Matthew Clark Wholesale Limited

Accounts for the period ended 28 February 1999
together with directors' and auditors' reports

Registered number: 2550982

Contents

Directors' report

For the period ended 28 February 1999

The directors present their annual report and the audited financial statements for the ten months ended 28 February 1999.

Principal activities

On 1 December 1998 the entire share capital of the Company's holding company, Matthew Clark plc, was purchased by Canadaigua Inc., a company incorporated in Delaware in the United States. During the period the Company continued to carry on the business of the distribution of alcoholic and non-alcoholic beverages.

Business review

Both the level of business and the financial position at the period end were satisfactory and the directors expect that the present level of activity will continue.

Results

The profit for the period attributable to shareholders was £631,000 (1998 - £5,030,000).

Dividend

No dividend was proposed or paid during the period (1998 - £nil).

Directors and their interests

The directors who held office during the period were as follows:

K J Philp	
M Ader	
D C Bones	(resigned 17 July 1998)
H C Etheridge	
A T Colquhoun	
J O'Halleran	(resigned 30 September 1998)
A A Ruggeri	

None of the directors who held office at the end of the period had any disclosable interest in the shares of the Company.

Creditor payment policy

The Company agrees terms and conditions for its business transactions with suppliers, payment is then made on these terms, subject to the terms and conditions being met by the supplier. The Company had creditor days at 28 February 1999 of 43 days (1998 - 62 days).

Directors' report (continued)

Employees

The Company endeavours to communicate information speedily and readily to employees on matters of concern to them.

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitude and abilities. Every effort is made to continue to employ persons who become disabled while in the Company's employment. Disabled persons share equally in opportunities for training, career development and promotion.

Health and safety at work

The Company promotes all aspects of safety throughout the Company in the interest of employees and users of premises.

Donations

Charitable donations made by the Company during the period amounted to £6,000 (1998 - £7,500). There were no political donations.

Year 2000

The Company has undertaken a review of the risks associated with its information technology systems in relation to year 2000 issues. All the Company's computer systems and equipment have been checked, and key suppliers have been contacted to ensure they are able to meet expected requirements for materials and services. The total expected cost is immaterial.

Auditors

It is proposed to appoint Arthur Andersen as auditors and a resolution to appoint them and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

Whitchurch Lane
Whitchurch
Bristol
BS14 0JZ

By order of the board,

A T Colquhoun
Secretary

20 December 1999

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Whitchurch Lane
Whitchurch
Bristol
BS14 0JZ

By order of the Board,

A T Colquhoun
Secretary

20 December 1999

Auditors' report

Bristol

To the shareholders of Matthew Clark Wholesale Limited:

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company at 28 February 1999 and of its profit for the 10 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Broad Quay House
Broad Quay
Bristol
BS1 4DJ

20 December 1999

Profit and loss account

For the period ended 28 February 1999

	Note	10 months ended 28 February 1999 Pre-exceptional items £'000	Exceptional items (note 3) £'000	Total £'000	Year ended 30 April 1998 £'000
Turnover	2	209,806	-	209,806	225,240
Cost of sales		(178,772)	-	(178,772)	(190,572)
Gross profit		31,034	-	31,034	34,668
Distribution costs		(10,711)	-	(10,711)	(10,033)
Administrative expenses		(17,717)	(1,470)	(19,187)	(16,261)
Operating profit	4	2,606	(1,470)	1,136	8,374
Profit on disposal of fixed assets		(170)	-	(170)	7
		2,436	(1,470)	966	8,381
Income from shares in group undertakings		-			1,845
Interest receivable	7	11	-	11	15
Amounts written off investments		-	-	-	(2,745)
Interest payable and similar charges	8	(35)	-	(35)	(23)
Profit on ordinary activities before taxation		2,412	(1,470)	942	7,473
Tax on profit on ordinary activities	9	(752)	441	(311)	(2,443)
Profit on ordinary activities after taxation, being retained profit for the period	17	1,660	(1,029)	631	5,030

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in either period other than the profit for the period.

The results above derive from continuing activities.

