ANDERSEN

Forth Wines Limited

Accounts for the period ended 28 February 2001
together with directors' and auditors' reports

Registered number: S~~C9321~~ 39321





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Directors' report

For the period ended 28 February 2001

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the 10 months ended 28 February 2001.

Directors' responsibilities

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

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

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

Principal activity and business review

The company's principal activity during the period has continued to be that of wholesale wine and spirit merchants.

On the 27 October 2000 the whole of the issued share capital was acquired by Matthew Clark plc.

Results and dividends

The loss for the period was £1,273,000 (2000 - profit of £203,000).

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who served during the period were as follows:

P Aikens	(appointed 27 October 2000)
N Hodges	(appointed 27 October 2000)
D M Campbell	
N T Harvey-Miller	(resigned 12 July 2000)
D J Cameron	(resigned 27 October 2000)
A Reilly	(resigned 27 October 2000)
A R Wood	(resigned 27 October 2000)
M J Younger	(resigned 31 December 2000)
A T Woodrow	(resigned 22 June 2001)

The following directors had interests in the share capital of the company:

	"A" Cumulative redeemable preference shares		Ordinary shares	
	28 February 2001	30 April 2000	28 February 2001	30 April 2000
D J Cameron	-	198,333	-	213,899
D M Campbell	-	-	-	33,333
N T Harvey-Miller	-	-	-	83,334
M J Younger	-	-	-	33,334

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

Whitchurch Lane
Bristol
BS14 OJZ

By order of the Board,

A T Colquhoun
Secretary

18 December 2001

ANDERSEN

To the Shareholders of Forth Wines Limited:

We have audited the accounts on pages 4 to 17 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 28 February 2001 and of the company's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 The Square
Temple Quay
Bristol
BS1 6DG

18 December 2001

Profit and loss account

For the period ended 28 February 2001

	Note	10 months ended 28 February 2001 £'000	Year ended 30 April 2000 £'000
Turnover	2	22,149	26,818
Cost of sales		(19,370)	(23,215)
Gross profit		2,779	3,603
Distribution costs		(887)	(853)
Administrative expenses		(3,102)	(2,368)
Operating profit		(1,210)	382
Interest payable and similar charges	6	(96)	(179)
(Loss) profit on ordinary activities before taxation	3	(1,306)	203
Tax on (loss) profit on ordinary activities	7	33	-
(Loss) profit on ordinary activities after taxation		(1,273)	203
Dividends proposed	8	-	(132)
(Loss) profit transferred to reserves	16	(1,273)	71

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

The results above derive from continuing operations.

Statement of total recognised gains and losses for the period ended 28 February 2001

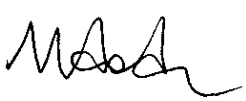
	10 months Ended 28 February 2001 £'000	Year Ended 30 April 2000 £'000
(Loss) profit for the financial year	(1,273)	203
Revaluation of fixed assets	-	119
Total recognised (losses) gains since last annual report	(1,273)	322

Balance sheet

28 February 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	9	776	1,817
Current assets			
Stocks	10	3,480	3,649
Debtors	11	3,887	3,608
Cash at bank and in hand		7	7
		7,374	7,264
Creditors: Amounts falling due within one year	12	(6,499)	(6,067)
Net assets		875	1,197
Total assets less current liabilities		1,651	3,014
Creditors: Amounts falling due after more than one year	13	(31)	(62)
Net assets		1,620	2,952
Capital and reserves			
Called-up share capital	14	1,100	1,201
Share premium account	16	169	169
Capital redemption reserve	16	180	180
Special capital reserve	16	3	15
Revaluation reserve	16	86	965
Profit and loss account	16	82	422
Shareholders' funds	15	1,620	2,952
Shareholders' funds may be analysed as:			
Equity interests		920	2,151
Non-equity interests		700	801
		1,620	2,952

Signed on behalf of the Board:



N Hodges
Director

18 December 2001

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

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year, in dealing with items which are considered material to the company's financial statements.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards.

