Matthew Clark (Holdings) Ltd (formerly Dubwath Limited)

Directors' report and financial statements

For the 11 months ended 29 February 2008

Registered number 06133835

Contents

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the 11 months ended 29 February 2008

Principal activities

The group's principal activity during the period has been that of wholesale wine and spirits merchants

The company was incorporated on 1 March 2007 under the name Dubwath Limited and issued 10,000 ordinary shares at nominal value of £0 01 for a total cash consideration of £100 On 17 April 2007 pursuant to a written resolution the share capital of the company was reclassified such that the 5,000 ordinary shares issued to Hertford Cellars Limited and 50 unissued ordinary shares were reclassified as 'A' ordinary shares and the 5,000 ordinary shares issued to Punch Taverns (PGE) Limited and 50 unissued ordinary shares were reclassified as 'B' ordinary shares On the same day Hertford Cellars subscribed for 1 additional 'A' ordinary share with a nominal value of £0 01 for a total cash consideration of £6,999 and Punch Taverns (PGE) Limited subscribed for 1 additional 'B' ordinary share with a nominal value of £0 01 for a total cash consideration of £30,000,000

On 17 April 2007 the company acquired 100% of the shares of Matthew Clark Wholesale Limited, Forth Wines Limited and Wine Studio Limited for a total consideration of £70,908,000 in cash

On 15 August 2007 the company changed its name to Matthew Clark (Holdings) Limited

Business review

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

Operating with a national call centre and a network of ten regional distribution centres, the group offers a comprehensive wholesale and distribution proposition to the UK on-premise trade Employing a 200-strong sales force 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 company'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* such as Waverly TBS and Bibendum, 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

During April 2007 Matthew Clark (Holdings) Limited, a joint venture vehicle owned in equal share by Constellation Europe and Punch Taverns plc, bought Matthew Clark Wholesale Limited, Forth Wines and The Wine Studio Limited As part of the joint venture, the group agreed facilities totalling £70m, structured as a floating loan, secured on trade debtor balances and capped at £45m, and a long term loan of £25m

Directors' report (*continued*)

Business review *(continued)*

Legal and regulatory environment

The group operates in an increasing regulatory environment 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

Over the next 3 years the group will seek to reinforce this position with capital investment into its operations and customer contact areas to improve service levels and customer experiences This will be linked to attracting and retaining a high quality group of employees recognised within the industry for expertise and service

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

The key uncertainties centre on the overall growth of the UK on-trade and the various economic and regulatory factors that impact upon it Over the last 18 months there has been increasing pressure upon the UK on-trade with the combined impact of the smoking ban in public places, together with the generally weaker economic outlook 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 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 financial period ended 29 February 2008 saw sales growth of 1% over prior year (2007 6%) driven by growth in wine, spirits and cider Prior year data is the result for the three trading companies for the corresponding 46 week period in the previous year

From a customer channel perspective, national growth offset lower than anticipated independent free trade growth The volume growth was, in the main, reflected in margin growth with year on year growth of 5% (2007 4%) This was driven by better purchasing terms and mix changes

Distribution costs rose ahead of margin due to cost increases in labour and fuel, together with replacement depot openings driving up fixed costs Administration expenses increased due to a rise in sales costs, IT costs and pension contributions This was in line with expectations

Additional costs not incurred prior to the Joint Venture formation are interest costs relating to bank debt and pensions of £3 7m Goodwill is being amortised over 20 years, with a cost of £1 5m incurred in the period since the group formation

Directors' report (*continued*)

Business review *(continued)*

Trends and developments

Over the course of the period there have been a number of continuing trends within the UK on-trade The smoking ban introduced in July 2007 has had a significant impact upon the trade with pressure building on beer dominated outlets Across the trade most operators have been reporting lower footfall and customer spend, with a decline in drinks spending being offset by increase in food volumes As a result beer volumes have fallen across the industry with subsequent excess capacity across most product sectors This has kept a downward pressure on prices and volumes, particularly in the independent free trade

