

Matthew Clark Wholesale Limited

Directors' report and financial statements

Registered number 2550982

For the year ended 28 February 2006

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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 year ended 28 February 2006.

Principal activity

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 after tax for the year was £13,955,000 (2005: profit of £25,799,000). A dividend of £38,000,000 (2005: £Nil) was paid during the year.

Directors and directors' interests

The following directors served during the year:

AT Colquhoun
C Carson (resigned 16 December 2005)
T Creighton (resigned 8 September 2006)
MG Grisman
S Thomson (appointed 1 March 2005)
RD Peters (resigned 1 November 2005)
AA Ruggeri (resigned 23 October 2006)
NI Hodges (resigned 29 April 2005)
DW Townsend
J Moramarco (appointed 21 February 2006)
T Christensen (appointed 8 September 2006)

The directors held no interests in the company during the year that required disclosure.

Supplier 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 2006 of 39 days (2005: 40 days).

Disabled employees

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.

Employee consultation

The company ensures that all employees are kept up to date with major developments and changes within the organisation via the company magazine, notice boards and departmental briefings.

Health and safety

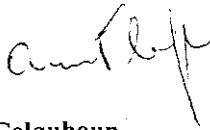
The company promotes all aspects of safety throughout the company in the interest of employees and users of premises.

Directors' report *(continued)*

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



A T Colquhoun
Director

Whitchurch Lane
Bristol
BS14 0JZ

22 December 2006

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 financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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; and
- prepare the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the 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 company and to prevent and detect fraud and other irregularities.

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of Matthew Clark Wholesale Limited

We have audited the financial statements of Matthew Clark Wholesale Limited for the year ended 28 February 2006 which comprise Profit and Loss Account, the Balance Sheet, 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 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 Wholesale 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 company's affairs as at 28 February 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

27/12/2006

Profit and loss account
for the year ended 28 February 2006

	<i>Note</i>	2006 £000	2005 £000
Turnover	2	491,677	488,594
Cost of sales		(421,102)	(422,198)
		<hr/>	<hr/>
Gross profit		70,575	66,396
Distribution costs		(23,454)	(23,802)
Administration expenses		(33,025)	(29,504)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	14,096	13,090
Tax on profit on ordinary activities	6	(141)	12,709
		<hr/>	<hr/>
Profit on ordinary activities after taxation	12	13,955	25,799
		<hr/>	<hr/>

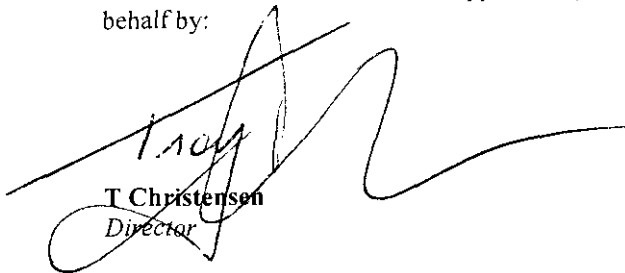
There are no recognised gains and losses in either year other than the profit for each year.

These results derive from continuing operations.

Balance sheet
at 28 February 2006

	<i>Note</i>	2006 £000	2005 £000
Fixed assets			
Tangible assets	7	1,926	2,457
		<hr/> 1,926	<hr/> 2,457
Current assets			
Stocks – Goods held for resale		14,596	16,715
Debtors (including £380k (2005 : £604k) due after more than one year)	8	408,156	416,299
Cash at bank and in hand		3,801	4,634
		<hr/> 426,553	<hr/> 437,648
Creditors: amounts falling due within one year	9	(378,243)	(365,559)
		<hr/> 48,310	<hr/> 72,089
Net current assets			
		<hr/> 50,236	<hr/> 74,546
Total assets less current liabilities			
Provisions for liabilities and charges	10	(653)	(918)
		<hr/> 49,583	<hr/> 73,628
Net assets			
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	3,000	3,000
Share premium account	12	27,000	27,000
Profit and loss account	12	19,583	43,628
		<hr/> 49,583	<hr/> 73,628
Equity shareholders' funds	12	49,583	73,628
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 22/12 2006 and were signed on its behalf by:


T Christensen
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

In these financial statements, the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- FRS 28 'Corresponding amounts'.

