SC

Forth Wines Limited

Directors' report and financial statements

Registered number SC039321

For the year ended 28 February 2005



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Directors' report

The directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 28 February 2005.

Principal activity

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 £1,608,000 *(2004: £642,000)*.

The directors recommend the payment of a dividend of £Nil *(2004: £Nil)*.

Charitable Contributions

Charitable contributions made by the company during the year amounted to £340 *(2004: £200)*.

Directors and directors' interests

The following directors served during the year:

T Creighton (appointed 16 February 2005)
NI Hodges (resigned 29 April 2005)
DM Campbell
RD Peters (resigned 1 November 2005)
AT Colquhoun
C Carson (appointed 16 February 2005, resigned 16 December 2005)

The directors held no interests in the company during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

AT Colquhoun
Secretary

Crawford Place
Munathort
Kinross
Fife
KY13 9XF

2005

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 for that period. 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;
- 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 to enable them to ensure that the 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.

ABCD

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of Forth Wines Limited

We have audited the financial statements on pages 4 to 14.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements 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.

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.

Basis of audit 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 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

21/12/2005

Profit and loss account

for the year ended 28 February 2005

	Note	**2005** **£000**	2004 £000
Turnover	*2*	**30,353**	29,728
Cost of sales		**(25,551)**	(25,443)
Gross profit		**4,802**	4,285
Distribution costs		**(1,386)**	(1,267)
Administrative expenses		**(2,278)**	(2,121)
Operating profit		**1,138**	897
Interest payable and similar charges	*6*	**(1)**	(1)
Profit on ordinary activities before taxation	*3-5*	**1,137**	896
Tax on profit on ordinary activities	*7*	**471**	(254)
Profit on ordinary activities after taxation		**1,608**	642
Retained profit for the year		**1,608**	642

There were no recognised gains and losses in either year other than the loss or profit for that financial year.

These results derive from continuing operations.

Balance sheet
at 28 February 2005

	Note	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		499		529
Current assets					
Stocks	9	4,957		3,694	
Debtors	10	4,970		4,086	
Cash at bank and in hand		4,541		602	
		14,468		8,382	
Creditors: amounts falling due within one year	11	(11,256)		(6,808)	
Net current assets			3,212		1,574
Total assets less current liabilities			3,711		2,103
Net assets			3,711		2,103
Capital and reserves					
Called up share capital	12		1,100		1,100
Share premium account	14		169		169
Capital redemption reserve	14		180		180
Special capital reserve	14		3		3
Profit and loss account	14		2,259		651
Shareholders' funds	13		3,711		2,103
Shareholders' funds may be analysed as:					
Equity interests			3,011		1,403
Non-equity interests			700		700
			3,711		2,103

These financial statements were approved by the board of directors on 21 / 12 / 2005 and were signed on its behalf by:

T H Creighton

T Creighton
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 accounting

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

The company has taken advantage of the exemption available in FRS 1, and has not presented a cash flow statement as the financial statements of the immediate parent company, Canandaigua Limited, are available to the public.

Turnover

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

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 buildings	-	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.

Stocks

Stocks are valued at the lower of cost (including Customs and Excise Duty where incurred) determined on a first in and 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 and defective items where appropriate.

Taxation

The charge for taxation is based on the result 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 on 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, or a right to pay less, tax have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates enacted at the balance sheet date.

Foreign currencies

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Pensions 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.

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.

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 on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005	2004
	£000	£000
Depreciation	**30**	46
Profit on sale of tangible fixed assets	**-**	(3)

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

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	2005	2004
Sales, marketing and distribution	**55**	52
Administration	**9**	9
	64	61

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£000	£000
Wages and salaries	**1,346**	1,232
Social security costs	**145**	131
Other pensions costs	**60**	58
	1,551	1,421

5 Directors' remuneration

The remuneration of AT Colquhoun and N Hodges is disclosed in the financial statements of Canandaigua Limited. They received no remuneration for the services to Forth Wines Limited. The remuneration of RD Peters is disclosed in the financial statements of Matthew Clark Wholesale Limited. He received no remuneration for his service to Forth Wines Limited. The remuneration of the other directors is as follows:

	2005	2004
	£000	£000
Directors' emoluments	**138**	105

6 Interest payable and similar charges

	2005	2004
	£000	£000
On finance leases and hire purchase agreements	**1**	1

Notes *(continued)*

7 Tax on profit on ordinary activities

The tax (credit)/charge comprises:

	2005 £000	2004 £000
Current tax		
UK Corporation tax	-	240
Adjustments in respect of prior years		
- UK corporation tax	30	(38)
- Group Relief for which no payment has been made	(518)	-
Total current tax	(488)	202
Deferred tax		
Origination and reversal of timing differences	13	14
Increase in estimate of recoverable deferred tax asset	-	-
Adjustment in respect of prior year	4	38
Total deferred tax (see note 10)	17	52
Total tax on profit on ordinary activities	(471)	254

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.

