Forth Wines Limited

Directors' report and financial statements

Registered number SC039321

For the year ended 28 February 2007

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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 2007

Business review

Forth Wines is Scotland's largest specialist wine merchant offering a unique portfolio of wines, shipped directly from around the world We have developed over the last eleven years relationships with predominantly family growers and producers, who make wine to our specification for the UK market Forth Wines' customer base extends from Cornwall to the Shetland Isles

Our Mission Statement is to find interesting wines from the world's wine growing regions This allows us to offer a pointed difference to the discerning British consumer, whose interest in wine is the most cosmopolitan in the world

Forth Wines' key performance indicators are turnover growth and gross margin

Turnover has declined 5 8% year on year There are some positives behind this, for instance, in Scotland trade was maintained at prior year levels despite the impact of the smoking ban that came into effect in March 2006 (Scottish Licensed Trade Association have estimated an impact on alcohol sales of approximately 11%) However most of the decline in business against prior year was effected by the loss of two customer contracts, one to aggressive competitor activity, the second due to a company being bought, the result being business going to the purchaser's supplier, our sister company, Matthew Clark

Gross margin remained stable year on year at 16 7% with product mix remaining stable also at 78% wines to 22% spirits Within this, gross margin per case improved by 3% driven by price increases enhancing sales per case, with only a small increase in cost of sales driven by increasing fuel costs (all deliveries for Forth Wines are made by third party carriers) In the coming year Forth Wines will be actively reviewing supplier terms in order to maximise both Forth Wines', and its preferred suppliers', profitability

In the year to 28 February 2008, Forth Wines is targeting turnover to increase by 7%, driven in the main by volume with an expectation that wine margins remain in line with the year just ended, thus allowing Forth Wines to become more competitive with other regional wine wholesalers Throughout the year our sales teams have been returned to full strength, and with the addition of a Commercial Manager within our Wine Agencies business to develop greater congruity between sales and marketing's strategies, we are confident that improved volumes can be met

The implementation of the smoking ban in England from 1 July 2007 will require consideration However, as our customer base is skewed toward restaurants and hotels, coupled with the experience gained throughout the smoking ban in Scotland in 2006, any resultant risk should be significantly reduced

Results and dividends

The profit after tax for the year was £714,000 *(2006 £1,256,000)*

The directors do not recommend the payment of a dividend *(2006 £Nil)*

Charitable contributions

Charitable contributions made by the company during the year amounted to £565 *(2006 £195)*

Directors' report *(continued)*

Post balance sheet events

On 17 April 2007 Forth Wines was sold to Matthew Clark (Holdings) Limited (formerly Dubwath Limited) which became the immediate parent Matthew Clark (Holdings) Limited is a joint venture between Constellation Brands Inc and Punch Taverns Plc As a result of this, all staff participating in the UK Sharesave scheme that gives employees the option to buy shares in Constellation at the end of a pre agreed three or five year saving period were given the option of cash in return for their discontinuing saving in the scheme Four of the 12 continue to save in the UK Sharesave scheme

Directors and directors' interests

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

DM Campbell	
AT Colquhoun	
T Creighton	(resigned 8 September 2006)
J Moramarco	(resigned 1 March 2007)
T Christensen	(appointed 8 September 2006)
D Klein	(appointed 5 March 2007)

The directors held no interests in the company during the year

Statement of disclosure to auditors

The directors who held office at the date of approval of the directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

Director

Crawford Place
Milnathort
Kinross
Fife
KY13 9XF

21 December 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 2007 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 3

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition, we report to you if, in our opinion, 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP.

KPMG LLP
Chartered Accountants
Registered Auditor

27/12/2007

Profit and loss account

for the year ended 28 February 2007

	Note	2007 £000	2006 £000
Turnover	2	**28,622**	30,395
Cost of sales		**(23,838)**	(25,316)
Gross profit		**4,784**	5,079
Distribution costs		**(1,330)**	(1,370)
Administrative expenses		**(2,430)**	(2,444)
Operating profit	3 5	**1,024**	1,265
Interest receivable and similar income	6	**10**	
Interest payable and similar charges	7	**(33)**	(9)
Profit on ordinary activities before taxation		**1,001**	1,256
Tax on profit on ordinary activities	8	**(287)**	
Profit for the financial year		**714**	1,256