The recognition and measurement requirements of FRS17 'Retirement benefits' have also been adopted; previously only the transitional disclosures of that standard have been followed.

The accounting policies under these new standards are set out below, together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no materials effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of preparation

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

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements (see note 16).

As the company is a wholly owned subsidiary of Canandaigua Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Canandaigua Limited can be obtained from the address given in note 16.

Turnover

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

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.

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
Plant, machinery and other equipment	-	between 2 to 15 years
Computer equipment	-	between 3 to 5 years
Motor vehicles	-	between 3 to 7 years

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Pension costs

Pension costs are disclosed in note 4. The company participates in the Matthew Clark Pension Plan which is a funded defined benefit pension scheme operated by Matthew Clark Limited on behalf of its subsidiaries. Particulars of the last actuarial valuation of the scheme, as at 31 December 2004, are given in the financial statements of Canandaigua Limited.

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.

In accordance with FRS 17, the company has accounted for its contributions to the defined benefit Scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis.

For the defined contribution arrangement, 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.

2 Turnover

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

Notes (continued)

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2006 £000	2005 £000
Depreciation and amounts written off tangible fixed assets		
- owned	467	691
Operating lease charges:		
- plant and machinery	526	914
- other	2,035	2,754
	<u>2,528</u>	<u>3,359</u>

The audit fee for both years was borne by the ultimate parent company.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2006	2005
Selling and distribution	876	862
Administration	309	276
	<u>1,185</u>	<u>1,138</u>

The aggregate payroll costs of these persons were as follows:

	2006 £000	2005 £000
Wages and salaries	25,142	23,583
Social security costs	2,600	2,421
Other pension costs	627	566
	<u>28,369</u>	<u>26,570</u>

Notes (continued)

5 Directors' remuneration

Remuneration

The remuneration of the directors was as follows:

	2006 £000	2005 £000
Emoluments	1,040	746
Gains made on the exercise of share options	1,085	1,039
Pension payments	68	-
Redundancy payments	923	-
	<u>3,116</u>	<u>1,785</u>

Of the amounts shown above, Constellation Europe Limited bore £2,780,000 (2005: £892,500) of the cost of the directors' emoluments.

The emoluments of the highest paid director were £231,000 (2005: £172,000).

Pensions

The number of directors who were members of pension schemes was as follows:

	Number of directors 2006	2005
Defined benefit schemes	<u>8</u>	<u>6</u>

6 Tax on profit on ordinary activities

The tax charge comprises:

	2006 £000	2005 £000
Current tax		
UK corporation tax	-	-
Adjustments in respect of prior years		
- UK corporation tax	(83)	147
- Reverse payment for Group Relief	-	(12,857)
Total current tax	<u>(83)</u>	<u>(12,710)</u>
Deferred tax		
Origination and reversal of timing differences	141	12
Adjustment in respect of prior years	83	(11)
Capital allowances in excess of depreciation	-	-
Total deferred tax (see note 8)	<u>224</u>	<u>1</u>
Total tax on profit on ordinary activities	<u>141</u>	<u>(12,709)</u>

Notes (continued)

6 Tax on profit on ordinary activities (continued)

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:

	2006 £000	2005 £000
Profit on ordinary activities before taxation	14,096	13,090
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005: 30%)	4,228	3,927
<i>Effects of:</i>		
Group relief not paid for	(4,241)	(3,985)
Expenses not deductible for tax purposes	154	70
Capital allowances in excess of depreciation	(224)	(11)
Adjustments to tax charge in respect of previous periods	-	147
Reversal of payment for Group Relief in prior periods	-	(12,857)
Current tax credit for the year	(83)	(12,709)

7 Tangible fixed assets

	Freehold Buildings	Assets in course of construction	Short Leasehold	Fixtures and Fittings	Plant, Machinery and Vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At beginning of year	369	-	1,838	8,192	1,197	11,596
Additions	2	3	-	-	8	13
Intercompany transfers						
Disposals	(69)	-	-	(1,949)	(208)	(2,226)
At end of year	302	3	1,838	6,243	997	9,383
Depreciation						
At beginning of year	154	-	734	7,517	734	9,139
Charge for the year	95	-	-	301	71	467
Disposals	(41)	-	-	(1,937)	(171)	(2,149)
At end of year	208	-	734	5,881	634	7,457
Net book value						
At end of year	94	3	1,104	362	363	1,926
At beginning of year	215	-	1,104	675	463	2,457