During the period we saw further consolidation of the national sector, which the company remains well placed to take account of However the national customer group is not insulated from the general softening on the market and there were a number of financial restructurings in the sector

The independent free trade remains a soft market with a cautious outlook for the next 12 months Many smaller outlets have struggled post the smoking ban due to limited facilities for smokers and competition from both the on-trade and aggressive off trade pricing

Most product sectors slowed during the period reflecting the market and consumer behaviour

Results and dividends

The group made a profit after tax for the period of £4,314,000 The directors do not propose a dividend

Directors

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

N Preston	(appointed 1 March 2007)
J Paveley	(appointed 11 April 2007)
S Dando	(appointed 11 April 2007)
T Christensen	(appointed 1 March 2007)
D Klein	(appointed 11 April 2007)

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

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

Troy

Troy Christensen
Director

23 June 2008

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 period

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

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

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

We have audited the group and parent company financial statements (the "financial statements") of Matthew Clark (Holdings) Limited (formerly Dubwath Limited) for the 11 months ended 29 February 2008 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 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 (formerly Dubwath 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 29 February 2008 and the group's profit for the period 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

2 July 2008

Consolidated Profit and Loss Account
for the 11 months ended 29 February 2008

	Note	2008 £000
Turnover	2	**492,465**
Cost of sales		**(419,701)**
Gross profit		**72,764**
Distribution costs		**(24,363)**
Administration expenses		**(37,166)**
Operating profit		**11,235**
Interest payable and similar charges	6	**(3,682)**
Profit on ordinary activities before taxation	3-5	**7,553**
Tax on profit on ordinary activities	7	**(3,239)**
Profit for the financial period	17	**4,314**

There were no recognised gains or losses other than those shown above

All results arose from acquired operations

Consolidated Balance Sheet
at 29 February 2008

	Note	2008 £000	2008 £000
Fixed assets			
Intangible assets	*8*		31,473
Tangible assets	*9*		8,904
			40,377
Current assets			
Stocks	*11*	31,856	
Debtors	*12*	78,423	
Cash at bank and in hand		2,442	
		112,721	
Creditors: amounts falling due within one year	*13*	(87,056)	
Net current assets			25,665
Total assets less current liabilities			66,042
Creditors: amounts falling due after more than one year	*14*		(22,672)
Provisions	*15*		(9,049)
Net assets			34,321
Capital and reserves			
Called up share capital	*16*		-
Share premium	*17*		30,007
Profit and loss account	*17*		4,314
Shareholders' funds			34,321

These financial statements were approved by the board of directors on 23 June 2008 and were signed on its behalf by

Troy Christensen
Director

Company Balance Sheet
at 29 February 2008

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

These financial statements were approved by the board of directors on 23 June 2008 and were signed on its behalf by

Troy Christensen
Director

Consolidated Cash Flow Statement
for the 11 months ended 29 February 2008

Cash flow statement

	Note	2008 £000
Cash flow from operating activities	23	3,588
Returns on investments and servicing of finance	24	(3,113)
Taxation		(1,087)
Capital expenditure and financial investment	24	(890)
Acquisitions and disposals	24	(67,822)
Cash outflow before management of liquid resources and financing		(69,324)
Financing	24	71,766
Increase in cash in the period		2,442

Reconciliation of net cash flow to movement in net debt

	Note	2008 £000
Increase in cash in the period		2,442
Cash inflow from increase in debt and lease financing		(41,758)
Change in net debt resulting from cash flows		(39,316)
Movement in net debt in the period		(39,316)
Net debt at the start of the period		-
Net debt at the end of the period	25	(39,316)

Reconciliations of Movements in Shareholders' Funds
for the 11 months ended 29 February 2008

	Group 2008 £000	Company 2008 £000
Profit/(Loss) for the financial period	**4,314**	**(2,020)**
New share capital subscribed (net of issue costs)	30,007	30,007
Net addition to shareholders' funds	**34,321**	**27,987**
Opening shareholders' funds	-	-
Closing shareholders' funds	34,321	27,987