These results derive from continuing operations

Statement of total recognised gains and losses

for the year ended 28 February 2007

	2007 £000	2006 £000
Profit for the financial year	**714**	1,256
Preference shares on which rights to redemption have been waived during the year	**100**	100
Total recognised gains and losses relating to the financial year	**814**	1,356

Balance sheet
at 28 February 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		**460**		478
Current assets					
Stocks	10	**4,265**		4,007	
Debtors	11	**6,596**		5,788	
Cash at bank and in hand		**2,483**		1,002	
		13,344		10,797	
Creditors amounts falling due within one year (including convertible debt)	12	**(8,250)**		(6,435)	
Net current assets			**5,094**		4,362
Total assets less current liabilities			**5,554**		4,840
Creditors amounts falling due after more than one year (including convertible debt)	13				(100)
Net assets			**5,554**		4,740
Capital and reserves					
Called up share capital	14		**1,000**		900
Share premium account	16		**169**		169
Capital redemption reserve	16		**180**		180
Special capital reserve	16		**3**		3
Profit and loss account	16		**4,202**		3,488
Shareholders' funds	15		**5,554**		4,740

These financial statements were approved by the board of directors on 21 December 2007 and were signed on its behalf by:

T Christensen
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

- FRS20 'Share based payments'

The accounting policy under this new standard is set out below The adoption of the standard has resulted in a current year charge of £14,000 The impact on prior periods is not material to the company and so no prior period adjustment has been recognised

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

The company is exempt, by virtue of Section 228A of the Companies Act 1985, from the requirement of FRS 1 to present a cash flow statement

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 FRS 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)*

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 exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issues 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, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Share based payments

The company operated two schemes during the year, Constellation Brands UK Sharesave Scheme and Constellation Long Term Stock Incentive Plan Both these plans allowed certain employees to acquire shares in the company's ultimate parent undertaking, Constellation Brands Inc (see note 19)

The fair value of options granted after 7 November 2002 and not yet vested as of 1 March 2006 is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using the Black Scholes model, taking into account the terms and conditions upon which the options were granted Constellation Brands Inc makes a recharge for the exercise price intrinsic value of share options when exercised A liability is created for these amounts at the balance sheet date with a corresponding adjustment to equity

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

Notes *(continued)*

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2007 £000	2006 £000
Depreciation	22	25

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

	2007 £000	2006 £000
Fees for the audit of these financial statements	9	7

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 2007	2006
Sales, marketing and distribution	50	53
Administration	8	9
	58	62

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	1,285	1,338
Social security costs	132	139
Other pension costs	56	57
Share based compensation expense (see note 19)	14	
	1,487	1,534

Notes *(continued)*

5 Directors' remuneration

The remuneration of the directors was as follows

	2007 £000	2006 £000
Emoluments	123	125
Gains made on the exercise of share options	18	47
Pension payments	8	8
	149	180

The number of directors who

	Number of directors 2007	2006
Are members of defined benefit pension schemes	1	1
Exercised options over shares in the company	1	1

6 Interest receivable and similar income

	2007 £000	2006 £000
Interest payable waived on shares classified as liabilities	9	
Interest receivable	1	
	10	

There is interest receivable on shares classified as liabilities due to the waiving in the current year of an interest charge that had been charged in a prior period

7 Interest payable and similar charges

	2007 £000	2006 £000
Finance costs on shares classified as liabilities		9
Interest payable on corporation tax liability	33	
	33	9

Notes *(continued)*

8 Tax on profit on ordinary activities

The tax charge comprises

	2007 £000	2006 £000
Current tax		
Adjustments in respect of prior years		
UK corporation tax	**269**	
Total current tax	**269**	
Deferred tax		
Adjustment in respect of prior year	**18**	
Total deferred tax (see note 11)	**18**	
Total tax on profit on ordinary activities	**287**	

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 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

	2007 £000	2006 £000
Profit on ordinary activities before taxation	**1,001**	1,256
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% *(2006 30%)*	**300**	377
Effects of		
Group Relief not paid for	**(308)**	(377)
Expenses not deductible for tax purposes	**8**	
Capital allowances in excess of depreciation	**(4)**	
Other timing differences	**4**	
Adjustments to tax charge in respect of previous periods	**269**	
Current tax charge for the year	**269**	

