Matthew Clark (Holdings) Ltd

Directors' report and consolidated financial statements

For the year ended 28 February 2010

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 2010

Principal activities

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

Business review

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

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

Competition

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

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

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

Business structure

The Group conducts its business through three 100% owned subsidiaries being Matthew Clark Wholesale 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 in the on-trade market through a composite offering with a clear wine specialism

Directors' report *(continued)*

Business review *(continued)*

Risk/uncertainty

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

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

Measurement

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

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

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

Performance

The trends of the prior year continued especially in the first half of the financial year The Group took concerted steps to control costs seek profitable growth and control working capital and cashflow The overall aim was to stabilise profits to ensure the business was well placed to take advantage of opportunities in the market

Gross profit growth of 3 8% was offset by increases in distribution and selling expenses as the business invested in future growth and took charges for restructuring

Cash flows were exceptionally strong as the Group repaid £15m of debt over the year, driven out of profits and tight working capital management

Trends and developments

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

The business is investing heavily in sales and marketing capability to increase the service levels to the trade and provide clear consumer intelligence to customers Selective investment in infrastructure and IT capability is being targeted to improve returns and efficiencies

Results and dividends

The Group made a profit after tax for the year of £5 070 000 *(2009 loss of £27 256 000)* The Directors do not propose a dividend *(2009 £Nil)*

In the financial year ended 28 February 2009, as required by FRS 11 Impairment of Fixed Assets and Goodwill the Directors reviewed the value of the goodwill which arose on the acquisition of Matthew Clark Wholesale Limited Forth Wines Limited and The Wine Studio Limited which was the end of the first full financial year of ownership As a result of this an impairment of £29 552 000 was identified based on the present value of the future cashflows Excluding this impairment the Group made a profit after tax of £2 296 000 for the year ended 28 February 2009

The Directors have reviewed the carrying value of goodwill at 28 February 2010 and concluded no further impairment is required

Directors' report *(continued)*

Directors

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

N Preston
J Paveley (resigned 1 March 2010)
S Dando
T Christensen
H Glennie
G Thorley (appointed 1 March 2010)

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

24 May 2010

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)

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

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

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

KPMG

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

We have audited the financial statements of Matthew Clark (Holdings) Limited for the year ended 28 February 2010 set out on pages 7 to 27 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group s and the parent Company s affairs as at 28 February 2010 and of the Group's profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

24 May 2010

Consolidated Profit and Loss Account

for the year ended 28 February 2010

	Note	2010 £000	2010 £000	2009 £000	2009 £000
Turnover	2		**637,843**		580 803
Cost of sales			**(554,849)**		(500 848)
Gross profit			**82,994**		79 955
Distribution costs			**(34,478)**		(32 611)
Administration expenses			**(38,245)**		(38 743)
Exceptional impairment charges	8		-		(29 552)
Operating profit before impairment charges		**10,271**		8 601	
Exceptional impairment charges		-		(29 552)	
Operating profit/(loss)			**10,271**		(20 951)
Interest payable and similar charges	6		**(2 394)**		(3 760)
Profit/(loss) on ordinary activities before taxation	3-5		**7,877**		(24 711)
Tax on profit/(loss) on ordinary activities	7		**(2,807)**		(2 545)
Profit/(loss) for the financial year	17		**5,070**		(27 256)

All results arose from continuing operations

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

Consolidated Balance Sheet
at 28 February 2010

	Note	2010		2009	
		£000	£000	£000	£000
Fixed assets					
Intangible fixed assets	8		25,877		27 391
Tangible fixed assets	9		8,109		8 780
			33,986		36 171
Current assets					
Stocks	11	29 657		33 461	
Debtors	12	73,135		79 824	
Cash at bank and in hand		2,944		5 229	
		105,736		118 514	
Creditors amounts falling due within one year	13	(83,866)		(92 863)	
Net current assets			21 870		25 651
Total assets less current liabilities			55,856		61 822
Creditors amounts falling due after more than one year	14		(7,570)		(17 869)
Provisions for liabilities	15		(7,532)		(8 269)
Net assets			40,754		35 684
Capital and reserves					
Called up share capital	16		-		-
Share premium account	17		30,007		30 007
Acquisition reserve	17		441		441
Profit and loss account	17		10,306		5,236
Shareholders funds			40,754		35 684

These financial statements were approved by the board of Directors on 24 May 2010 and were signed on its behalf by