b) Turnover

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

c) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, 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 or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	over 33 years
Leasehold land and building	length of lease
Plant, machinery and other equipment	over 8 to 15 years
Computer equipment	over 3 to 5 years
Motor vehicles	over 3 to 5 years

Freehold land is not depreciated.

d) Revaluation of properties

Individual freehold and leasehold properties are revalued every 5 years with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus. Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

e) Stocks

Stocks are valued at the lower of cost (including Customs and Excise Duty where incurred) determined on a first in first out basis, and net realisable value. In the case of beverages produced by the company, cost includes direct materials and labour together with appropriate overheads incurred in bringing the product to its present location and condition. Provision is made for obsolete, slow-moving or defective items where appropriate.

1 Accounting policies (continued)

f) Taxation

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

Deferred taxation is provided using the liability method only to the extent that timing differences are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions are always provided in full.

g) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date or, if appropriate, at the forward contract rate.

All exchange differences are included in the profit and loss account.

h) Leases

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

i) Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Employer's contributions to the scheme are charged to the profit and loss in the period to which they relate.

j) Cash flow statement

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

k) Related party disclosures

As 100% of the company's voting rights are controlled within the Group headed by Constellation Brands Inc., the company has taken advantage of the exemption contained in Financial Reporting Standard 8 – Related Party Disclosures, and has therefore not disclosed transactions or balances with entities which form part of the Group or investees in the Group qualifying as related parties.

2 Analysis of turnover and profitability

The whole of the turnover and profit on ordinary activities before taxation relates to the company's business of distribution of beverages.

Turnover consists of sales in the United Kingdom arising from the company's principal activity. There are no material sales to customers outside the UK.

3 (Loss) profit on ordinary activities before taxation

(Loss) profit on ordinary activities before taxation is stated after charging

	10 months ended 28 February 2001 £'000	Year ended 30 April 2000 £'000
Depreciation	127	181
Impairment losses	925	-
Auditors' remuneration		
- audit fees	2	18
- other fees	12	5
Loss on sale of tangible fixed assets	11	7
Operating lease rentals		
- plant and machinery	3	4

All of the auditors' remuneration for both years was paid to auditors other than Arthur Andersen. The audit fee for the 10 months ended 28 February 2001 was borne by the ultimate parent company.

4 *Staff numbers and costs*

	10 months ended 28 February 2001 £'000	Year ended 30 April 2000 £'000
Wages and salaries	979	1,168
Social security costs	92	101
Other pension costs	28	53
	1,099	1,322

Other pension costs in the prior period included a premium of £14,000 for death in service benefits.

4 Staff numbers and costs (continued)

The average number of persons employed by the company (including directors) during the period was as follows:

	2001 Number	2000 Number
Sales, marketing and distribution	54	58
Administration	10	11
	64	69

5 Directors' remuneration

The remuneration of P Aikens and N Hodges are disclosed in the accounts of Canandaigua Limited. They received no remuneration for their services to Forth Wines Limited. The remuneration of the other directors was as follows:

	10 months ended 28 February 2001 £'000	Year ended 30 April 2000 £'000
Directors' emoluments	171	306
Company contributions to money purchase scheme	6	23
	177	329
Fees to third parties	26	24

Fees to third parties comprise amounts paid to Arcon Ltd in respect of the services of Mr A Reilly and to Speyside Services Ltd in respect of Mr D Cameron.

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	10 months ended 28 February 2001 £'000	Year ended 30 April 2000 £'000
Emoluments	56	111
Company contributions to money purchase scheme	2	12
	58	123

6 Finance charges

	10 months ended 28 February 2001 £'000	Year ended 30 April 2000 £'000
On bank loans and overdrafts	86	160
On finance leases and hire purchase agreements	10	19
	96	179

7 Tax on (loss) profit on ordinary activities

Tax on (loss) profit on ordinary activities.