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings	Plant, machinery, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At beginning of year	515	535	24	1,074
Additions		4		4
Disposals				
At end of year	515	539	24	1,078
Accumulated depreciation				
At beginning of year	70	502	24	596
Charge for the period	12	10		22
Disposals				
At end of year	82	512	24	618
Net book value				
At end of year	**433**	**27**		**460**
At beginning of year	445	33		478

The net book value of assets held under finance leases at 28 February 2007 and 28 February 2006 was £Nil No depreciation was charged on such assets in either year

Freehold land and buildings includes £110,000 *(2006 £110,000)* in respect of land

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

10 Stocks

	2007	2006
	£000	£000
Goods held for resale	**4,265**	4,007

Notes *(continued)*

11 Debtors

	2007 £000	2006 £000
Trade debtors	3,195	3,255
Amounts owed by group undertakings	3,117	2,305
Prepayments	255	181
	6,567	5,741
Deferred tax asset amounts falling due after more than one year	29	47
	6,596	5,788

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 (see note 8)	(18)
At the end of the year	29

The balance on the deferred tax account represents

	2007 £000	2006 £000
Differences between accumulated depreciation and capital allowances	25	47
Origination and reversal of timing differences	4	
	29	47

There is no unprovided deferred taxation at either year end The UK tax changes proposed in the Chancellor's Budget on 21 March 2007 would, based on the 28 February 2007 balances, reduce the deferred tax asset in the future by approximately £2,000

12 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Shares classified as liabilities	100	100
Trade creditors	1,926	1,972
Amounts owed to group undertakings	5,295	3,178
Other taxes and social security	539	676
Other creditors	264	217
Accruals	126	292
	8,250	6,435

Notes *(continued)*

13 Creditors: amounts falling due after one year

	2007 £000	2006 £000
Shares classified as liabilities		100

14 Called up share capital

	2007 £000	2006 £000
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	**600**	500
9% 'A' cumulative redeemable preference shares of £1 each where redemption rights not waived	**100**	200
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 12)	**100**	100
Shares classified as liabilities after one year (note 13)		100
Shares classified in shareholders' funds	**1,000**	900
	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 6 previous years

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

Notes *(continued)*

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 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

15 Reconciliation of movements in group shareholders' funds

	2007 £000	2006 £000
Profit for the year	714	1,256
Preference shares on which rights to redemption have been waived in the year	100	100
Net increase to shareholders' funds	814	1,356
Opening shareholders' funds (2006 as restated)	4,740	3,384
Closing shareholders' funds	**5,554**	4,740

16 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	900	169	180	3	3,488
Retained profit for the financial year					714
Preference shares on which rights to redemption have been waived in the year	100				
At end of year	**1,000**	**169**	**180**	**3**	**4,202**

Notes *(continued)*

17 Contingent liabilities

The company is a member of the group VAT registration and is therefore jointly liable for the other group companies' outstanding net VAT liability of £7,706,000 *(2006 £9,851,000)*

The company had no commitments under forward currency contracts at 28 February 2007 *(2006 £Nil)*

The company and certain other group undertakings have entered into a Composite Accounting Agreement under which Barclays Bank Plc may offset money standing to the credit of any company within the agreement against any indebtedness to the bank of a company within the agreement The contingent liability at 28 February 2007 of the company in respect of guarantees given to secure the banking facilities of other group undertakings was £8,984,000 *(2006 £7,805,000)*

18 Pensions

The company operates a defined contribution scheme The assets of the scheme are held separately from those of the company, being invested with insurance companies The pension cost charge represents contributions payable by the company to the fund and amounted to £56,000 *(2006 £57,000)*

The company also participates in the Matthew Clark Pension Plan which is a funded defined benefit pension scheme operated by Matthew Clark Limited on behalf of its subsidiaries and for the benefit of its employees The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, and therefore as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for as if the scheme was a defined contribution scheme