Troy

Troy Christensen
Director

Company Balance Sheet
at 28 February 2010

	Note	2010		2009	
		£000	£000	£000	£000
Fixed assets					
Investments	*10*		**70 908**		70 908
Current assets					
Debtors	*12*	**7**		5	
Cash at bank and in hand		**237**		145	
		244		150	
Creditors, amounts falling due within one year	*13*	**(39,162)**		(27 197)	
Net current liabilities			**(38,918)**		(27 047)
Total assets less current liabilities			**31,990**		43 861
Creditors amounts falling due after more than one year	*14*		**(7,570)**		(17 869)
Net assets			**24,420**		25 992
Capital and reserves					
Called up share capital	*16*		**-**		-
Share premium account	*17*		**30,007**		30 007
Profit and loss account	*17*		**(5,587)**		(4 015)
Shareholders' funds			**24,420**		25 992

These financial statements were approved by the board of Directors on 24 May 2010 and were signed on its behalf by

Troy

Troy Christensen
Director

Consolidated Cash Flow Statement
for the year ended 28 February 2010

	Note	2010 £000	2009 £000
Cash flow statement			
Net cash inflow from operating activities	23	19,291	17 287
Returns on investments and servicing of finance	24	(1,844)	(3 158)
Taxation		(2,735)	(2 345)
Capital expenditure and financial investment	24	(824)	(1 295)
Cash inflow before management of liquid resources and financing		13,888	10 498
Financing	24	(16,173)	(7 702)
(Decrease)/increase in cash in the year		(2,285)	2 787
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		(2,285)	2 787
Cash outflow from debt and lease financing		16,173	7 702
Change in net debt resulting from cash flows		13,888	10 489
Movement in net debt in the year		13,888	10 489
Movement in non-cash flows		(199)	(197)
Net debt at the start of the year		(29,024)	(39 316)
Net debt at the end of the year	25	(15 335)	(29 024)

Reconciliations of Movements in Shareholders' Funds
for the year ended 28 February 2010

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Profit/(loss) for the financial year	**5,070**	**(1,572)**	(27 256)	(1 995)
Net addition/(reduction in)to shareholders' funds	5 070	(1 572)	(27 256)	(1 995)
Opening shareholders' funds	**35,684**	**25,992**	62 940	27 987
Closing shareholders' funds	**40,754**	**24,420**	35 684	25 992

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 28 February 2010

	2010 £000	2009 £000
Profit/(loss) for the financial year	**5,070**	(27 256)
Total recognised gains and losses relating to the financial year	**5,070**	(27 256)
Prior year adjustment (as explained in note 1)	-	1 377
Total gains and losses recognised since last annual report	**5,070**	(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 previous 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 was therefore 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 was also been restated to include the effect of the increased amortisation charge The result is a reduction in Group profit after tax of £1 377 000 for the year ended 28 February 2008

Basis of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiary undertakings made up to 28 February 2010 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

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

Turnover

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

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

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

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

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

No depreciation is provided on freehold land

Stocks

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

Taxation

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

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

Leases

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

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

Post-retirement benefits

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

Profit/(loss) on ordinary activities before taxation is stated after charging

	2010	2009
	£000	£000
Depreciation and other amounts written off tangible fixed assets	**1,495**	1 419
Goodwill amortisation	**1,514**	3 149
Operating lease charges		
- Plant and machinery	**528**	498
- Vehicles	**2,594**	2 106
- Land and buildings	**3,140**	2 718
Exceptional item – goodwill impairment (see note 8)	**-**	29 552

Notes *(continued)*

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

Auditors remuneration	2010	2009
	£000	£000
Audit of these financial statements	30	28
Audit of the financial statements of subsidiaries pursuant to legislation	53	50
	83	78

4 Remuneration of Directors

The Directors 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

	2010	2009
	No	No
Selling and distribution	876	876
Administration	374	410
	1,250	1 286

The aggregate payroll costs of these persons were as follows

	Group	Group
	2010	2009
	£000	£000
Wages and salaries	32,260	29 408
Social security costs	3,263	2 983
Other pension costs (see note 20)	932	872
	36,455	33 263

Company

The Company had no employees during the current or prior year

Notes *(continued)*

6 Interest payable and similar charges

	2010	2009
	£000	£000
On bank loans and overdrafts	1 844	3 158
Unwinding of discount (note 20)	550	602
	2,394	3 760

7 Taxation

Analysis of charge in year

	2010	2009
	£000	£000
UK corporation tax		
Current tax on income for the year	2,637	2,113
Adjustments in respect of prior years	(58)	(162)
Total current tax	2,579	1 951
Deferred tax (see note 12)		
Origination and reversal of timing differences	167	418
Capital allowances in excess of depreciation	37	47
Adjustments in respect of prior periods	24	129
Total deferred tax	228	594
Tax on profit/(loss) on ordinary activities	2,807	2 545

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/(loss) before tax is as follows

	2010	2009
	£000	£000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	7,877	(24 711)
Current tax at the standard rate of corporation tax in the UK 28% *(2009 28 17%)*	2,205	(6 961)
Effects of		
Expenses not deductible for tax purposes	636	9 539
Capital allowances in excess of depreciation	(37)	(47)
Origination and reversal of timing differences	(167)	(418)
Adjustments in respect of prior periods	(58)	(162)
Total current tax charge (see above)	2,579	1 951

