Matthew Clark Wholesale Limited

Directors' report and financial statements

For the year ended 28 February 2011

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 2011

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

Matthew Clark Wholesale Limited (MCW) is a leading independent supplier of drinks to the on-premise licensed trade Operating solely in the UK the Company supplies beverages, 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, MCW offers a complete next day drinks solution to customers, both in the independent free trade sector and to 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 competitive range across 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, works to obtain recognised accreditations and encourages a proactive approach to changes in the legal environment

Aims and objectives

The Company's strategy is centred on the need to grow the business through delivery of high levels of service to the customer base

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

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

Directors' report *(continued)*

Business review *(continued)*

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

Trends and developments

The UK on-trade continued to shrink over the course of the financial year, with outlets closing and lower consumer spend The continuing economic uncertainty, together with squeezes on household income exacerbated the pricing differential between the on and off-trade and led to falling customer visits and average spend

Food led operators including pubs, casual dining and higher quality restaurants were able to maintain some growth, although drinks volumes were in most cases fairly flat

The late night sector remained under severe pressure due to off-trade price competition driving pre-loading and higher levels of unemployment in the 18-24 age group

The Company expects outlet numbers to further decline, however there remains opportunities for quality operators in most sectors

Performance

The Company took decisive action at the start of the year to selectively remove low margin business and adjust costs accordingly Further volumes were transferred out of the Company to another group company, The Wine Studio Limited

Consequently volume and margins declined by 6%, but costs were reduced by over 7%

Tight working capital management drove down borrowing and also interest costs The combination of cost control and lower interest costs saw profit before tax grow by over 3% in the year

Results and dividends

The profit after tax for the year was £7,817,000 *(2010 £8,019,000)* A dividend of £Nil *(2010 £Nil)* was paid during the year The directors have proposed a final ordinary dividend in respect of the current financial year of £25,000,000 This has not been included within creditors as it was not approved before the year end

Directors

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

E Bashforth	(appointed 31 January 2011)
T Christensen	(resigned 24 June 2010, appointed 31 January 2011)
S Dando	(appointed 28 October 2010)
P Dutton	(appointed 24 June 2010, resigned 31 January 2011)
H Glennie	(resigned 24 June 2010)
M Grisman	
J Lousada	(appointed 24 June 2010)
D Malhotra	(resigned 24 June 2010)
L Schnorr	(appointed 24 June 2010, resigned 31 January 2011)
S Thomson	

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 2011 of 48 days *(2010 43 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 Dando
Director

Whitchurch Lane
Bristol
BS14 0JZ
23 May 2011

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)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgements 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

Independent auditor's 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 2011 set out on pages 7 to 19 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 February 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Matthew Clark Wholesale Limited
(continued)

Matters on which we are required to report by exception

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

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

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

23 May 2011

Profit and Loss Account

for the year ended 28 February 2011

	Note	2011 £000	2010 £000
Turnover	2	**579,118**	614,644
Cost of sales		**(504,768)**	(535,611)
Gross profit		**74,350**	79,033
Distribution costs		**(31,416)**	(33,429)
Administration expenses		**(31,587)**	(34,615)
Operating profit		**11,347**	10,989
Interest payable and similar charges	6	**(321)**	(362)
Profit on ordinary activities before taxation	3-5	**11,026**	10,627
Tax on profit on ordinary activities	7	**(3,209)**	(2,608)
Profit for the financial year	14	**7,817**	8,019

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 2011

	Note	2011		2010	
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	*8*		7,854		7,665
Current assets					
Stocks	*9*	28,434		26,841	
Debtors	*10*	100,617		98,430	
Cash at bank and in hand		14,435		2,290	
		143,486		127,561	
Creditors amounts falling due within one year	*11*	(81,476)		(73,126)	
Net current assets			62,010		54,435
Total assets less current liabilities			69,864		62,100
Provisions for liabilities and charges	*12*		(924)		(977)
Net assets			68,940		61,123
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*		37,647		29,830
Shareholders' funds	*15*		68,940		61,123

These financial statements were approved by the board of Directors on 23 May 2011 and were signed on its behalf by

S Dando
Director

Registered number 2550982

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

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 wholly owned subsidiaries 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

Going concern

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 and the Directors are confident that this will be renewed 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 Directors 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 managing 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

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 See note 18 for further information on the treatment of this scheme

