



ARTHUR ANDERSEN

Matthew Clark Wholesale Limited

Accounts for the year ended 28 February 2000
together with directors' and auditors' reports

Registered number: 2550982



Contents

	Page
Directors' report	1
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the accounts	6

Directors' report

For the year ended 28 February 2000

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 28 February 2000.

Principal activities

During the year 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 year end were satisfactory and the directors expect that the present level of activity will continue.

Results and dividends

The profit for the year was £2,897,000 (1999 - £631,000). The directors do not recommend payment of a dividend.

Directors and their interests

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

K J Philp

M Ader

H C Etheridge

A T Colquhoun

A A Ruggeri

None of the directors who held office throughout the year 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 2000 of 59 days (1999 - 43 days).

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.

Directors' report (continued)

Donations

Charitable donations made by the company during the period amounted to £1,000 (1999 - £6,000). There were no political donations.

Year 2000

The company undertook a detailed review of its computer systems in order to identify any potential impact of the year 2000 date change. No problems have come to light since 1 January 2000.

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 accounts, 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.

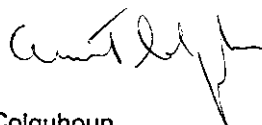
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the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

Auditors

A resolution to reappoint Arthur Andersen and to authorise the directors to set 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

27 September 2000

To the shareholders of Matthew Clark Wholesale Limited:

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 circumstances of the company, 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 accounts 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Broad Quay House
Broad Quay
Bristol
BS1 4DJ

27 September 2000

Profit and loss account

For the year ended 28 February 2000

	Note	Pre- exceptional items £'000	Exceptional items (note 3) £'000	Total £'000	10 months ended 28 February 1999 £'000
Turnover	2	296,441	-	296,441	209,806
Cost of sales		(255,069)	-	(255,069)	(178,772)
Gross profit		41,372	-	41,372	31,034
Distribution costs		(14,726)	-	(14,726)	(10,711)
Administrative expenses		(20,108)	(2,316)	(22,424)	(19,187)
Operating profit		6,538	(2,316)	4,222	1,136
Profit on disposal of fixed assets		15	-	15	(170)
		6,553	(2,316)	4,237	966
Finance charges (net)	7	-	-	-	(24)
Profit on ordinary activities before taxation	4	6,553	(2,316)	4,237	942
Tax on profit on ordinary activities	8	(2,035)	695	(1,340)	(311)
Profit on ordinary activities after taxation, being retained profit for the period	16	4,518	(1,621)	2,897	631

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 each period.

The results above derive from continuing operations.

Balance sheet

28 February 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	9	5,609	5,031
Current assets			
Stocks	10	20,674	19,106
Debtors	11	79,337	100,702
Cash at bank and in hand		15,563	7,430
		115,574	127,238
Creditors: Amounts falling due within one year	12	(95,646)	(110,371)
Net current assets		19,928	16,867
Total assets less current liabilities		25,537	21,898
Creditors: Amounts falling due after more than one year	13	(405)	(585)
Provisions for liabilities and charges	14	(3,009)	(2,087)
Net assets		22,123	19,226
Capital and reserves			
Called-up share capital	15	3,000	3,000
Share premium account	16	27,000	27,000
Profit and loss account	16	(7,877)	(10,774)
Equity shareholders' funds	16	22,123	19,226

Signed on behalf of the Board



H C Etheridge

Director

27 September 2000

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

Notes to accounts

28 February 2000

1 Accounting policies

The following accounting policies have been applied consistently throughout the year and the preceding period, 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.

b) Turnover

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

c) 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. Provision is made for any impairment. 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.

d) 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. Provision is made, as appropriate, for obsolete and slow-moving stock.

e) Taxation

Current tax, including UK corporation and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

Notes to accounts (continued)

1 Accounting policies (continued)

f) 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.

g) 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.

For money purchase schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits 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.

h) 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.

i) 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 8 – Related Party Disclosures, 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

	2000 £'000	1999 £'000
Relocation, property and other costs	<u>2,316</u>	<u>1,470</u>

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

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging.

	2000 £'000	1999 £'000
Depreciation and other amounts written off tangible fixed assets	1,136	816
Operating lease charges:		
Plant and machinery	371	359
Other	<u>2,264</u>	<u>1,665</u>

The audit fee was borne by the ultimate parent company.

5 Staff numbers and costs

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

	2000 Number	1999 Number
Selling and distribution	773	749
Administrative	<u>132</u>	<u>116</u>
	<u>905</u>	<u>865</u>

The aggregate payroll costs of these persons were as follows:

	2000 £'000	1999 £'000
Wages and salaries	16,771	12,874
Social security costs	1,475	1,066
Other pension costs (note 19)	<u>662</u>	<u>571</u>
	<u>18,908</u>	<u>14,511</u>

Notes to accounts (continued)

6 Directors' emoluments

Directors' remuneration

The remuneration of the directors was as follows:

	Year ended 28 February 2000 £'000	10 months ended 28 February 1999 £'000
Emoluments	267	365
Company contributions to money purchase pension schemes	5	4
	<u>272</u>	<u>369</u>

Of the amounts shown above, Matthew Clark Brands Limited bore £114,000 of the cost of the directors' emoluments and company contributions to money purchase schemes. In 1999 Matthew Clark plc bore £74,000 of the emoluments.

The emoluments of the highest paid director were £77,879 (1999 - £124,000).

