Matthew Clark Wholesale Limited

Directors' report and financial statements

For the year ended 28 February 2009

Registered number 2550982

Contents

Directors' report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 28 February 2009.

Principal activity

The Company's principal activity during the period has been that of wholesale wine and spirits merchants, operating in the UK.

Business review

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

The Company offers a comprehensive wholesale and distribution proposition to the UK on-premise trade. Employing a 200-strong sales force Matthew Clark Wholesale Limited offers a complete next-day drinks solution to customers, both in the independent free trade sector and the large national multiple operators.

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

Competition

The Company has placed itself in the market as the leading non-brewer owned distributor with scale and reach to supply the whole on trade market, from small independent outlets to the major national managed retail chains. The core specialism is the wine range together with a clear preferred brands strategy across the other major drinks sectors such as spirits and beer.

The Company's competitors can be broken down into a number of groups:

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

Legal and regulatory environment

The Company 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 Company 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 Company'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 Company's strategy is centred on the need to grow the business to acquire scale, whilst delivering higher levels of service to the customer base. Matthew Clark has taken a leadership position to the on trade through a composite offering with a clear wine specialism.

Business review *(continued)*

Risk/uncertainty

The Company 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 Company 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 Company has a well established performance measurement system that focuses the business on the key levers of sales volume and profit growth, together with cost control and cash flow. This is linked to a detailed annual planning process as part of the strategic planning exercise.

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

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

Performance

The on trade has suffered as a result of the economic slow down during the year, with volumes down by 2.2% compared to last year. Sales, however have increased, with reported sales up by 3.7% on last year. The increase is due to a combination of supplier price and duty increases, and the impact of sterling weakness on costs of imported goods.

Distribution costs are up on last year due to the increased cost of haulage and associated costs, this was offset by a reduction in administration costs through tight cost control.

Trends and developments

Over the course of the period there have been a number of continuing trends within the UK on trade. The economic weakness has impacted consumer spend and the trade has seen a decline in both the number of outlets and also the number of customer visits. Most operators have reported lower footfall and customer spend, with a decline in drinks spending being offset by increase in food volumes. There has been a consistent move to value offerings in many operators. All product sectors in the market have seen decline which accelerated in the closing part of 2008.

The market remains depressed and there is a cautious outlook across the trade. There remain opportunities for quality operators and outlets and accordingly the Company is being selective as to the business that it pursues.

Results and dividends

The profit after tax for the year was £7,384,000 *(2008: £8,650,000).* A dividend of £Nil *(2008: £Nil)* was paid during the year.

Directors

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

S Thomson	
M G Grisman	
T Christensen	
AT Colquhoun	(resigned 31 March 2008)
D Klein	(resigned 3 April 2009)
D Malhotra	(appointed 31 March 2008)
H Glennie	(appointed 3 April 2009)

Directors' report *(continued)*

Supplier payment policy

The Company agrees terms and conditions for its business transactions with suppliers and 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 2009 of 50 days *(2008: 49 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 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.

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 they 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

S Thomson
Director

Whitchurch Lane
Bristol
BS14 0JZ

28 May 2009

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 and applicable law (UK Generally Accepted Accounting Practice).

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 2009 which comprise the 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 May 2009

Profit and loss account
for the year ended 28 February 2009

	Note	2009 £000	2008 £000
Turnover	*2*	**556,764**	536,920
Cost of sales		**(480,968)**	(458,811)
Gross profit		**75,796**	78,109
Distribution costs		**(31,407)**	(29,813)
Administration expenses		**(33,396)**	(35,621)
Operating profit		**10,993**	12,675
Interest payable and similar charges	*6*	**(1,252)**	(1,254)
Profit on ordinary activities before taxation	*3-5*	**9,741**	11,421
Tax on profit on ordinary activities	*7*	**(2,357)**	(2,771)
Profit for the financial year	*14*	**7,384**	8,650

There were no recognised gains or losses in the current or prior year other than those shown above.

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

These results derive from continuing operations.