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

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

	2011 £000	2010 £000
Depreciation	**1,696**	1,474
Loss on disposal of fixed assets	**81**	-
Operating lease charges		
- plant and machinery	**411**	527
- vehicles	**2,169**	2,594
- land and buildings	**2,989**	3,140

Auditor's remuneration	**2011 £000**	2010 £000
Audit of these financial statements	**43**	40

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, Matthew Clark (Holdings) Limited

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 2011	2010
Selling and distribution	**808**	815
Administration	**341**	365
	1,149	1,180

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	**29,430**	30,577
Social security costs	**3,080**	3,091
Other pension costs (see note 18)	**2,081**	2,080
	34,591	35,748

Notes *(continued)*

5 Directors' remuneration

The remuneration of the Directors was as follows

	2011 £000	2010 £000
Directors' emoluments	**545**	380
Pension payments	**31**	41
	576	421

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £317,000 *(2010 £223,000)* and Company pension contributions of £17,000 *(2010 £23,000)* were made to a money purchase scheme on his behalf During the year, the highest paid Director exercised share options

The number of Directors who

	Number of directors 2011	2010
Are members of defined contribution pension schemes	**2**	2
Exercised share options (note 19)	**2**	-

6 Interest payable and similar charges

	2011 £000	2010 £000
On bank loans and overdrafts	**321**	362

Notes *(continued)*

7 Tax on profit on ordinary activities

The tax charge comprises

	2011 £000	2010 £000
UK corporation tax		
Current tax on income for the year	3,262	2,638
Adjustments in respect of prior years	(41)	(58)
Total current tax	3,221	2,580
Deferred tax		
Origination and reversal of timing differences	(68)	(29)
Adjustment in respect of prior years	66	23
Capital allowances in excess of depreciation	(10)	34
Total deferred tax (see note 12)	(12)	28
Tax on profit on ordinary activities	3,209	2,608

Factors affecting the tax charge for the current year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax of 28% *(2010 28%)* to the profit before tax, is as follows

	2011 £000	2010 £000
Profit on ordinary activities before taxation	11,026	10,627
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% *(2010 28%)*	3,087	2,976
Effects of		
Group relief not paid for	(189)	(537)
Expenses not deductible for tax purposes	296	204
Depreciation in excess of capital allowances	49	(34)
Origination and reversal of timing differences	19	29
Adjustments to tax charge in respect of previous periods	(41)	(58)
Current tax charge for the year	3,221	2,580

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011 This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 28 February 2011 has been included in the figures above

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the deferred tax liability of approximately £10,000 This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date

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	2,985	161	1,432	14,081	1,019	19,678
Additions	93	1,618	-	245	10	1,966
Disposals	(70)	(16)	(29)	-	(24)	(139)
At end of year	3,008	1,763	1,403	14,326	1,005	21,505
Depreciation						
At beginning of year	1,593	-	1,348	8,583	489	12,013
Charge for the year	199	-	24	1,402	71	1,696
Disposals	(20)	-	(27)	-	(11)	(58)
At end of year	1,772	-	1,345	9,985	549	13,651
Net book value						
At 28 February 2011	**1,236**	**1,763**	**58**	**4,341**	**456**	**7,854**
At 28 February 2010	1,392	161	84	5,498	530	7,665

9 Stocks

	2011 £000	2010 £000
Finished goods and goods for resale	**28,434**	26,841

10 Debtors

	2011 £000	2010 £000
Trade debtors	**53,180**	58,271
Amounts owed by Group undertakings	**40,603**	29,399
Amounts owed by controlling parties	**1,401**	2,329
Other debtors	**3,040**	6,320
Prepayments and accrued income	**2,393**	2,111
	100,617	98,430

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Bank loan and overdrafts (see below)	-	209
Trade creditors	52,573	37,736
Amounts owed to Group undertakings	7,319	2,106
Amounts owed to controlling parties	4,942	16,793
Corporation tax creditor	250	1,297
Other taxes and social security	7,318	3,845
Other creditors	1,020	3,727
Accruals and deferred income	8,054	7,413
	81,476	73,126

During April 2007, as part of the formation of Matthew Clark (Holdings) Limited as a joint venture as described in note 21, Matthew Clark Wholesale Limited received funding in the form of a floating loan, secured on trade debtor balances and capped at £45 million Interest is based on Barclays base rate plus a margin determined by Barclays *(2010 Libor + 1 1%)*