8 Intangible fixed assets

Group	Goodwill
	£000
Cost	
At beginning and end of year	62 978
Amortisation	
At beginning of year	35 587
Charged in year	1 514
At end of year	37 101
Net book value	
At 28 February 2010	**25,877**
At 29 February 2009	27 391

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 In the financial year ended 28 February 2009 an impairment of £29 552 000 was identified and charged to the profit and loss account (See note 22 for further details)

The Company has no intangible fixed assets

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	2 223	960	938	7 177	11 298
Additions	153	541	34	96	824
Transfers between items	-	(1 341)	-	1 341	-
At end of year	2 376	160	972	8 614	12 122
Depreciation					
At beginning of year	313	-	213	1 992	2 518
Charge for year	254	-	119	1 122	1 495
At end of year	567	-	332	3 114	4 013
Net book value					
At 28 February 2010	**1,809**	**160**	**640**	**5,500**	**8,109**
At 29 February 2009	1,910	960	725	5,185	8 780

Freehold land and buildings includes £110 000 (*2009 £110,000*) in respect of land

The Company has no tangible fixed assets

Notes *(continued)*

10 Fixed asset investments

Company

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

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

	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 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Finished goods and goods for resale	**29,657**	**-**	33 461	-

Notes *(continued)*

12 Debtors

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Trade debtors	60 465	-	62 722	-
Amounts owed by controlling parties (see note 26)	2,329	-	6 090	-
Deferred tax assets	1,643	-	1 871	-
Other debtors	6,573	-	8 061	-
Prepayments and accrued income	2,125	7	1,080	5
	73,135	7	79 824	5

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

	£000
At the start of the year	1 871
Charged to the profit and loss account for the year (note 7)	(228)
At end of the year	1 643

The elements which make up the deferred tax asset are	2010 £000	2009 £000
Differences between accumulated depreciation and amortisation and capital allowances	(433)	(396)
Other timing differences	2,076	2 267
	1,643	1 871

13 Creditors amounts falling due within one year

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Trade creditors	38,878	-	46 847	-
Amounts owed to Group undertakings	-	28,425	-	22 071
Amounts owed to controlling parties (see note 26)	16,793	-	13 863	
Other creditors including taxation and social security	9,821	237	12 099	126
Accruals and deferred income	7,665	-	3 670	-
Bank loans	5,709	5,500	16 384	5 000
Other loans	5,000	5,000	-	-
	83 866	39,162	92 863	27 197

Notes *(continued)*

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

The bank loan includes £5 500 000 *(2009 £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 £209 000 (*2009 £11 384 000*) which is a floating loan secured on the Group s trade debtor balances and capped at £45 000 000 Interest on this facility is based on Barclays Bank Base Rate + 0 9% Interest of 0 45% is also charged on any amounts not utilised

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

14 Creditors. amounts falling due after more than one year

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Bank loans and overdrafts	7,570	7,570	12 869	12 869
Other loans (note 13)	-	-	5 000	5 000
	7,570	7,570	17 869	17 869

The bank loan is repayable in instalments up to 2012 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%

All repayments on the bank loan are due within five years

15 Provisions for liabilities

	Pensions £000	Property £000	Total £000
Group			
At beginning of year	7 545	724	8 269
Utilised during year	(1 250)	-	(1 250)
Amounts released unused	-	(93)	(93)
Charged to the profit and loss for the year	-	56	56
Unwinding of discounted amount	550	-	550
At end of year	**6,845**	**687**	**7,532**

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

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

The Company has no provisions for liabilities

Notes *(continued)*

16 Called up share capital

	2010	2009
	£	£
Authorised		
5 050 A ordinary shares of £0 01 each	50 5	50 5
5 050 B ordinary shares of £0 01 each	50 5	50 5
	101	101
Allotted, called up and fully paid		
5 000 A ordinary shares of £0 01 each	50	50
5 000 B ordinary shares of £0 01 each	50	50
	100	100

The controlling parties (as described in note 27) have the right to subscribe for an additional 1 ordinary share each for a combined consideration of £5,000 000 within 65 days of 17 April 2010

17 Share premium and reserves

Group	**Share premium account**	**Acquisition Reserve**	**Profit and loss account**
	£000	£000	£000
At beginning of year	30 007	441	5 236
Profit for the financial year	-	-	5 070
At end of year	**30 007**	**441**	**10,306**

Company	**Share premium account**	**Profit and loss account**
	£000	£000
At beginning of year	30 007	(4 015)
Loss for the financial year	-	(1 572)
At end of year	**30,007**	**(5 587)**

The Company s loss for the financial year was £1 572 000 *(2009 £1 995 000)*

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 £3 061 000 (*2009 £3 718,000*)