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

	2000 Number	1999 Number
Defined benefit schemes	4	7
Money purchase schemes	<u>1</u>	<u>1</u>

7 Finance charges

	2000 £'000	1999 £'000
Bank interest receivable	-	11
On bank loans, overdrafts and other loans wholly repayable within five years	-	(35)
	<u>-</u>	<u>(24)</u>

Notes to accounts (continued)

8 Tax on profit on ordinary activities

The charge in the profit and loss account consists of:

	2000 £'000	1999 £'000
UK corporation tax at 30% (1999 – 31%)	1,385	780
Deferred tax	(45)	(481)
	<u>1,340</u>	<u>299</u>
Adjustments in respect of prior years:		
Current tax	(21)	349
Deferred tax	21	(337)
	<u>1,340</u>	<u>311</u>

9 Tangible fixed assets

	Freehold buildings £'000	Assets in course of construction £'000	Short leasehold £'000	Fixtures and fittings £'000	Plant, machinery and vehicles £'000	Total £'000
Cost						
Beginning of year	366	-	1,578	5,209	828	7,981
Additions	2	510	320	1,532	223	2,587
Intercompany transfers	-	(498)	-	-	-	(498)
Reclassifications	-	-	(22)	(26)	54	6
Disposals	-	-	(299)	(134)	(188)	(621)
End of year	<u>368</u>	<u>12</u>	<u>1,577</u>	<u>6,581</u>	<u>917</u>	<u>9,455</u>
Depreciation and impairment in value						
Beginning of year	79	-	294	2,194	383	2,950
Charge for year	15	-	107	896	118	1,136
Disposals	-	-	(93)	(47)	(106)	(246)
Reclassifications	-	-	(2)	(16)	24	6
End of year	<u>94</u>	<u>-</u>	<u>306</u>	<u>3,027</u>	<u>419</u>	<u>3,846</u>
Net book value						
Beginning of year	<u>287</u>	<u>-</u>	<u>1,284</u>	<u>3,015</u>	<u>445</u>	<u>5,031</u>
End of year	<u>274</u>	<u>12</u>	<u>1,271</u>	<u>3,554</u>	<u>498</u>	<u>5,609</u>

Notes to accounts (continued)

10 Stocks

	2000 £'000	1999 £'000
Goods for resale	<u>20,674</u>	<u>19,106</u>

11 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year:		
Trade debtors	39,011	31,882
Amounts owed by group undertakings	36,726	61,211
Other debtors	1,822	3,982
Corporation tax debtor	-	181
Prepayments and accrued income	<u>661</u>	<u>2,353</u>
	78,220	99,609
Amounts falling due after more than one year:		
Deferred tax	<u>1,117</u>	<u>1,093</u>
	<u>79,337</u>	<u>100,702</u>

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

	£'000
At the beginning of the year	1,093
Profit and loss account	<u>24</u>
At the end of the year	<u>1,117</u>

The balance on the deferred tax account represents:

	2000 £'000	1999 £'000
Differences between accumulated depreciation and capital allowances	236	431
Short-term timing differences	<u>881</u>	<u>662</u>
	<u>1,117</u>	<u>1,093</u>

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

Notes to accounts (continued)

12 Creditors: Amounts falling due within one year

	2000 £'000	1999 £'000
Trade creditors	28,856	25,236
Amounts owed to group undertakings	52,133	77,994
Corporation tax creditor	2,353	-
Other taxes and social security	5,372	2,929
Other creditors	5,307	2,967
Accruals and deferred income	1,625	1,245
	<u>95,646</u>	<u>110,371</u>

13 Creditors: Amounts falling due after more than one year

	2000 £'000	1999 £'000
Deferred purchase consideration relating to acquisitions	<u>405</u>	<u>585</u>

14 Provision for liabilities and charges

	£'000
<i>Provision for restructuring costs</i>	
At beginning of year	2,087
Utilised during the year	(1,394)
Charged to profit and loss - exceptional item (note 3)	2,316
At end of year	<u>3,009</u>

15 Called-up share capital

	2000 £	1999 £
<i>Authorised</i>		
3,000,100 ordinary shares of £1 each	<u>3,000,100</u>	<u>3,000,100</u>
<i>Allotted, called-up and fully paid</i>		
3,000,002 ordinary shares of £1 each	<u>3,000,002</u>	<u>3,000,002</u>

Notes to accounts (continued)

16 Reconciliation of movement in shareholders' funds

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Shareholders' funds £'000
At the beginning of the year	3,000	27,000	(10,774)	19,226
Profit for the year	-	-	2,897	2,897
At the end of the year	<u>3,000</u>	<u>27,000</u>	<u>(7,877)</u>	<u>22,123</u>

The profit and loss account reserve includes £13,816,000 (1999 - £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. £11,089,000 (1999 - £11,780,000) remains unrealised.

17 Commitments

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

	2000 £'000	1999 £'000
Contracted	<u>-</u>	<u>160</u>

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

	Plant and machinery	
	2000 £'000	1999 £'000
Operating leases which expire within one year	7	25
In the second to fifth years inclusive	244	274
After 5 years	<u>-</u>	<u>25</u>
	<u>251</u>	<u>324</u>

Notes to accounts (continued)

17 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:

	2000 £'000	1999 £'000
Within one year	21	23
In second to fifth years inclusive	58	51
After 5 years	1,593	2,055
	<u>1,672</u>	<u>2,129</u>

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 £1,406,572 (1999 - £3,068,000).

The company had £2,439,471 of commitments under forward currency contracts at 28 February 2000 (1999 - £2,255,000).

18 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 2000 of the company in respect of guarantees given to secure the banking facilities of other group undertakings was £nil (1999 - £10,000,000).

19 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 1999, are given in the financial statements of Canandaigua Limited.

20 Ultimate parent undertaking

The company is a subsidiary of Canandaigua Limited 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 that headed by Canandaigua Limited. The consolidated accounts of this Group can be obtained from Companies House or the company secretary of Canandaigua Limited at Whitchurch Lane, Bristol, BS14 0JZ.