12 Provisions for liabilities and charges

	Deferred tax £000	Property £000	Total £000
At beginning of year	290	687	977
Credit to the profit and loss for the year	(12)	(41)	(53)
At end of year	278	646	924

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

	2011 £000	2010 £000
Difference between accumulated depreciation and capital allowances	402	447
Short term timing differences	(124)	(157)
Deferred tax liability	278	290

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reductions from 27% to 23%, if these applied to the deferred tax balance at 28 February 2011, would be to further reduce the deferred tax liability by approximately £41,000

Notes *(continued)*

13 Called up share capital

	2011 £000	2010 £000
Authorised		
3,000,100 ordinary shares of £1 each	**3,000**	3,000
Allotted, called up and fully paid		
3,000,002 ordinary shares of £1 each	**3,000**	3,000

14 Reserves

	Share capital £000	Share premium account £000	Capital contribution £000	Profit and Loss account £000	Shareholders' funds £000
At beginning of year	3,000	27,000	1,293	29,830	61,123
Profit for the year	-	-	-	7,817	7,817
At end of year	**3,000**	**27,000**	**1,293**	**37, 647**	**68,940**

The profit and loss account reserve has been charged with £13,816,000 *(2010 £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 £3,644,000 *(2010 £4,335,000)* remains unrealised

15 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit for the financial year	**7,817**	8,019
Net addition to shareholders' funds	**7,817**	8,019
Opening shareholders' funds	**61,123**	53,104
Closing shareholders' funds	**68,940**	61,123

Notes *(continued)*

16 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Plant and machinery		Vehicles	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Operating leases which expire				
- Within one year	**60**	53	**67**	76
- In the second to fifth years	**351**	473	**2,102**	1,895
- Over five years	**-**	1	**-**	-
	411	527	**2,169**	1,971

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

	2011	2010
	£000	£000
Operating leases which expire		
- Within one year	**142**	74
- In second to fifth years	**921**	952
- Over five years	**1,926**	2,114
	2,989	3,140

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 £1,227,000 *(2010 £560,000)*

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 2011 of the Company in respect of guarantees given to secure the banking facilities of other Group undertakings was £10,101,000 *(2010 £17,846,000)*

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 £874,000 *(2010 £873,000)*

The Company also participates in 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 *(contınued)*

18 Pensıons *(contınued)*

Contrıbutıons to the Matthew Clark Pensıon Plan are assessed ın accordance wıth the advıce of Punter Southall & Co , consultıng actuarıes The plan was closed to future benefit accrual at 31 March 2003, although salary lınkage wıll remaın on accrued benefits A defined contrıbutıon arrangement was opened to all actıve members of the plan and for new employees from 1 Aprıl 2003 The latest formal actuarıal valuatıon of the scheme was carrıed out as at 31 December 2007

Followıng the joınt venture formatıon of Matthew Clark (Holdıngs) Lımıted, the Joınt Venture Agreement provıded that Matthew Clark (Holdıngs) Lımıted wıll procure that Matthew Clark Wholesale Lımıted and Matthew Clark (Scotland) Lımıted (formerly Forth Wınes Lımıted) shall pay £1,250,000 per annum for a perıod of 10 years to the Matthew Clark Group Pensıon Plan Trustees The amount ıs fixed at a Group level regardless of what the pensıon trust mıght request Should the Trustees request addıtıonal amounts, these shall be refunded to Matthew Clark Holdıngs Lımıted by Hertford Cellars Lımıted (a subsıdıary of Constellatıon Brands Inc) Should the Trustees request a payment less than £1,250,000 then the dıfference shall be treated as a dıstrıbutıon from Matthew Clark Wholesale Lımıted and Matthew Clark (Scotland) Lımıted to Matthew Clark (Holdıngs Lımıted) The Group contrıbutıon for the year was £1,250,000 and was paıd entırely by Matthew Clark Wholesale Lımıted on behalf of the Group Matthew Clark Wholesale Lımıted's contrıbutıon for the year was £1,207,000 *(2010 £1,207,000)*

19 Share based payments

Long term stock ıncentıve plan

The long term stock ıncentıve plan ıs a performance share plan under whıch shares are condıtıonally allocated to selected members of management Matthew Clark Wholesale employees have not been awarded any new optıons under the Constellatıon Long Term Stock Incentıve Plan durıng the year

Once vested the optıons grant the rıght to purchase shares at the market prıce they were at the date of grant Exercıse prıces range from $6 44 to $27 23 The optıons vest after four years and expıre ten years after the grant date