	2001 £'000	2000 £'000
UK corporation tax	72	-
Prior year – deferred tax	(105)	-
	(33)	-

The balance on the deferred tax account at a corporation tax rate of 30% represents unutilised tax losses of £105,000.

No material exposure to deferred taxation would arise on the disposal of land and buildings at the revalued sums. There are no plans for their disposal.

	2001 £'000	2000 £'000
Deferred tax asset at the beginning of the period	-	-
Credit to profit and loss account	105	-
At end of period	105	-

8 *Dividends*

	10 months Ended 28 February 2001 £'000	Year ended 30 April 2000 £'000
Equity – ordinary		
Paid in period	-	60
Non equity – "A" preference		
Paid	-	36
Proposed	-	36
	-	132

Matthew Clark plc, which owns all of the issued "A" Cumulative Redeemable Preference shares, waived its right to dividends in the current year.

All rights to the 'A' Cumulative Redeemable Preference Share dividends accrued between 30 April 2000 and 27 October 2000 were waived as part of the sale agreement between Matthew Clark plc and the previous holders of those shares.

9 Tangible fixed assets

	Freehold land and buildings £'000	Plant, machinery, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 May 2000	1,400	737	308	2,445
Additions	-	48	18	66
Disposals	-	(200)	-	(200)
At 28 February 2001	1,400	585	326	2,311
Accumulated depreciation				
At 1 May 2000	-	505	123	628
Charge for the period	18	50	59	127
Impairment losses	879	-	46	925
Disposals	-	(145)	-	(145)
At 28 February 2001	897	410	228	1,535
Net book value				
At 1 May 2000	1,400	232	185	1,817
At 28 February 2001	503	175	98	776

The net book value of assets held under finance leases within plant, machinery and motor vehicles as at 28 February 2001 was £89,000 (2000 - £209,000). Depreciation on assets held under finance leases during the 10 month period ended 28 February 2001 was £60,000 (year ended 30 April 2000 £92,000).

The company's freehold land and buildings were revalued on an open market, existing use, basis at £511,000 in September 2000. This valuation is based upon an external professional valuation performed by GVA Grimley, Chartered Surveyors, in accordance with the relative paragraphs contained within the RICS Appraisal and Valuation Manual.

Freehold land and buildings would have been included on a historical cost basis at:

	2001 £'000	2000 £'000
Cost	711	711
Depreciation	(289)	(275)
Net book value	422	436

10 *Stocks*

Stocks represent goods held for resale.

11 Debtors

	2001 £'000	2000 £'000
Trade debtors	2,973	3,536
Other debtors	809	49
Prepayments	-	23
	3,782	3,608
Deferred tax asset – amounts falling due after more than one year	105	-
	3,887	3,608

12 Creditors – Amounts falling due within one year

	2001 £'000	2000 £'000
Bank overdraft	36	3,159
Finance lease and hire purchase obligations	64	81
Amounts owed to group undertakings	3,447	-
Trade creditors	1,751	1,613
Corporation tax	72	-
Taxation and social security	-	433
Other creditors	1,071	661
"A" 9% preference dividend	-	36
Accruals	58	84
	6,499	6,067

13 Creditors – Amounts falling due after more than one year

	2001 £'000	2000 £'000
Finance lease and hire purchase obligations		
Between one and two years	24	30
Between two and five years	7	32
	31	62

There are no amounts due after more than five years.

14 Called-up share capital

	2001 £'000	2000 £'000
Authorised		
Equity		
2,500,000 ordinary shares of 40 pence each	1,000	1,000
Non-Equity		
700,000 9% "A" cumulative redeemable preference shares of £1 each	700	700
100,871 deferred shares of £1 each	101	101
	801	801
	1,801	1,801
Allotted, called-up and fully paid		
Equity		
1,000,000 ordinary shares of 40 pence each	400	400
Non-Equity		
9% "A" cumulative redeemable preference shares of £1 each	700	700
Deferred shares of £1 each	-	101
	700	801
	1,100	1,201

Redemption

The 9% "A" Cumulative Redeemable Preference Shares are redeemable at par in equal instalments of £100,000 on 30 April in each of the years 2000 to 2007 inclusive.