Factors affecting the tax (credit)/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 to the profit before tax is as follows:

	2005 £000	2004 £000
Profit on ordinary activities before taxation	1,137	896
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% *(2004: 30%)*	341	269
Effects of:		
Group Relief not paid for	(333)	-
Expenses not deductible for tax purposes	5	(15)
Utilisation of tax losses	-	-
Adjustments to tax charge in respect of previous periods	30	(38)
Capital allowances in excess of depreciation	(13)	(14)
Group Relief not paid for (prior year)	(518)	-
Current tax (credit)/charge for the year	(488)	202

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings	Plant, machinery, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At beginning of year	1,400	555	39	1,994
Disposals	-	-	-	-
At end of year	1,400	555	39	1,994
Accumulated depreciation				
At beginning of year	934	492	39	1,465
Charge for the period	12	18	-	30
Disposals	-	-	-	-
At end of year	946	510	39	1,495
Net book value				
At end of year	**454**	**45**	**-**	**499**
At beginning of year	466	63	-	529

The net book value of assets held under finance leases within plant, machinery and motor vehicles as at 28 February 2005 was £Nil *(2004: £Nil)*. Depreciation on assets held under finance leases during the year ended 28 February 2005 was £Nil *(2004: £26,000)*.

The company's freehold land and buildings were revalued on an open market, existing use, basis at £511,000 in September 2000, on acquisition. 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

	2005 £000	2004 £000
Goods held for resale	**4,957**	3,694

Notes *(continued)*

10 Debtors

	2005 £000	2004 £000
Trade debtors	3,255	3,039
Amounts owed by group undertakings	1,567	859
Other debtors	-	-
Prepayments	101	124
	4,923	4,022
Deferred tax asset - amounts falling due after more than one year	47	64
	4,970	4,086

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

	£000
At the beginning of the year	64
Charged to the profit and loss account	(17)
At the end of the year	47

The balance on the deferred tax account represents:

	2005 £000	2004 £000
Differences between accumulated depreciation and capital allowances	47	64

There is no unprovided deferred taxation at either year end.

11 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	2,038	1,477
Amounts owed to group undertakings	7,946	3,834
Corporation tax	-	488
Other taxes and social security	636	579
Other creditors	297	255
Accruals	339	175
	11,256	6,808

Notes *(continued)*

12 Called up share capital

	2005 £000	2004 £000
Authorised		
Equity		
2,500,000 ordinary shares of 40p 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 40p each	**400**	400
Non-equity		
700,000 9% 'A' cumulative redeemable preference ordinary 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.

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.

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 shares 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.

Notes *(continued)*

12 Called up share capital *(continued)*

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 25p per share.

Finally, the holders of ordinary shares are entitled to any remaining surplus.

13 Reconciliation of movements in group shareholders' funds

	2005	2004
	£000	£000
Profit for the financial period	**757**	642
Net increase to shareholders' funds	**757**	642
Opening shareholders' funds	**2,103**	1,461
Closing shareholders' funds	**2,860**	2,103
Shareholders' funds – equity	**2,160**	1,403
Shareholders' funds – non-equity	**700**	700
	2,860	2,103

14 Reserves

	Share premium account	**Capital redemption reserve**	**Special capital reserve**	**Profit and loss account**
	£000	£000	£000	£000
At beginning of year	169	180	3	651
Retained profit for the financial year	-	-	-	1,608
At end of year	**169**	**180**	**3**	**2,259**

Notes *(continued)*

15 Financial commitments

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 £7,994,016 *(2004: £9,225,710)*.

16 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 £5,639 *(2004: £6,322)*. Contributions totalling £599 *(2004: £731)* 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:

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

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 £46,137,000. Further details of this valuation can be found in the financial statements of Canandaigua Limited.

17 Ultimate parent undertaking

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

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

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

As a subsidiary undertaking of Constellation Brands Inc., the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Constellation Brands Inc.