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 The group's funding is based on secured financing which is in place until April 2012 subject to normal banking covenants After making enquiries and reviewing future forecasts, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future Consequently, the accounts have been prepared on a going concern basis

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 29 February 2008 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 some 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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 period 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

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

The company participates in a group wide pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the company The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

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

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract 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

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

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 since 1 January 1998 is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off

Notes *(continued)*

1 Accounting policies *(continued)*

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 The group's employees have not been awarded any new options under the Constellation Long Term Stock Incentive Plan during the period, 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 within the vesting period

2 Turnover

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

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2008
	£000
Depreciation and amounts written off tangible fixed assets	
- owned	1,126
Goodwill amortisation	1,512
Operating lease charges	
- plant and machinery	1,163
- vehicles	1,821
- land and buildings	3,247

Auditor's Remuneration	2008
	£000
for the audit of these financial statements	23
for the audit of the financial statements of subsidiary companies	51
for other services pursuant to legislation	70
	144

4 Remuneration of directors

The Director's of the company received no remuneration from the group or the company in the period

The Directors' costs are borne by the controlling parties as disclosed in note 27

Notes *(continued)*

5 Staff numbers and costs

Group

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows

	2008
	No
Selling and distribution	914
Administration	385
	1,299

The aggregate payroll costs of these persons were as follows

	Group
	2008
	£000
Wages and salaries	25,946
Social security costs	2,802
Other pension costs (see note 20)	1,718
	30,466

Company

The company had no employees during the period

6 Interest payable and similar charges

	2008
	£000
On bank loans and overdrafts	3,114
On pension	568
	3,682

Notes *(continued)*

7 Taxation

Analysis of charge in period

	2008
	£000
UK corporation tax	
Current tax on income for the period	2,935
Adjustments in respect of prior periods	-
Total current tax	2,935
Deferred tax (see note 12)	
Origination and reversal of timing differences	111
Capital allowances in excess of depreciation	176
Rate change to 28%	17
Total deferred tax	304
Tax on profit on ordinary activities	3,239

Factors affecting the tax charge for the current period

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

	2008
	£000
Current tax reconciliation	
Profit on ordinary activities before tax	7,553
Current tax at 30 %	2,266
Effects of	
Expenses not deductible for tax purposes	734
Capital allowances in excess of depreciation	(176)
Origination and reversal of timing differences	111
Total current tax charge (see above)	2,935

Notes *(continued)*

8 Intangible fixed assets

Group	Goodwill
	£000
Cost	
At beginning of period	-
Additions	32,985
At end of period	32,985
Amortisation	
At beginning of period	-
Charged in period	(1,512)
At end of period	(1,512)
Net book value	
At 29 February 2008	**31,473**

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

Notes *(continued)*

9 Tangible fixed assets

	Freehold Land and buildings	Assets in course of construction	Short Leasehold	Machinery, Fixtures, Fittings and Vehicles	Computer Equipment	Total
	£000	£000	£000	£000	£000	£000
Group						
Cost						
At beginning of period	-	-	-	-	-	-
On acquisition	445	244	1,104	667	6,680	9,140
Additions	460	-	-	268	338	1,066
Transfers	-	(176)	-	-	-	(176)
At end of period	905	68	1,104	935	7,018	10,030
Depreciation						
At beginning of period	-	-	-	-	-	-
Charge for period	101	-	-	112	913	1,126
At end of period	101	-	-	112	913	1,126
Net book value						
At 29 February 2008	**804**	**68**	**1,104**	**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	
At beginning of period	-
Additions	70,908
At end of period	70,908
Net book value	
At 29 February 2008	**70,908**

The undertakings in which the company's interest at the period 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 2008 £000	Company 2008 £000
Finished goods and goods for resale	31,856	-