Balance sheet
at 28 February 2009

	Note	2009		2008	
		£000	**£000**	£000	£000
Fixed assets					
Tangible fixed assets	*8*		**8,323**		8,447
Current assets					
Stocks	*9*	**30,185**		28,104	
Debtors	*10*	**96,627**		90,255	
Cash at bank and in hand		**4,387**		1,995	
		131,199		120,354	
Creditors: amounts falling due within one year	*11*	**(85,433)**		(82,422)	
Net current assets			**45,766**		37,932
Total assets less current liabilities			**54,089**		46,379
Provisions for liabilities and charges	*12*		**(985)**		(659)
Net assets			**53,104**		45,720
Capital and reserves					
Called up share capital	*13*		**3,000**		3,000
Share premium account	*14*		**27,000**		27,000
Capital contribution	*14*		**1,293**		1,293
Profit and loss account	*14*		**21,811**		14,427
Equity shareholders' funds	*15*		**53,104**		45,720

These financial statements were approved by the board of Directors on 28 May 2009 and were signed on its behalf by:

S Thomson
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.

Basis of preparation

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

The Company's funding is based on the secured financing for the group headed by Matthew Clark (Holdings) Limited (the "Group") over which there are cross guarantees as described in note 17. This funding 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.

Under FRS1 (revised), 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 financial statements (see note 21).

As the Company is a wholly owned subsidiary of Matthew Clark (Holdings) Limited, the Company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Matthew Clark (Holdings) Limited can be obtained from the address given in note 21.

Turnover

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

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.

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.

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 buildings and improvements	-	length of lease
Fixtures and fittings	-	between 5 to 15 years
Computer equipment	-	between 3 to 5 years
Plant, machinery and vehicles	-	between 2 to 15 years

No depreciation is provided on assets in the course of constructions until the asset is brought into use.

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.

Post-retirement benefits

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

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

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Share based payments

Participation in the two schemes that had operated within Matthew Clark Wholesale, Constellation Brands UK Sharesave Scheme and Constellation Long Term Stock Incentive Plan, is no longer available to employees of Matthew Clark Wholesale.

Matthew Clark Wholesale 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.

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:

	2009 £000	2008 £000
Depreciation and amounts written off tangible fixed assets		
- owned	**1,302**	1,279
Operating lease charges:		
- plant and machinery	**498**	1,315
- vehicles	**2,106**	2,059
- land and buildings	**2,718**	3,671

Auditors' remuneration:	2009 £000	2008 £000
Audit of these financial statements	**37**	38
Other services pursuant to legislation	**-**	70
	37	108

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent.

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 2009	2008
Selling and distribution	**812**	853
Administration	**400**	376
	1,212	1,229

The aggregate payroll costs of these persons were as follows:

	2009 £000	2008 £000
Wages and salaries	**27,763**	27,634
Social security costs	**2,824**	3,005
Other pension costs (see note 18)	**2,028**	1,841
Share based compensation expense (see note 19)	**-**	992
	32,615	33,472

Notes *(continued)*

5 Directors' remuneration

The remuneration of the Directors was as follows:

	2009	2008
	£000	£000
Emoluments	**299**	338
Pension payments	**41**	27
	340	365

Of the amounts shown above, Constellation Europe Limited bore £nil *(2008: £Nil)* of the cost of the Directors' emoluments, and Constellation Brands Inc bore £nil *(2008: £Nil)*.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £165,000 *(2008: £236,000)* and Company pension contributions of £23,000 *(2008:£15,000)* were made to a money purchase scheme on his behalf. During the year, the highest paid director did not exercise share options.