Balance sheet

28 February 1999

	Note	28 February 1999 £'000	30 April 1998 £'000
Fixed assets			
Tangible assets	10	5,031	5,014
Current assets			
Stocks	11	19,106	18,214
Debtors	12	100,702	97,604
Cash at bank and in hand		7,430	5,150
		127,238	120,968
Creditors: Amounts falling due within one year	13	(110,371)	(104,608)
Net current assets		16,867	16,360
Total assets less current liabilities		21,898	21,374
Creditors: Amounts falling due after more than one year	14	(585)	(409)
Provisions for liabilities and charges	15	(2,087)	(2,370)
Net assets		19,226	18,595
Capital and reserves			
Called-up share capital	16	3,000	3,000
Share premium	17	27,000	27,000
Profit and loss account	17	(10,774)	(11,405)
Equity shareholders' funds	17	19,226	18,595

Signed on behalf of the Board

H C Etheridge
Director

20 December 1999

The accompanying notes form an integral part of this balance sheet.

Notes to accounts

28 February 1999

1 Accounting policies

The following accounting policies have been applied consistently, except as noted below under "Goodwill", in dealing with items which are considered material to the Company's financial statements.

a) Basis of preparation

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

Consolidated financial statements have not been prepared because the Company is itself a wholly owned subsidiary of a company incorporated in Great Britain, namely Matthew Clark plc.

b) Goodwill

During the previous year, Financial Reporting Standard No 10 'Goodwill and intangible assets' was issued and was mandatory for periods ending on or after 23 December 1998. The Company chose to adopt the requirements of this standard early. The Company's policy for acquisitions which occurred prior to the issue of the standard was that purchased goodwill, being the excess of the fair value of consideration paid or payable over the fair value of the identifiable net assets acquired, was taken directly to reserves. On subsequent disposal, goodwill previously taken directly to reserves was included in determining the profit or loss on disposal. Previously, such goodwill was presented separately within reserves as a 'goodwill write off reserve'. This is not permitted by the Standard and, accordingly, goodwill of £11,780,000 has been taken to the profit and loss account reserve.

c) Turnover

Turnover consists of the value of goods and services supplied to customers including duty and excluding VAT.

d) Depreciation

Depreciation of fixed assets is provided on the original cost to the Company or its acquired businesses at rates calculated to write down the assets to their estimated residual values on a straight-line basis over the total expected economic lives of the assets. The principal periods used are:

Freehold buildings	over 50 years
Leasehold land and building	length of lease
Plant, machinery and other equipment	over 2 to 15 years
Computer equipment	over 3 to 5 years
Motor vehicles	over 2 to 8 years

Freehold land is not depreciated.

e) 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. In the case of beverages produced by the Company, cost includes direct materials and labour together with appropriate overheads incurred in bringing the product to its present location and condition.

1 Accounting policies (continued)

f) Deferred tax

Deferred tax is provided using the liability method in respect of the tax effect of all timing differences but only to the extent that it is probable that liabilities or assets will crystallise in the future.

g) Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful economic life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments. Rentals relating to assets held under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

h) Pension costs

For the Company's defined benefit schemes, the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

i) Cash flow statement

The Company has taken advantage of the exemption available in Financial Reporting Standard 1 (Revised) - Cash Flow Statements, and has not presented a cash flow statement as the accounts of the ultimate parent company are available to the public.

j) Related party disclosures

As 100% of the Company's voting rights are controlled within the Group headed by Canandaigua Brands Inc., the Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the Group or investees in the Group qualifying as related parties.

2 Turnover

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

Notes to accounts (continued)

3 Exceptional items

	10 months ended 28 February 1999 £'000	Year ended 30 April 1998 £'000
Relocation, property and other costs	1,470	-

The exceptional item arose from the restructuring and relocation of two operating depots.

4 Operating profit

Operating profit is stated after charging/(crediting)

	10 months ended 28 February 1999 £'000	Year ended 30 April 1998 £'000
Auditors' remuneration for audit services	-	95
Depreciation and other amounts written off tangible fixed assets	816	689
Operating lease charges:		
Plant and machinery	359	355
Other	1,665	927
Release of amounts charged as exceptional costs in prior years no longer required	-	(540)

The audit fee for the 10 months ended 28 February 1999 was borne by the ultimate parent company.