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 2010 of the Company in respect of guarantees given to secure the banking facilities of other Group undertakings was £2 498 000 (*2009 £6 300 000*)

19 Commitments

Annual commitments under non-cancellable operating leases are as follows

Group	**2010 Land and Buildings £000**	**2010 Other £000**	2009 Land and Buildings £000	2009 Other £000
Operating leases which expire				
Within one year	**74**	**129**	-	738
In the second to fifth years inclusive	**952**	**2 368**	775	2 348
Over five years	**2,114**	**1**	1 943	6
	3,140	**2,498**	2 718	3 092

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 £932 000 (*2009 £872 000*)

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 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) The Group contribution for the year was £1 250 000 (*2009 £1,250,000*) and was paid entirely by Matthew Clark Wholesale Limited on behalf of the Group

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

21 Share based payments

Long term stock incentive plan

The long term stock incentive plan is a performance share plan under which shares are conditionally allocated to selected members of management The Group s 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 24 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

	Outstanding at 28 February 2009	Exercised during year	Forfeited during year	Outstanding at 28 February 2010
April 2000 Award (exercise price $6 4375)	10 670	(2 668)	-	8 002
April 2001 Award (exercise price $8 8713)	10 000	(1 600)	-	8 400
Sept 2001 Award (exercise price $10 2500)	7 500	(7 500)	-	-
April 2002 Award (exercise price $13 7125)	21 810	-	-	21 810
Sept 2002 Award (exercise price $11 9750)	2 000	-	-	2 000
April 2003 Award (exercise price $11 7950)	18 750	(1 200)	-	17 550
April 2004 Award (exercise price $16 6300)	64 500	-	(1 200)	63 300
June 2004 Award (exercise price $18 5500)	2 000	-	-	2 000
April 2005 Award (exercise price $27 2350)	109 600	-	(11 700)	97 900
April 2006 Award (exercise price $25 8800)	122 900	-	(10 200)	112 700
	369 730	**(12,968)**	**(23,100)**	**333,662**
Weighted average exercise price	$21 78	$9 44	$26 09	$21 96
Weighted average contractual life remaining				5

Notes *(continued)*

21 Share based payments *(continued)*

Constellation Brands Inc received proceeds of $170 000 in respect of the 12 968 options exercised during the year

The options were exercised throughout the year at prices between $6 44 and $11 79

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 note 1)* 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%

Notes *(continued)*

22 Acquisitions *(cont)*

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, other than set out above believe there is no material difference between the book and fair value of these assets and liabilities

23 Reconciliation of operating profit to operating cash flows

	2010 Total £000	2009 Total £000
Operating profit/(loss)	**10,271**	(20 951)
Depreciation amortisation and other amounts written off fixed assets	**3,009**	34 120
Increase in stocks	**3,804**	(1 605)
Decrease/(increase) in debtors	**6,461**	(1 995)
(Decrease)/increase in creditors	**(2,967)**	9 100
Decrease in provisions	**(1,287)**	(1 382)
Net cash inflow from operating activities	**19,291**	17 287

24 Analysis of cash flows

	Notes	**2010 £000**	**2010 £000**	2009 £000	2009 £000
Returns on investment and servicing of finance					
Interest paid			**(1,844)**		(3 158)
Capital expenditure and financial investment					
Purchase of tangible fixed assets			**(824)**		(1 295)
Financing					
Debt due within one year					
(Decrease)/increase in short-term borrowing		**(11,173)**		(2 702)	
Repayment of secured loan		**(5,000)**		(5 000)	
Debt due after more than one year					
			(16,173)		(7 702)

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	5 229	(2 285)	-	**2 944**
Debt due after one year	(17 869)	5 000	5 299	**(7,570)**
Debt due within one year	(16,384)	11 173	(5 498)	**(10,709)**
Total	(29,024)	13 888	(199)	**(15,335)**

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 £191 255 000 (*2009* £188,730,000) and services of £4 797,000 (*2009* £4,041,000) from Constellation Brands Inc Group,
- The Group made sales of £Nil (*2009 £Nil*) to Constellation Brands Inc Group, and
- The balance owing from the Company to the Group at 28 February 2010 was £16 793 000 (*2009 £13 863 000*)
- The balance owing from the Group to the Company at 28 February 2010 was £1,321,000 (*2009 £3 181 000*)

b) **Transactions with the Punch Taverns Plc Group**

- The Group purchased goods of £Nil (*2009 £Nil*) and services of £Nil (*2009 £Nil*) from Punch Taverns Plc Group
- The Group made sales of £19,258,000 (*2009* £11,263,000) to Punch Taverns Plc Group and
- The balance owing from the Punch Taverns Plc Group to the Group at 28 February 2010 was £1 008 000 (*2009* £2,909,000)

27 Controlling parties

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

Registered number 06133835