The number of directors who:

	Number of directors	
	2009	2008
Are members of defined benefit pension schemes	**2**	4

6 Interest payable and similar charges

	2009	2008
	£000	£000
On bank loans and overdrafts	**1,252**	1,254

Notes *(continued)*

7 Tax on profit on ordinary activities

The tax charge comprises:

	2009	2008
	£000	£000
Current tax		
UK corporation tax	2,113	2,934
Adjustments in respect of prior years		
- UK corporation tax	(162)	-
Total current tax	1,951	2,934
Deferred tax		
Origination and reversal of timing differences	234	(111)
Adjustment in respect of prior years	128	(219)
Capital allowances in excess of depreciation	44	156
Rate change to 28% *(2008: 30%)*	-	11
Total deferred tax (see note 12)	406	(163)
Total tax on profit on ordinary activities	2,357	2,771

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:

	2009	2008
	£000	£000
Profit on ordinary activities before taxation	9,741	11,421
Tax on profit on ordinary activities at standard UK corporation tax rate of 28.17% *(2008: 30%)*	2,743	3,426
Effects of:		
Group relief not paid for	(645)	(829)
Expenses not deductible for tax purposes	293	382
Capital allowances in excess of depreciation	(44)	(156)
Origination and reversal of timing differences	(234)	111
Adjustments to tax charge in respect of previous periods	(162)	-
Current tax charge for the year	1,951	2,934

Notes *(continued)*

8 Tangible fixed assets

	Buildings and building improvements £000	Assets in course of construction £000	Fixtures and Fittings £000	Computer equipment £000	Plant, machinery and vehicles £000	Total £000
Cost						
At beginning of year	2,631	69	1,396	12,484	1,036	17,616
Additions	201	892	14	159	8	1,274
Disposals	-	-	-	-	(28)	(28)
At end of year	2,832	961	1,410	12,643	1,016	18,862
Depreciation						
At beginning of year	1,152	-	1,255	6,381	381	9,169
Charge for the year	200	-	51	1,079	67	1,397
Disposals	-	-	-	-	(27)	(27)
At end of year	1,352	-	1,306	7,460	421	10,539
Net book value						
At end of year	**1,480**	**961**	**104**	**5,183**	**595**	**8,323**
At beginning of year	1,479	69	141	6,103	655	8,447

9 Stocks

	2009 £000	2008 £000
Finished goods and goods for resale	**30,185**	28,104

10 Debtors

	2009 £000	2008 £000
Trade debtors	**63,869**	61,060
Amounts owed by group undertakings	**21,638**	18,021
Other debtors	**10,069**	8,102
Prepayments and accrued income	**1,051**	2,928
Deferred tax	-	144
	96,627	90,255

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	59,394	48,927
Bank loan (see below)	11,384	14.087
Amounts owed to group undertakings	-	1,812
Corporation tax creditor	1,454	2,934
Other taxes and social security	4,292	1,830
Other creditors	5,380	7,994
Accruals and deferred income	3,529	4,838
	85,433	82,422

During April 2007, as part of the joint venture, Matthew Clark Wholesale Limited received funding in the form of a floating loan, secured on trade debtor balances and capped at £45m. Interest is based on Barclays base rate plus a margin determined by Barclays. (*2008: Libor + 1.1%*)

12 Provisions for liabilities and charges

	Deferred Tax £000	Property £000	Total £000
At beginning of year in provisions	-	659	659
At beginning of year for debtors (note 10)	(144)	-	(144)
Charge during the year	406	64	470
At end of year	**262**	**723**	**985**

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

The elements of deferred taxation are as follows:

	2009 £000	2008 £000
Difference between accumulated depreciation and amortisation and capital allowances	414	353
Short term timing differences	(152)	(497)
	262	(144)

Notes *(continued)*

13 Called up share capital

	2009	2008
	£000	£000
Authorised		
Equity: 3,000,100 ordinary shares of £1 each	**3,000**	3,000
Allotted, called up and fully paid		
Equity: 3,000,002 ordinary shares of £1 each	**3,000**	3,000

14 Reserves

	Share capital	**Share premium account**	**Capital contribution**	**Profit and Loss account**	**Shareholders' funds**
	£000	£000	£000	£000	£000
At beginning of year	3,000	27,000	1,293	14,427	45,720
Profit for the year	-	-	-	7,384	7,384
At end of year	**3,000**	**27,000**	**1,293**	**21,811**	**53,104**

The profit and loss account reserve has been charged with £13,816,000 *(2008: £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. Of the £13,816,000 written off to reserves £5,026,000 *(2008: £5,717,000)* remains unrealised.