Notes (continued)

8 Debtors

	2006 £000	2005 £000
Amounts falling due within one year:		
Trade debtors	55,945	53,828
Amounts owed by group undertakings	347,270	358,011
Other debtors	4,052	3,166
Prepayments and accrued income	509	690
	<u>407,776</u>	<u>415,695</u>
Amounts falling due after more than one year:		
Deferred tax	380	604
	<u>408,156</u>	<u>416,299</u>

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

	£000
At beginning of the year	604
Charged to the profit and loss account	(224)
	<u>380</u>
At end of the year	<u>380</u>

The balance on the deferred tax account represents:

	2006 £000	2005 £000
Differences between accumulated depreciation and capital allowances	127	164
Short term timing differences	253	440
	<u>380</u>	<u>604</u>
Deferred tax (see above)	<u>380</u>	<u>604</u>

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

There is no unprovided deferred taxation at either year end.

Notes (continued)

9 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	33,428	30,564
Amounts owed to group undertakings	327,121	318,118
Corporation tax creditor	794	877
Other taxes and social security	10,735	11,057
Other creditors	3,065	1,992
Accruals and deferred income	3,100	2,951
	<u>378,243</u>	<u>365,559</u>

10 Provisions for liabilities and charges

	£000
<i>Provision for restructuring costs</i>	
At beginning of year	918
Utilised during the year	(265)
	<u>653</u>
At end of year	

Restructuring provisions relate to vacant property provisions.

11 Called up share capital

	2006 £000	2005 £000
<i>Authorised</i>		
Equity: 3,000,100 ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: 3,000,002 ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>

Notes (continued)

12 Reconciliation of movements in group shareholders' funds

	Share Capital £000	Share Premium Account £000	Profit and Loss Account £000	Shareholders' Funds £000
At beginning of year	3,000	27,000	43,628	73,628
Profit for the year	-	-	13,955	13,955
Dividends	-	-	(38,000)	(38,000)
At end of year	3,000	27,000	19,583	49,583

The profit and loss account reserve has been charged with £13,816,000 (2005: £13,816,000) of goodwill arising on the acquisition of businesses written off to reserves. This goodwill has been recognised as a realised loss over a period of 20 years, the estimated useful life. £7,099,000 (2005: £7,790,000) of the £13,816,000 written off to reserves remains unrealised.

13 Commitments

There were no capital commitments at either year end.

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

	Plant and machinery	
	2006 £000	2005 £000
Operating leases which expire:		
- within one year	6	63
- in the second to fifth years inclusive	520	395
	526	458

In addition, the company leases certain land and buildings on short term leases. The annual commitments under these non-cancellable operating 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:

	2006 £000	2005 £000
Operating leases which expire:		
- within one year	19	41
- in second to fifth years inclusive	377	342
- over five years	1,633	2,371
	2,029	2,754

Notes (continued)

14 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 £557,000 (2005: £Nil).

The company had no commitments under forward currency contracts at 28 February 2006 (2005: £Nil).

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 2006 of the company in respect of guarantees given to secure the banking facilities of other group undertakings was £7,805,000 (2005: £5,543,000).

15 Pensions

The company participated in the Matthew Clark Pension Plan which is a funded defined benefit pension scheme operated by Matthew Clark plc on behalf of its subsidiaries and for the benefit of its employees.

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 2004. Details of the actuarial valuation of the scheme can be found in the financial statements of Canandaigua Limited.

In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme (see note 4) because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis.

16 Ultimate parent undertaking

The directors regard Constellation Brands Inc. (formerly Canandaigua Brands Inc.), a company incorporated in the United States, as the ultimate parent company.

Constellation Brands Inc., is the parent company of the largest group of which the company is a member. Copies of the financial statements are available from Investor Relations of Constellation Brands Inc., at 370 Woodcliff Drive, Third Floor, Fairport, New York 14450, USA.

The smallest group of which the company is a member is that headed by Canandaigua Limited. The consolidated financial statements of this group can be obtained from Companies House or the company secretary of Canandaigua Limited at Constellation House, The Guildway, Old Portsmouth Road, Artington, Guildford, Surrey, GU3 1LR.