The Deferred Shares became redeemable on 30 October 1991 at a premium of 25 pence per share. During the period the holders of 46,742 shares (2000 - 1,560) submitted valid claims to have their shares redeemed. 54,129 shares were cancelled during the period after no response from a final mailing.

Dividends

The holders of the "A" Cumulative Redeemable Preference shares are entitled in a fixed cumulative preferential dividend at a rate of 9% per annum. Matthew Clark plc, which holds all of the issued "A" Cumulative Redeemable Preference shares, waived its right to dividends in the current year.

Ordinary Shares are entitled to dividends as determined by the Directors, restricted to total dividends being twice covered by post tax profit.

The Deferred Shares carry no entitlement to dividend.

14 Called-up share capital (continued)

Voting rights

The holders of the "A" Cumulative Redeemable Preference Shares are entitled to receive notice of and to attend general meetings. These share only carry one vote each where dividends or redemption are in arrears.

Ordinary Shares carry one vote each, the Deferred Shares carry no voting rights.

Priority

On a return of assets to the members, the holders of the "A" Cumulative Redeemable Preference Shares are firstly entitled to be paid £1 per share together with any arrears of dividend calculated to the date of the return of capital.

The holders of Ordinary Shares are secondly entitled to be paid £2 per share.

The Deferred shareholders are thirdly entitled to the nominal value of £1 plus a premium of 25 pence per share.

Finally, the holders of Ordinary Share are entitled to any remaining surplus.

15 Reconciliation of movements in shareholders' funds

	10 months Ended 28 February 2001 £'000	Year Ended 30 April 2000 £'000
(Loss) profit for the financial period	(1,273)	203
Dividends paid and proposed on equity and non-equity shares	-	(132)
Redemption of "A" preference shares	-	(100)
Revaluation of land and buildings	-	118
Redemption of deferred shares, including premium on redemption	(59)	(2)
Net (decrease) increase to shareholders' funds	(1,332)	87
Opening shareholders' funds	2,952	2,865
Closing shareholders' funds	1,620	2,952
Shareholders' funds - equity	920	2,151
Shareholders' funds – non-equity	700	801
	1,620	2,952

16 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Special capital reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 May 2000	169	180	15	965	422
Premium of the redemption of deferred shares	-	-	(12)	-	-
Cancellation of deferred shares	-	-	-	-	54
Impairment of land and buildings transfer		-	-	(879)	879
Retained loss for the financial year	-	-	-	-	(1,273)
At 28 February 2001	169	180	3	86	82

17 Financial commitments

The company has the following commitments:

	2001 £'000	2000 £'000
Redemption of deferred shares of £1.25	-	126
Foreign currency arrangements	-	1,704
	-	1,830

The company has a policy of hedging its foreign currency commitments. Consequently it has foreign currency arrangements to cover the cost of settling existing currency accounts and those arising on future foreign stock purchases.

17 Financial commitments (continued)

Annual commitments in respect of operating leases which expire:

	2001 £'000	2000 £'000
Plant and machinery		
Between two to five years	2	4
Total operating leases	2	4

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 £28,000 (2000 - £53,000). Contributions totalling £2,000 (2000 – £4,000) were payable to the fund at the year end and are included in creditors.

19 Ultimate parent company

The company is a subsidiary of Canandaigua Limited incorporated in Great Britain and registered in Scotland.

The largest group in which the results of the company are consolidated is headed by Constellation Brands Inc. The consolidated financial statement of the group are available to the public and may be obtained from Investor Relations of Constellation Brands Inc. at 300 Willowbrook Office Park, Fairport, New York 1445. The smallest group of which the company is a member is that headed by Canandaigua Limited. The consolidated accounts of this group can be obtained from Companies House or the company secretary of Canandaigua Limited at Whitchurch Lane, Bristol BS14 0JZ.

20 Prior year comparatives

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