15 Reconciliation of movements in shareholders' funds

	2009	2008
	£000	£000
Profit for the year	**7,384**	8,650
Share-based payments	**-**	1,293
Net increase to shareholders' funds	**7,384**	9,943
Opening shareholders' funds	**45,720**	35,777
Closing shareholders' funds	**53,104**	45,720

Notes *(continued)*

16 Commitments

There were no capital commitments at either year end.

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

	Plant and machinery		Vehicles	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Operating leases which expire:				
- within one year	**31**	4	**707**	284
- in the second to fifth years inclusive	**445**	1,263	**1,903**	1,679
- over five years	**-**	-	**6**	36
	476	1,267	**2,616**	1,999

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:

	2009	2008
	£000	£000
Operating leases which expire:		
- within one year	**-**	136
- in second to fifth years inclusive	**775**	558
- over five years	**1,943**	2,977
	2,718	3,671

17 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 £415,000 *(2008: £298,000).*

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 2009 of the Company in respect of guarantees given to secure the banking facilities of other group undertakings was £17,658,000 *(2008: £28,052,000).*

18 Pensions

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company, being invested with insurance companies. The pension cost charge represents contributions payable by the Company to the fund and amounted to £821,000 *(2008: £735,000).*

The Company is also participates a larger group pension scheme. The Matthew Clark Pension Plan 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 Company 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.

Notes *(continued)*

18 Pensions *(continued)*

Contributions to the Matthew Clark Pension Plan are assessed in accordance with the advice of Punter Southall & Co., consulting actuaries. The plan was closed to future benefit accrual at 31 March 2003, although salary linkage will remain on accrued benefits. A defined contribution arrangement was opened to all active members of the plan and for new employees from 1 April 2003. The latest formal actuarial valuation of the scheme was carried out as at 31 December 2007.

Following the joint venture formation, 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 and was paid entirely by Matthew Clark Wholesale Limited on behalf of the Group. Matthew Clark Wholesale Limited contribution for the year was £1,207,000 *(£1,106,000)*.

19 Share based payments

a) Sharesave scheme

As a result of the joint venture formation of Matthew Clark (Holdings) Limited on 17 April 2007 and resultant change in ownership of Matthew Clark Wholesale during the year, Matthew Clark Wholesale employees saving in the sharesave scheme were offered cash in return for discontinuing their participation in the scheme. The Constellation Brands UK Sharesave Scheme offered all employees the opportunity to purchase shares in Constellation Brands at a discounted price compared with the market price at the date of board approval of the scheme. The scheme allowed employees to save between £5 and £250 a month for either 3 or 5 years. At the end of the nominated period of saving the employee may either opt to withdraw their savings with interest or use it to buy shares at the option price.

	3 year scheme	*5 year scheme*
Grant date	*28 August 2006*	
Share price at grant date	$26.27	
Exercise price *(being share price at date of board approval, 1 August 2006)*	$24.41	
Offer price *(at 15% discount to exercise price)*	$20.75	
Shares / Share equivalents under scheme	74,657	57,925
Vesting period and expected life of option	3 years	5 years
Expected volatility	25.4%	30.8%
Risk free rate	4.8%	4.7%
Expected dividends expressed as a dividend yield	0.0%	0.0%
Fair value of call option at 85%	**$6.08**	**$8.66**
Value of put option at 15% of share price at grant date	$3.94	$3.94
Fair value of option	**$10.02**	**$12.60**

Expected volatility is based on historical volatility levels of Constellation Brands Inc.'s Class A Common Stock.

As a result of the discontinuation of the scheme explained above there were no options outstanding under the scheme at either the beginning or the end of the year.