Notes *(continued)*

12 Debtors

	Group 2008 £000	Company 2008 £000
Trade debtors	64,509	-
Deferred tax assets	2,465	-
Other debtors	8,445	7
Prepayments and accrued income	3,004	16
Corporation tax	-	1,087
	78,423	1,110

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

	£000
On acquisition	2,769
Charged to the profit and loss account (see note 7)	(304)
At end of the period	2,465

	£000
Differences between accumulated depreciation and amortisation and capital allowances	(332)
Other timing differences	2,797
	2,465

13 Creditors: amounts falling due within one year

	Group 2008 £000	Company 2008 £000
Trade creditors	50,420	-
Amounts owed to group undertakings	-	16,360
Other creditors including taxation and social security	12,257	-
Accruals and deferred income	5,293	-
Bank loan	19,086	5,000
	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 £14,086,000 which is a floating loan secured on the group's trade debtor balances and capped at £45,000,000 Interest is based on LIBOR + 1.1%

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	Group 2008 £000	Company 2008 £000
Bank loans and overdrafts	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 5%

All repayments on the bank loan are due within five years

15 Provisions for liabilities

	Environmental liabilities £000	Pensions £000	Property £000	Total £000
Group				
At beginning of year	-	-	-	-
Amounts arising from business combinations	198	8,771	964	9,933
Utilised during year	-	(1,146)	(306)	(1,452)
Charge/credit to the profit and loss for the year				
Unwinding of discounted amount	-	568	-	568
At end of period	**198**	**8,193**	**658**	**9,049**

Provisions for environmental liabilities relate to the costs of remedial activity following an oil spillage and are expected to be utilised over a period of two years

Pension provisions relate to the agreement made by the group 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

	2008 £
Authorised	
5,050 'A ordinary shares of £0 01 each	50 5
5,050 'B' ordinary shares of £0 01 each	50 5
	101
Allotted, called up and fully paid	
5,001 'A' ordinary shares of £0 01 each	50
5,001 'B' ordinary shares of £0 01 each	50
	100

The company was incorporated on 1 March 2007 under the name Dubwath Limited and issued 10,000 ordinary shares at nominal value of £0 01 for a total cash consideration of £100

On 17 April 2007 pursuant to a written resolution the share capital of the company was reclassified such that the 5,000 ordinary shares issued to Hertford Cellars Limited and 50 unissued ordinary shares were reclassified as 'A' ordinary shares and the 5,000 ordinary shares issued to Punch Taverns (PGE) Limited and 50 unissued ordinary shares were reclassified as 'B' ordinary shares

On the same day Hertford Cellars subscribed for 1 additional 'A' ordinary share with a nominal value of £0 01 for a total cash consideration of £6,999 and Punch Taverns (PGE) Limited subscribed for 1 additional 'B' ordinary share with a nominal value of £0 01 for a total cash consideration of £30,000,000

The 'A' ordinary shares and 'B' ordinary shares rank pari passu in all respects

Notes *(continued)*

17 Share premium and reserves

Group	Share premium account	Profit and loss account
	£000	£000
At beginning of period	-	-
Profit for the period	-	4,314
Premium on share issues, less expenses	30,007	-
At end of period	**30,007**	**4,314**

Company	Share premium account	Profit and loss account
	£000	£000
At beginning of period	-	-
Loss for the period	-	(2,020)
Premium on share issues	30,007	-
At end of period	**30,007**	**(2,020)**

The company's loss for the financial period was £2,020,000

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 £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 29 February 2008 of the company in respect of guarantees given to secure the banking facilities of other group undertakings was £11,646,000

Notes (continued)

19 Commitments

Annual commitments under non-cancellable operating leases are as follows

Group	2008 Land and Buildings £000	2008 Other £000
Operating leases which expire		
Within one year	136	288
In the second to fifth years inclusive	558	2,942
Over five years	2,977	36
	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 £705,000

The group also participates in 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 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

