ANDERSEN

Forth Wines Limited

Annual report and financial statements
for the period ended 28 February 2002

Registered number: SC039321

SCT S20GRDAO 0078
COMPANIES HOUSE 12/08/02

Directors' report

For the year ended 28 February 2002

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 28 February 2002.

Principal activity and business review

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

Results and dividends

The profit for the year was £710,000 (2001 - 10 months loss £1,273,000).

The directors do not recommend the payment of a dividend (2001 - £nil).

Directors and their interests

The directors who served during the year were as follows:

N I Hodges	
D M Campbell	
R D Peters	
A T Colquhoun	(appointed 17 June 2002)
P Aikens	(resigned 17 June 2002)

The directors held no interest in the company during the year that required disclosure under Schedule 7 of the Companies Act 1985.

Auditors

Arthur Andersen will not be seeking reappointment for the forthcoming year. A resolution to appoint a successor will be put before the Annual General Meeting.

Whitchurch Lane
Bristol
BS14 OJZ

By order of the Board,

A T Colquhoun
Secretary

31 July 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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 year. In preparing those 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 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 which 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 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.

To the shareholders of Forth Wines Limited

We have audited the financial statements of Forth Wines Limited for the year ended 28 February 2002 which comprise the Profit and loss account, Balance sheet and the related notes numbered 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Directors' report. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 28 February 2002 and of the company's profit for the year 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

31 July 2002

Profit and loss account

For the year ended 28 February 2002

	Notes	Year ended 28 February 2002 £'000	10 months ended 28 February 2001 £'000
Turnover	2	25,788	22,149
Cost of sales		(21,948)	(19,370)
Gross profit		3,840	2,779
Distribution costs		(1,123)	(887)
Administrative expenses		(1,849)	(3,102)
Operating profit		868	(1,210)
Interest payable and similar charges	6	(4)	(96)
Profit/(loss) on ordinary activities before taxation	3	864	(1,306)
Tax on profit/(loss) on ordinary activities	7	(154)	33
Profit/(loss) on ordinary activities after taxation		710	(1,273)
Profit/(loss) transferred to reserves	15	710	(1,273)

There are no recognised gains or losses in either period other than the profit or loss for that period.

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

The results above derive from continuing operations.

Balance sheet
28 February 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	8	663	776
Current assets			
Stocks	9	3,439	3,480
Debtors	10	3,144	3,887
Cash at bank and in hand		972	7
		7,555	7,374
Creditors: Amounts falling due within one year	11	(5,881)	(6,499)
Net assets		1,674	875
Total assets less current liabilities		2,337	1,651
Creditors: Amounts falling due after more than one year	12	(7)	(31)
Net assets		2,330	1,620
Capital and reserves			
Called-up share capital	13	1,100	1,100
Share premium account	15	169	169
Capital redemption reserve	15	180	180
Special capital reserve	15	3	3
Revaluation reserve	15	-	86
Profit and loss account	15	878	82
Shareholders' funds	14	2,330	1,620
Shareholders' funds may be analysed as:			
Equity interests		1,630	920
Non-equity interests		700	700
		2,330	1,620

The financial statements were approved by the board of directors and signed on its behalf by:

A T Colquhoun
Director

31 July 2002

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

1 Accounting policies

The principle accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy on deferred tax which has been changed to comply with FRS 19. No prior year adjustment was required in relation to this change.

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.

1 Accounting policies (continued)

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.

f) Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

1 Accounting policies (continued)

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 even if payments are not made on such a basis.

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 financial statements 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 wholesale wine and spirit merchants

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 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging

	Year ended 28 February 2002 £'00	10 months ended 28 February 2001 £'000
Depreciation	124	127
Impairment losses	-	925
Auditors' remuneration		
- audit fees	-	2
- other fees	-	12
Profit/(loss) on sale of tangible fixed assets	5	(11)
Operating lease rentals		
- plant and machinery	-	3

The auditors' remuneration in the prior year was paid to auditors other than Arthur Andersen. The audit fee for both years was borne by the ultimate parent company.

4 Staff numbers and costs

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

	2002 Number	2001 Number
Sales, marketing and distribution	52	54
Administration	9	10
	61	64

Their aggregate remuneration comprised:

	Year Ended 28 February 2002 £'000	10 months Ended 28 February 2001 £'000
Wages and salaries	1,034	979
Social security costs	97	92
Other pension costs	39	28
	1,170	1,099

5 Directors' remuneration

The remuneration of P Aikens and N Hodges are disclosed in the financial statements of Canandaigua Limited. They received no remuneration for their services to Forth Wines Limited. The remuneration of R D Peters is disclosed in the accounts of Matthew Clark Wholesale. He received no remuneration for his services to Forth Wines Limited. The remuneration of the other directors was as follows:

	Year Ended 28 February 2002 £'000	10 months ended 28 February 2001 £'000
Directors' emoluments	83	171
Company contributions to money purchase scheme	5	6
	88	177
Fees to third parties	-	26
Compensation for loss of office	29	-

Fees to third parties in the previous year comprised 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:

	Year ended 28 February 2002 £'000	10 months ended 28 February 2001 £'000
Emoluments	65	56
Company contributions to money purchase scheme	4	2
	69	58

6 Finance charges

	Year Ended 28 February 2002 £'000	10 months ended 28 February 2001 £'000
On bank loans and overdrafts	-	86
On finance leases and hire purchase agreements	4	10
	4	96

7 Tax on profit/(loss) on ordinary activities

The tax charge comprises:

	Year Ended 28 February 2002 £'000	10 months ended 28 February 2001 £'000
Current tax		
UK corporation tax	145	72
Adjustments in respect of prior years		
- UK corporation tax	(96)	-
Total current tax	49	72
Deferred tax		
Origination and reversal of timing differences	-	(105)
Decrease in estimate of recoverable deferred tax asset	105	-
Total deferred tax	105	(105)
Total tax on profit on ordinary activities	154	(33)

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.

