Forth Wines Limited

Directors' report and financial statements

Registered number SC039321

For the year ended 28 February 2006

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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 2006

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 £1,256,000 *(2005 £1,581,000)*

The directors do not recommend the payment of a dividend *(2005 £Nil)*

Charitable Contributions

Charitable contributions made by the company during the year amounted to £195 *(2005 £340)*

Directors and directors' interests

The following directors served during the year

J Moramarco (appointed 21 February 2006)
T Creighton (resigned 8 September 2006)
NI Hodges (resigned 29 April 2005)
DM Campbell
RD Peters (resigned 1 November 2005)
AT Colquhoun
C Carson (resigned 16 December 2005)
T Christensen (appointed 8 September 2006)

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

A T Colquhoun
Secretary

Crawford Place
Milnathort
Kinross
Fife
KY13 9XF

14 March 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of Forth Wines Limited

We have audited the financial statements of Forth Wines Limited for the year ended 28 February 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act.1985 We also report to you 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 other transactions is not disclosed

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report to the members of Forth Wines Limited *(continued)*

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2006 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

19 March 2007

Profit and loss account

for the year ended 28 February 2006

	Note	2006	2005 Restated
		£000	£000
Turnover	2	**30,395**	30,353
Cost of sales		**(25,316)**	(25,551)
Gross profit		**5,079**	4,802
Distribution costs		**(1,370)**	(1,386)
Administrative expenses		**(2,444)**	(2,278)
Operating profit		**1,265**	1,138
Interest payable and similar charges	6	**(9)**	(28)
Profit on ordinary activities before taxation		**1,256**	1,110
Tax on profit on ordinary activities	7		471
Profit on ordinary activities after taxation	3 5	**1,256**	1,581
Profit for the financial year		**1,256**	1,581

These results derive from continuing operations

Statement of total recognised gains and losses

for the year ended 28 February 2006

	2006	2005
	£000	£000
Profit for the financial year	**1,256**	1,581
Preferences share on which rights to redemption have been waived during the year	**100**	100
Total recognised gains and losses relating to the financial year	**1,356**	1,681
Effect of adoption on FRS 25 on 1 March 2004	**(300)**	
Prior year adjustment (as explained in note 1)	**(27)**	
Total gains and losses recognised since last annual report	**1,029**	

Balance sheet

at 28 February 2006

	Note	2006		2005	
		£000	£000	£000	£000 Restated
Fixed assets					
Tangible assets	8		**478**		499
Current assets					
Stocks	9	**4,007**		4,957	
Debtors	10	**5,788**		4,970	
Cash at bank and in hand		**1,002**		4,541	
		10,797		14,468	
Creditors: amounts falling due within one year (including convertible debt)	11	**(6,435)**		(11,383)	
Net current assets			**4,362**		3,085
Total assets less current liabilities			**4,840**		3,584
Creditors: amounts falling due after more than one year (including convertible debt)	12		**(100)**		(200)
Net assets			**4,740**		3,384
Capital and reserves					
Called up share capital	13		**900**		800
Share premium account	15		**169**		169
Capital redemption reserve	15		**180**		180
Special capital reserve	15		**3**		3
Profit and loss account	15		**3,488**		2,232
Shareholders' funds	14		**4,740**		3,384

These financial statements were approved by the board of directors on 14 MARCH 2007 and were signed on its behalf by

J Moramarco

J Moramarco
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- the presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted, previously the transitional disclosures of that standard have been followed

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

The corresponding amounts in these financial statements are restated in accordance with the new policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of fixed assets The company has applied the transitional rules contained in FRS 15 *Tangible Fixed Assets* to retain previous valuations as the basis on which these assets are held

Under FRS 1 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 consolidated financial statements

Turnover

Revenue from the sale of goods includes excise and import duties which the group 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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Prior year adjustment

As a result of the adoption of FRS 21 'Events after the balance sheet date' in these financial statements, the prior year profit and loss account has been restated in respect of the recognition of finance costs on shares classified as liabilities in accordance with the presentation requirements of FRS 25 'Financial Instruments presentation and disclosure'

The effect on the financial statements is as follows

	Operating profit	Interest payable and similar charges	Tax on profit on ordinary activities	Profit on ordinary activities after taxation	Retained profit for the year
Profit and loss account	£000	£000	£000	£000	£000
Year ended 28 February 2005 as previously stated	1,138	(1)	471	1,608	1,608
Effect of adopting FRS 21		(27)		(27)	(27)
As restated	1,138	(28)	471	1,581	1,581

Balance sheet	Creditors amounts falling due within one year	Creditors amounts falling due after one year	Called up share capital	Profit and loss reserve
	£000	£000	£000	£000
As at 28 February 2005 as previously stated	11,256		1,100	2,259
Effect of adopting FRS 21	27			(27)
Effect of adopting FRS 25	100	200	(300)	
As restated	11,383	200	800	2,232

Classification of financial instruments issued by the company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

Notes *(continued)*

1 Accounting policies *(continued)*

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

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

	2006 £000	2005 £000
Depreciation	25	30

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

	Number of employees 2006	2005
Sales, marketing and distribution	53	55
Administration	9	9
	62	64

The aggregate payroll costs of these persons were as follows

	2006 £000	2005 £000
Wages and salaries	1,338	1,346
Social security costs	139	145
Other pensions costs	57	60
	1,534	1,551

Notes *(continued)*

5 Directors' remuneration

The remuneration of AT Colquhoun , N Hodges, T Creighton, C Carson and J Moramarco are disclosed in the financial statements of Canandaigua Limited They received no remuneration for their 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 director is as follows

	2006 £000	2005 £000
Directors' emoluments	**180**	138

6 Interest payable and similar charges

	2006 £000	2005 £000
On finance leases and hire purchase agreements		1
Finance costs on shares classified as liabilities	**9**	27
On finance leases and hire purchase agreements	**9**	28