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, theses 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 period was £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 to its defined benefit plans in the next financial year

Notes *(continued)*

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 and Forth Wines employees have not been awarded any new options under the Constellation Long Term Stock Incentive Plan during the period, 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

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*

	Outstanding at acquisition	Transferred during period*	Exercised during period	Forfeited during period	**Outstanding at end of period**
April 2000 Award (exercise price $6 4375)	17,338	-	-	-	17,338
April 2001 Award (exercise price $8 8713)	27,000	(1,200)	(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)	28,910	-	(2,300)	-	26,610
Sept 2002 Award (exercise price $11 9750)	2,000	-	-	-	2,000
April 2003 Award (exercise price $11 7950)	32,750	(6,400)	-	-	26,350
April 2004 Award (exercise price $16 6300)	87,900	(19,800)	-	-	68,100
June 2004 Award (exercise price $18 5500)	2,000	-	-	-	2,000
April 2005 Award (exercise price $27 2350)	137,600	(17,000)	-	(2,200)	118,400
April 2006 Award (exercise price $25 8800)	162,650	(27,650)	-	(3,900)	131,100
Oct 2006 Award (exercise price $29 0800)	12,500	(12,500)	-	-	-
	533,148	**(97,050)**	**(13,600)**	**(6,100)**	**416,398**
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*

Constellation Brands Inc received proceeds of $218,000 in respect of the 18,600 options exercised during the period

The options were exercised throughout the period at prices between $24 74 and $25 75

The weighted average share price at date of exercise was $25 11

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 £32,985,000 was capitalised and will be written off over 20 years

	Book value £000	Other adjustments £000	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			32,985
Purchase consideration and costs of acquisition			70,908

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 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

Notes *(continued)*

23 Reconciliation of operating profit/ to operating cash flows

	2008 Total £000
Operating profit	11,235
Depreciation and amortisation	2,638
(Increase)/decrease in stocks	(5,678)
(Increase)/decrease in debtors	22,901
Increase/(decrease) in creditors	(26,790)
Increase/(decrease) in provisions	(718)
Net cash inflow from operating activities	3,588

24 Analysis of cash flows

	Notes	2008 £000	2008 £000
Returns on investment and servicing of finance			
Interest paid			(3,113)
Capital expenditure and financial investment			
Purchase of tangible fixed assets			(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			
Increase in short-term borrowing		18,259	
Repayment of secured loan		(1,500)	
Debt due after more than one year			
New secured loan repayable in instalments over a 5 year period		25,000	
			71,766

Notes *(continued)*

25 Analysis of net debt

	At beginning of period	Cash flow	At end of Period
	£000	£000	£000
Cash in hand, at bank	-	2,442	**2,442**
Debt due after one year	-	(22,672)	**(22,672)**
Debt due within one year	-	(19,086)	**(19,086)**
Total	-	(39,316)	**(39,316)**

26 Related party disclosures

During the period the company entered into transactions with companies in the groups headed by Constellation Brands Inc and Punch Taverns Plc No comparatives are given in relation to transactions with companies in the group headed by Constellation Brands Inc as these transactions qualified for the exemption under FRS 8 No comparatives are given in relation to transactions with companies in the group headed by Punch Taverns Plc as these transactions did not meet the definition of related party transactions FRS 8 in the prior year

a) Transactions with the Constellation Brands Inc. group

- The group purchased goods of £164,363,000 and services of £3,289,000 from Constellation Brands Inc group,
- The group made sales of £nil to Constellation Brands Inc group, and
- The balance owing from the group to Constellation Brands Inc group at 29 February 2008 was £13,734,000

b) Transactions with the Punch Taverns Plc group

- The group purchased goods of £nil and services of £nil from Punch Taverns Plc group,
- The group made sales of £15,825,000 to Punch Taverns Plc group, and
- The balance owing from the Punch Taverns Plc group to the group at 29 February 2008 was £563,000

27 Ultimate parent undertaking

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