5 Directors' emoluments

Directors' remuneration

The remuneration of the directors was as follows:

	10 months ended 28 February 1999 £'000	Year ended 30 April 1998 £'000
Emoluments	365	422
Company contributions to money purchase pension schemes	4	16
Compensation for loss of office	-	36
	369	474

Notes to accounts (continued)

5 Directors' emoluments (continued)

The emoluments of the highest paid director were £124,000 (1998 - £70,000).

Of the amounts shown above, Matthew Clark plc bore £74,000 (1998 - £154,000) of the directors' emoluments and the cost of all the Company contributions to money purchase pension schemes. In 1998 Matthew Clark Brands Limited bore £22,000 of the emoluments.

Retirement benefits are accruing to the following number of directors under:

	10 months ended 28 February 1999 Number	Year ended 30 April 1998 Number
Defined benefit schemes	7	6
Money purchase schemes	1	2

6 Staff numbers and costs

The average number of persons employed by the Company during the period, analysed by category, was as follows:

	10 months ended 28 February 1999 Number	Year ended 30 April 1998 Number
Selling and distribution	749	647
Administrative	116	140
	865	787

The aggregate payroll costs of these persons were as follows:

	10 months ended 28 February 1999 £'000	Year ended 30 April 1998 £'000
Wages and salaries	12,874	13,010
Social security costs	1,066	1,065
Other pension costs	571	602
	14,511	14,677

Notes to accounts (continued)

7 Interest receivable

	10 months ended 28 February 1999 £'000	Year ended 30 April 1998 £'000
Bank interest receivable	11	15

8 Interest payable and similar charges

	10 months ended 28 February 1999 £'000	Year ended 30 April 1998 £'000
On bank loans, overdrafts and other loans wholly repayable within five years	35	23

9 Tax on profit on ordinary activities

The charge in the profit and loss account consists of:

	10 months ended 28 February 1999 £'000	Year ended 30 April 1998 £'000
Corporation tax at 31% (1998 - 31%)	780	1,726
Deferred tax - effect of change in rate from 33% to 30%	-	79
Deferred tax - other	(481)	807
	299	2,612
Adjustments in respect of prior years:		
Current tax	349	(169)
Deferred tax	(337)	-
	311	2,443

Notes to accounts (continued)

10 Tangible fixed assets

	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Fixtures and fittings £'000	Plant machinery and vehicles £'000	Total £'000
Cost						
Beginning of period	362	679	1,109	4,395	1,460	8,005
Additions	4	-	47	982	298	1,331
Reclassifications	-	(679)	679	(23)	23	-
Disposals	-	-	(257)	(145)	(953)	(1,355)
End of period	366	-	1,578	5,209	828	7,981
Depreciation and diminution in value						
Beginning of period	66	-	201	1,743	981	2,991
Charge for period	13	-	93	591	119	816
Disposals	-	-	-	(139)	(718)	(857)
Reclassifications	-	-	-	(1)	1	-
End of period	79	-	294	2,194	383	2,950
Net book value						
28 February 1999	287	-	1,284	3,015	445	5,031
30 April 1998	296	679	908	2,652	479	5,014

11 Stocks

	28 February 1999 £'000	30 April 1998 £'000
Goods for resale	19,106	18,214

Notes to accounts (continued)

12 Debtors

	28 February 1999 £'000	30 April 1998 £'000
Amounts falling due within one year:		
Trade debtors	31,882	32,427
Amounts owed by group undertakings	61,211	57,747
Other debtors	3,982	5,591
Corporation tax debtor	181	-
ACT recoverable	-	647
Prepayments and accrued income	2,353	917
	99,609	97,329
Amounts falling due after more than one year:		
Deferred tax	1,093	275
	100,702	97,604

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

	£'000
At the beginning of the period	275
Profit and loss account	818
At the end of the period	1,093

The balance on the deferred tax account represents:

	28 February 1999 £'000	30 April 1998 £'000
Differences between accumulated depreciation and capital allowances	431	-
Short-term timing differences	662	275
	1,093	275

Short-term timing differences represent timing differences in relation to amounts provided or accrued for future restructuring costs.

