitions

On 17 April 2007 the Company acquired all of the shares of Matthew Clark Wholesale Limited, Forth Wines Limited and Wine Studio Limited. The resulting goodwill of £62,978,000 was capitalised and will be written off over 20 years.

	Book value £000	Other adjustments £000	*Restated (see note1)* Fair value £000
Fixed assets			
Tangible	9,140	-	9,140
Current assets			
Stock	26,178	-	26,178
Debtors	98,860		98,860
Deferred tax	313	2,456	2,769
Cash	3,086	-	3,086
Total assets	137,577	2,456	140,033
Liabilities			
Creditors	(92,177)		(92,177)
Provisions	(1,162)	(8,771)	(9,933)
Total liabilities	(93,339)	(8,771)	(102,110)
Net assets	44,238	(6,315)	37,923
Goodwill			62,978
Purchase consideration and costs of acquisition			100,901

The fair value adjustments are in relation to the pension commitments made by the Group in respect of the Matthew Clark Pension Plan which is a funded defined benefit pension scheme operated by Constellation Europe (Holdings) Limited (formerly Matthew Clark Limited) on behalf of Matthew Clark (Holdings) Limited and for the benefit of its employees as described in note 20. The total liability of £12,500,000 for the 10 year period has been discounted to £8,771,000. A deferred tax asset in respect of this provision has been recognised at 28%.

The purchase consideration of £100,901,000 comprises cash consideration of £70,538,000 and acquisition costs of £370,000. The remaining fair value of consideration of £29,993,000 represents the fair value of shares issued by the vendor, Hertford Cellars Limited, of £29,993,000 on the acquisition of Matthew Clark Wholesale Limited, Forth Wines Limited and Wines Studio Limited by the Company. This amount has been included on consolidation as Acquisition reserves.

The acquired undertakings made profits of £1,273,000 from the beginning of its financial year to the date of acquisition. In the previous financial year the profits were £14,871,000.

The Directors have reviewed the book values of the assets and liabilities acquired and believe there is no material difference between the book and fair value of these assets and liabilities.

Notes *(continued)*

23 Reconciliation of operating profit to operating cash flows

	2009 Total £000	*Restated* 2008 Total £000
Operating (loss)profit	**(20,951)**	9,861
Depreciation, amortisation and other amounts written off fixed assets	**34,120**	4,012
Increase in stocks	**(1,605)**	(5,678)
(Increase)/decrease in debtors	**(1,995)**	22,901
Increase/(decrease) in creditors	**9,100**	(26,790)
Decrease in provisions	**(1,382)**	(718)
Net cash inflow from operating activities	**17,287**	3,588

24 Analysis of cash flows

	Notes	2009 £000	2009 £000	2008 £000	2008 £000
Returns on investment and servicing of finance					
Interest paid			**(3,158)**		(3,113)
Capital expenditure and financial investment					
Purchase of tangible fixed assets			**(1,295)**		(890)
Acquisitions and disposals					
Purchase of subsidiary undertakings		-		(70,908)	
Net cash acquired		-		3,086	
			-		(67,822)
Financing					
Issue of ordinary share capital		-		30,007	
Debt due within one year:					
(Decrease) / increase in short-term borrowing		**(2,702)**		18,259	
Repayment of secured loan		**(5,000)**		(1,500)	
Debt due after more than one year:					
New secured loan repayable in instalments over a 5 year period		-		25,000	
			(7,702)		71,766

Notes *(continued)*

25 Analysis of net debt

	At beginning of year	Cash flow	Non-cash movement	At end of year
	£000	£000	£000	£000
Cash in hand, at bank	2,442	2,787	-	**5,229**
Debt due after one year	(22,672)	5,000	(197)	**(17,869)**
Debt due within one year	(19,086)	2,702	-	**(16,384)**
Total	(39,316)	10,489	(197)	**(29,024)**

26 Related party disclosures

During the year the Group entered into transactions with companies in the groups headed by Constellation Brands Inc. and Punch Taverns Plc.

a) Transactions with the Constellation Brands Inc. group

- The Group purchased goods of £188,730,000 *(2008: £164,363,000)* and services of £4,041,000 *(2008: £3,289,000)* from Constellation Brands Inc. group;
- The Group made sales of £Nil *(2008: £Nil)* to Constellation Brands Inc. group; and
- The balance owing from the Group to Constellation Brands Inc. group at 28 February 2009 was £10,746,000 *(2008: £13,734,000)*.

b) Transactions with the Punch Taverns Plc group

- The Group purchased goods of £Nil *(2008: £Nil)* and services of £Nil *(2008: £Nil)* from Punch Taverns Plc group;
- The Group made sales of £11,263,000 *(2008: £15,825,000)* to Punch Taverns Plc group; and
- The balance owing from the Punch Taverns Plc group to the Group at 28 February 2009 was £2,909,000 *(2008: £563,000)*.

27 Ultimate parent undertakings

The Company is ultimately jointly owned by Constellation Brands Inc., a company incorporated in the United States of America, and Punch Taverns Plc, a company incorporated in England and Wales.