Notes *(continued)*

19 Share based payments *(continued)*

b) Long term stock incentive plan

The long term stock incentive plan is a performance share plan under which shares are conditionally allocated to selected members of management. Matthew Clark Wholesale 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 $27.23. The options vest after four years and expire ten years after the grant date.

As a result of the joint venture and resultant change in ownership of Matthew Clark Wholesale during the year, 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.

Grant date	*4 October 2006*	*5 April 2006*
Share price at grant date	$29.08	$25.88
Exercise price	$29.08	$25.88
Shares / Share equivalents under scheme	12,500	162,650
Vesting period *	4 years	4 years
Expected life of option	5.5 years	5.5 years
Expected volatility **	31.2%	31.7%
Risk free rate	4.5%	4.8%
Expected dividends expressed as a dividend yield	0.0%	0.0%
Probability of ceasing employment before vesting	10%	10%
Fair value of option	$9.82	$9.00

** 4 years was the vesting period assessed when the fair value of the options was calculated at the date of grant. As noted above, the vesting period on all options was accelerated such that the options fully vested as of 16 April 2007.*

*** Expected volatility is based on historical volatility levels of Constellation Brands Inc.'s Class A Common Stock.*

	Outstanding at start of year	Exercised during year	Forfeited during year	**Outstanding at end of year**
April 2000 Award (exercise price $6.4375)	17,338	(6,168)	(500)	10,670
April 2001 Award (exercise price $8.8713)	17,000	(6,400)	(600)	10,000
Sept 2001 Award (exercise price $10.2500)	7,500	-	-	7,500
April 2002 Award (exercise price $13.7125)	26,610	(2,400)	(2,400)	21,810
Sept 2002 Award (exercise price $11.9750)	2,000	-	-	2,000
April 2003 Award (exercise price $11.7950)	26,350	(7,100)	(500)	18,750
April 2004 Award (exercise price $16.6300)	68,100	-	(3,600)	64,500
June 2004 Award (exercise price $18.5500)	2,000	-	-	2,000
April 2005 Award (exercise price $27.2350)	118,400	-	(8,800)	109,600
April 2006 Award (exercise price $25.8800)	131,100	-	(8,200)	122,900
	416,398	**(22,068)**	**(24,600)**	**369,730**
Weighted average exercise price	$21.20	$9.66	$22.73	$21.78
Weighted average contractual life remaining				6

Constellation Brands Inc. received proceeds of $213,000 in respect of the 22,068 options exercised during the year.

The options were exercised throughout the year at prices between $14.60 and $20.89.

The weighted average share price at date of exercise was $15.88.

Notes *(continued)*

19 Share based payments *(continued)*

c) Employee expenses

The employee expense included in the profit and loss account can be analysed as follows:

	2009	2008
	£000	£000
Year to Feb 2008 share options	-	463
Sharesave curtailment – 3 year	-	196
Sharesave curtailment – 5 year	-	208
Sharesave plan - 3 year	-	76
Sharesave plan - 5 year	-	49
	-	992

Curtailment charges arose as a result of the buy-out of the scheme members as described in (a).

20 Related party transactions

During the year the Company 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 Company purchased goods of £186,658,000 (*2008:£162,453,000*) and services of £3,753,000 (*2008: £3,025,000*) from the group;
- The Company made sales of £Nil (*2008: £Nil*) to the group; and
- The balance owing from the Company to the group at 28 February 2009 was £10,683,000 (*2008: £13,734,000*).

b) Transactions with the Punch Taverns Plc group

- The Company purchased goods of £Nil (*2008: £Nil*) and services of £Nil (*2008: £Nil*) from the group;
- The Company made sales of £11,263,000 (*2008: £15,825,000*) to the group; and
- The balance owing from the group to the Company at 28 February 2009 was £2,909,000 (*2008: £563,000*).

21 Ultimate parent undertaking

The Company's immediate parent undertaking is Matthew Clark (Holdings) Limited, the consolidated financial statements of which are available from Constellation House, The Guildway, Old Portsmouth Road, Guildford GU3 1LR.

Matthew Clark (Holdings) Limited 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.