7 Tax on profit on ordinary activities

The tax (credit)/charge comprises

	2006 £000	2005 £000
Current tax		
UK Corporation tax		
Adjustments in respect of prior years		
UK corporation tax		30
Group Relief for which no payment has been made		(518)
Total current tax		(488)
Deferred tax		
Origination and reversal of timing differences		13
Increase in estimate of recoverable deferred tax asset		
Adjustment in respect of prior year		4
Total deferred tax (see note 10)		17
Total tax on profit on ordinary activities		(471)

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

Notes *(continued)*

7 Tax on profit on ordinary activities *(continued)*

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

	2006 £000	2005 £000
Profit on ordinary activities before taxation	**1,256**	1,110
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% *(2005 30%)*	**377**	333
Effects of		
Group Relief not paid for	**(377)**	(333)
Expenses not deductible for tax purposes		13
Utilisation of tax losses		
Adjustments to tax charge in respect of previous periods		30
Capital allowances in excess of depreciation		(13)
Group Relief not paid for (prior year)		(518)
Current tax (credit)/charge for the year		(488)

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
Additions	4			4
Disposals		(19)	(15)	(34)
At end of year	1,404	536	24	1,964
Accumulated depreciation				
At beginning of year	946	510	39	1,495
Charge for the period	12	13		25
Disposals		(19)	(15)	(34)
At end of year	958	504	24	1,486
Net book value				
At end of year	**446**	**32**		**478**
At beginning of year	454	45		499

The net book value of assets held under finance leases within plant, machinery and motor vehicles as at 28 February 2006 was £Nil *(2005 £Nil)* Depreciation on assets held under finance leases during the year ended 28 February 2006 was £Nil *(2005 £Nil)*

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

	2006 £000	2005 £000
Goods held for resale	**4,007**	4,957

Notes *(continued)*

10 Debtors

	2006 £000	2005 £000
Trade debtors	3,255	3,255
Amounts owed by group undertakings	2,305	1,567
Prepayments	181	101
	5,741	4,923
Deferred tax asset amounts falling due after more than one year	47	47
	5,788	4,970

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

	£000
At the beginning of the year	47
Charged to the profit and loss account	
At the end of the year	47

The balance on the deferred tax account represents

	2006 £000	2005 £000
Differences between accumulated depreciation and capital allowances	47	47

There is no unprovided deferred taxation at either year end

11 Creditors: amounts falling due within one year

	2006 £000	2005 £000 Restated
Shares classified as liabilities	100	100
Trade creditors	1,972	2,038
Amounts owed to group undertakings	3,178	7,973
Other taxes and social security	676	636
Other creditors	217	297
Accruals	292	339
	6,435	11,383

Notes *(continued)*

12 Creditors: Amounts falling due after one year

	2006 £000	2005 £000
Shares classified as liabilities	**100**	200

13 Called up share capital

	2006 £000	2005 £000 Restated
Authorised		
2,500,000 ordinary shares of 40p each	**1,000**	1,000
9% 'A' cumulative redeemable preference shares of £1 each where redemption rights waived	**500**	400
9% 'A' cumulative redeemable preference shares of £1 each where redemption rights not waived	**200**	300
100,871 deferred shares of £1 each	**101**	101
	801	801
	1,801	1,801
Allotted, called up and fully paid		
1,000,000 ordinary shares of 40p each	**400**	400
9% 'A' cumulative redeemable preference ordinary shares of £1 each	**700**	700
	1,100	1,100
Shares classified as liabilities due within one year (note 11)	**100**	100
Shares classified as liabilities after one year (note 12)	**100**	200
Shares classified in shareholders' funds	**900**	800
	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 Ltd, which holds all of the issued 'A' cumulative redeemable preference shares, waived its right to redemption in the current year, as it has done in the 5 previous years

Notes *(continued)*

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 Ltd, which holds all of the issued 'A' cumulative redeemable preference shares, waived its right to dividends on the preference shares eligible for repayment during the 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

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

14 Reconciliation of movements in group shareholders' funds

	2006	2005
	£000	£000
		Restated
Profit for the financial period	**1,256**	1,581
Effect of adoption of FRS 25 on 1 March 2004		(400)
Preference shares on which rights to redemption have been waived in the year	**100**	100
Net increase to shareholders' funds	**1,356**	1,281
Opening shareholders' funds (as restated)	**3,384**	2,103
Closing shareholders' funds	**4,740**	3,384

Notes *(continued)*

15 Reserves

	Called up share capital	Share premium account	Capital redemption reserve	Special capital reserve	Profit and loss account
	£000	£000	£000	£000	£000
At beginning of year (as previously stated)	1,100	169	180	3	2,259
Prior year adjustment	(300)				(27)
At beginning of year	800	169	180	3	2,232
Retained profit for the financial year					1,256
Preference shares on which rights to redemption have been waived in the year	100				
At end of year	**900**	**169**	**180**	**3**	**3,488**

16 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 £9,851,453 *(2005 £7,994,016)*

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 £57,000 *(2005 £60,000)*

The company is a member of a larger group pension scheme providing benefits based on final pensionable pay The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' and therefore the scheme has been accounted for as if the scheme was a defined contribution scheme Details of any surplus or deficit in the scheme can be found in the consolidated accounts of Canandaigua Limited (see note 18)

The latest full actuarial valuation was carried out at 31 December 2004 and was updated for FRS 17 purposes to 2006 by a qualified independent actuary The group contribution for the year was £600,000 *(2005 £600,000)* and was paid entirely by Constellation Europe Limited on behalf of the Group It has been agreed that an employer contribution of £4 million will apply in future years

Notes *(continued)*

18 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