7 Tax on profit/(loss) on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2002 £'000	2001 £'000
Profit / loss on ordinary activities before tax	864	(1,306)
Tax on profit / loss on ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%)	259	(392)
Effects of:		
Expenses not deductible for tax purposes	-	464
Utilisation of tax losses	(115)	-
Adjustments to tax charge in respect of previous periods	(95)	-
Current tax charge for period	49	72

8 Tangible fixed assets

	Freehold land and buildings £'000	Plant, machinery, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At beginning of year	1,400	585	326	2,311
Additions	-	13	-	13
Disposals	-	-	(26)	(26)
At end of year	1,400	598	300	2,298
Accumulated depreciation				
At beginning of year	897	410	228	1,535
Charge for the period	12	46	66	124
Disposals	-	-	(24)	(24)
At end of year	909	456	270	1,635
Net book value				
At beginning of year	503	175	98	776
At end of year	491	142	30	663

8 Tangible fixed assets (continued)

The net book value of assets held under finance leases within plant, machinery and motor vehicles as at 28 February 2002 was £26,000 (2001 - £89,000). Depreciation on assets held under finance leases during the year ended 28 February 2002 was £65,350 (2001 - £60,000).

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.

9 Stocks

Stocks represent goods held for resale.

10 Debtors

	2002 £'000	2001 £'000
Trade debtors	2,928	2,973
Other debtors	166	809
Prepayments	50	-
	3,144	3,782
Deferred tax asset – amounts falling due after more than one year	-	105
	3,144	3,887

11 Creditors – Amounts falling due within one year

	2002 £'000	2001 £'000
Obligations under finance leases and hire purchase agreements	30	64
Bank overdraft	-	36
Trade creditors	1,613	1,751
Amounts owed to group undertakings	3,417	3,447
Corporation tax	137	72
Other taxation and social security	472	-
Other creditors	34	1,071
Accruals	178	58
	5,881	6,499

12 Creditors – Amounts falling due after more than one year

	2002 £'000	2001 £'000
Finance lease and hire purchase obligations		
Between one and two years	7	24
Between two and five years	-	7
	7	31

There are no amounts due after more than five years.

13 Called-up share capital

	2002 £'000	2001 £'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		
700,000 9% "A" cumulative redeemable preference shares of £1 each	700	700
	1,100	1,100

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

13 Called-up share capital (continued)

Dividends

The holders of the "A" Cumulative Redeemable Preference shares are entitled to 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.

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 Shares are entitled to any remaining surplus.

14 Reconciliation of movements in shareholders' funds

	Year ended 28 February 2002 £'000	10 months ended 28 February 2001 £'000
Profit/(loss) for the financial period	710	(1,273)
Redemption of deferred shares, including premium on redemption	-	(59)
Net increase/(decrease) to shareholders' funds	710	(1,332)
Opening shareholders' funds	1,620	2,952
Closing shareholders' funds	2,330	1,620
Shareholders' funds - equity	1,630	920
Shareholders' funds – non-equity	700	700
	2,330	1,620

15 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Special capital reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At beginning of year	169	180	3	86	82
Realised revaluation surplus	-	-	-	(86)	86
Retained profit for the financial year	-	-	-	-	710
At end of year	169	180	3	-	878

16 Financial commitments

Annual commitments in respect of non-cancellable operating leases which expire:

	2002 £'000	2001 £'000
Plant and machinery		
Between two to five years	2	2
Total operating leases	2	2

17 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 £34,000 (2001 - £28,000). Contributions totalling £3,000 (2001 - £2,000) were payable to the fund at the year end and are included in creditors.

The company also participates in the Matthew Clark Pension Plan which is a funded defined benefit pension scheme operated by Matthew Clark plc on behalf of its subsidiaries and for the benefit of its employees. Details of the scheme are given below:

SSAP 24

Contributions to the Matthew Clark Pension Plan are assessed in accordance with the advice of Punter Southall & Co, consulting actuaries. The latest formal valuation of the scheme was carried out as at 1 January 1999. Details of the actuarial valuation of the scheme can be found in the financial statements of Canandaigua Limited.

17 Pensions (continued)

FRS 17

Additional disclosures regarding the group defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits". In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of the parent company, shows a deficit of £2,283,000. Further details of this valuation can be found in the financial statements of Canandaigua Limited.

18 Ultimate controlling party

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

Constellation Brands Inc is the parent company of the largest group of which the company is a member. Copies of the financial statements are available from the Investor Relations of Constellation Brands Inc. at 300 Willowbrook Office Park, Fairport, New York 14450.

The smallest group of which the company is a member is that headed by Canandaigua Limited. The consolidated financial statements of this group can be obtained from Companies House or the company secretary of Canandaigua Limited at Whitchurch Lane, Bristol, BS14 0JZ.

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 FRS 8 "Related Party Disclosures" from disclosing transactions or balances with entities which form part of the group or investees in the group qualifying as related parties.