As a result of the joınt venture and resultant change ın ownershıp of Matthew Clark Wholesale durıng the year, the vestıng of all optıons under the long term stock ıncentıve plan was accelerated such that all optıons were fully vested at 16 Aprıl 2007

	Outstandıng at start of year	Exercısed durıng year	Forfeıted durıng year	**Outstandıng at end of year**
Aprıl 2000 Award (exercıse prıce $6 4375)	8,002	(8,002)	-	-
Aprıl 2001 Award (exercıse prıce $8 8713)	8,400	(8,400)	-	-
Aprıl 2002 Award (exercıse prıce $13 7125)	21,810	(17,010)	-	4,800
Sept 2002 Award (exercıse prıce $11 9750)	2,000	(2,000)	-	-
Aprıl 2003 Award (exercıse prıce $11 7950)	17,550	(16,950)	-	600
Aprıl 2004 Award (exercıse prıce $16 6300)	63,300	(58,500)	(1,200)	3,600
June 2004 Award (exercıse prıce $18 5500)	2,000	(2,000)	-	-
Aprıl 2005 Award (exercıse prıce $27 2350)	97,900	-	(11,000)	86,900
Aprıl 2006 Award (exercıse prıce $25 8800)	112,700	-	(9,900)	102,800
	333,662	**(112,862)**	**(22,100)**	**198,700**
Weıghted average exercıse prıce	$21 96	$14 12	$26 05	$25 97
Weıghted average contractual lıfe remaınıng				5

Notes *(contınued)*

19 Share based payments *(contınued)*

Constellatıon Brands Inc receıved proceeds of $1,775,000 ın respect of the 112,862 optıons exercısed durıng the year

The optıons were exercısed throughout the year at prıces between $6 44 and $18 55

The Company has exıted the plan as part of the sale of the Constellatıon Europe busıness to CHAMP III Management Pty Lımıted on 31 January 2011 Vested optıons were termınated, eıther 30 or 90 days from thıs date, dependent on the schemes under whıch they were granted

20 Related party transactıons

Durıng the year the Company entered ınto transactıons wıth companıes ın the Groups headed by Constellatıon Brands Inc /Vıncor UK Lımıted and Punch Taverns Plc

a) Transactıons wıth the Constellatıon Brands Inc./Vıncor UK Lımıted Group

- The Company purchased goods of £134,287,000 *(2010 £189,180,000)* and servıces of £4,583,000 (*2010 £4,502,000*) from the Group,
- The Company made sales of £Nıl (*2010 £Nıl*) to the Group, and
- The balance owıng from the Company to the Group at 28 February 2011 was £4,942,000 (*2010 £16,793,000*)
- The balance owıng from the Group to the Company at 28 February 2011 was £35,000 *(2010 £1,321,000)*

b) Transactıons wıth the Punch Taverns Plc Group

- The Company purchased goods of £Nıl (*2010 £Nıl*) and servıces of £Nıl (*2010 £Nıl*) from the Group,
- The Company made sales of £17,628,000 (*2010 £19,258,000*) to the Group, and
- The balance owıng from the Group to the Company at 28 February 2011 was £1,366,000 *(2010 £1,008,000)*

21 Ultimate parent undertaking

The Company's ımmedıate parent undertakıng ıs Matthew Clark (Holdıngs) Lımıted, a Company ıncorporated ın England and Wales The consolıdated financıal statements of whıch are avaılable from Constellatıon House, The Guıldway, Old Portsmouth Road, Guıldford GU3 1LR

Matthew Clark (Holdıngs) Lımıted ıs joıntly owned by Hertford Cellars Lımıted, a Company ıncorporated ın England and Wales, and Punch Taverns (PGE) Lımıted, a company ıncorporated ın England and Wales

Punch Taverns (PGE) Lımıted's ultımate parent undertakıng and controllıng party ıs Punch Taverns plc, a Company ıncorporated ın England and Wales

The ultımate parent undertakıng of Hertford Cellars Lımıted has changed ın the year from Constellatıon Brands Inc , a Company ıncorporated ın the Unıted States of Amerıca, to Vıncor UK Lımıted, a Company ıncorporated ın England and Wales 80 1% of the ıssued share capıtal of Vıncor UK Lımıted ıs owned by funds managed or advısed by CHAMP III Management Pty Lımıted