Notes to accounts (continued)

13 Creditors: Amounts falling due within one year

	10 months ended 28 February 1999 £'000	Year ended 30 April 1998 £'000
Trade creditors	25,236	32,155
Amounts owed to group undertakings	77,994	62,994
Corporation tax creditor	-	116
Other taxes and social security	2,929	2,961
Other creditors	2,967	4,658
Accruals	1,245	1,724
	110,371	104,608

14 Creditors: Amounts falling due after more than one year

	10 months ended 28 February 1999 £'000	Year ended 30 April 1998 £'000
Deferred purchase consideration relating to acquisitions	585	409

15 Provision for liabilities and charges

		£000
Provision for restructuring costs		
At the beginning of the period		2,370
Utilised during the period		(3,625)
Charge to profit and loss	- exceptional item	1,470
	- other provisions	1,892
At the end of the period		2,087

16 Called-up share capital

	10 months ended 28 February 1999 £	Year ended 30 April 1998 £
Authorised		
3,000,100 ordinary shares of £1 each	3,000,100	3,000,100
Allotted, called-up and fully paid		
3,000,002 ordinary shares of £1 each	3,000,002	3,000,002

Notes to accounts (continued)

17 Reconciliation of movement in shareholders' funds

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Shareholders' funds £'000
At the beginning of the period	3,000	27,000	(11,405)	18,595
Profit for the period	-	-	631	631
At the end of the period	3,000	27,000	(10,774)	19,226

The profit and loss account reserve includes £13,816,000 (1998 - £13,816,000) of goodwill arising on the acquisition of businesses taken to reserves. This goodwill is being recognised as a realised loss over a period of 20 years, the estimated useful life. £11,780,000 (1998 - £12,223,000) remains unrealised.

18 Commitments

Capital commitments at the end of the financial period for which no provision has been made are as follows:

	28 February 1999 £'000	30 April 1998 £'000
Contracted	160	221

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

	Plant and machinery	
	28 February 1999 £'000	30 April 1998 £'000
Operating leases which expire within one year	25	109
In the second to fifth years inclusive	274	227
After 5 years	25	46
	324	382

Notes to accounts (continued)

18 Commitments (continued)

In addition, the Company leases certain land and buildings on short-term leases. The rents payable in the next year under these leases, which are subject to renegotiation at various intervals specified in the leases and in respect of which the Company pays all insurance, maintenance and repairs are as follows:

	28 February 1999 £'000	30 April 1998 £'000
Date of lease termination:		
Within one year	23	-
In second to fifth years inclusive	51	86
After 5 years	2,055	2,055
	2,129	2,141

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 £3,068,000 (1998 - £3,821,000).

The Company had £2,255,000 of commitments under forward currency contracts at 28 February 1999 (1998 - £2,923,000).

19 Contingent liabilities

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 1999 of the Company in respect of guarantees given to secure the banking facilities of other group undertakings was £10,000,000 (1998 - £60,000,000).

20 Pensions

Pension costs are disclosed in note 6. The Company participates in the Matthew Clark Pension Plan which is a funded defined benefit pension scheme operated by Matthew Clark plc on behalf of its subsidiaries. Particulars of the last actuarial valuation of the scheme, as at 1 January 1996, are given in the financial statements of Matthew Clark plc.

21 Ultimate parent undertaking

The Company is a subsidiary of Matthew Clark plc incorporated in Great Britain and registered in England and Wales. The largest group in which the results of the Company are consolidated is that headed by Canandaigua Brands Inc. The consolidated financial statements of the Group are available to the public and may be obtained from the Company Secretary of Canandaigua Brands Inc. at 300 Willowbrook Office Park, Fairport, New York 14450. The smallest group of which the Company is a member is the Matthew Clark plc Group. The consolidated accounts of this Group can be obtained from the Company Secretary of Matthew Clark plc at Whitchurch Lane, Bristol, BS14 0JZ.

22 Prior year comparatives

The prior year comparatives were audited by a firm of chartered accountants other than Arthur Andersen.