Contributions to the Matthew Clark Pension Plan are assessed in accordance with the advice of Punter Southall & Co , consulting actuaries 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 The latest formal actuarial valuation of the scheme was carried out as at 31 December 2004 and updated to 28 February 2007 by a qualified actuary The Group contribution for the year was £4,050,000 *(2006 £600,000)* and was paid entirely by Constellation Europe Limited on behalf of the Group It has been agreed that in future years the participating employers will in aggregate contribute £4,000,000

Notes *(continued)*

19 Share based payments

a) Sharesave scheme

Following a five year period where no sharesave scheme was offered, a scheme was reintroduced in August 2006 The Constellation Brands UK Sharesave Scheme offers all employees the opportunity to purchase shares in Constellation Brands at a discounted price *(2007 15%)* compared with the market price at the time of grant The scheme allows employees to save between £5 and £250 a month for either 3 or 5 years At the end of the nominated period of saving the employee may either opt to withdraw their savings with interest or use it to buy shares at the option price The last of the previous plans was finalised in August 2006 None of the current plans is exercisable at year end

	2007	
	3 year scheme	*5 year scheme*
Grant date	*28 August 2006*	
Share price at grant date	$26 27	
Exercise price	$24 41	
Offer price (at 15% discount to exercise price)	$20 75	
Shares / Share equivalents under scheme	1,894	3,647
Vesting period and expected life of option	3 years	5 years
Expected volatility	25 4%	30 8%
Risk free rate	4 8%	4 7%
Expected dividends expressed as a dividend yield	0 0%	0 0%
Fair value of call option at 85%	**$6 08**	**$8 66**
Value of put option at 15% of share price at grant date	$3 94	$3 94
Fair value of option	**$10 02**	**$12 60**

Expected volatility is based on historical volatility levels of Constellation Brands Inc 's Class A Common Stock

3 year scheme	Outstanding at start of year	Granted during year	Exercised during year	Forfeited during year	**Outstanding at end of year**
August 2006 scheme (exercise price $20 7485)		1,894			**1,894**
		1,894			**1,894**
Weighted average exercise price		$20 75			**$20 75**
Weighted average contractual life remaining					**3 years**

5 year scheme	Outstanding at start of year	Granted during year	Exercised during year	Forfeited during year	**Outstanding at end of year**
August 2001 scheme (exercise price $7 1050)	438		(438)		
August 2006 scheme (exercise price $25 8800)		3,647			**3,647**
	438	**3,647**	**(438)**		**3,647**
Weighted average exercise price	$7 11	$25 88	$7 11	$25 88	**$25 88**
Weighted average contractual life remaining					**5 years**

Constellation Brands Inc received proceeds of $3,000 in respect of the 438 options exercised during the year

The options were all exercised during July and August at a price of $7 11

The weighted average share price at date of exercise was $24 56

Notes *(continued)*

19 Share based payments *(continued)*

b) Long term stock incentive plan

The long term stock incentive plan is a performance share plan under which shares are conditionally allocated to selected members of management

Once vested the options grant the right to purchase shares at the market price they were at the date of grant Exercise prices range from $6 44 to $27 23 The options vest after four years and expire ten years after the grant date

There have been five awards that occurred after 7 November 2002, the start date for recognition under FRS 20 Only charges in respect of these grants have been made to the accounts in accordance with FRS 20 Six arrangements granted before 7 November 2002 exist The recognition and measurement principles in FRS 20 have not been applied to these grants in accordance with this standard

	2007	2006
Grant date	***5 April 2006***	*7 April 2005*
Share price at grant date	**$25 88**	$27 24
Exercise price	**$25 88**	$27 24
Shares / Share equivalents under scheme	**122,900**	8,800
Vesting period	**4 years**	4 years
Expected life of option	**5 5 years**	5 years
Expected volatility	**31 7%**	31 3%
Risk free rate	**4 8%**	4 1%
Expected dividends expressed as a dividend yield	**0 0%**	0 0%
Probability of ceasing employment before vesting	**10%**	10%
Fair value of option	**$9 02**	**$8 60**

Expected volatility is based on historical volatility levels of Constellation Brands Inc 's Class A Common Stock

	Outstanding at start of year	Granted during year	Exercised during year	Forfeited during year	**Outstanding at end of year**
April 2001 Award (exercise price $8 8713)	2,000				**2,000**
April 2002 Award (exercise price $13 7125)	2,400				**2,400**
April 2003 Award (exercise price $11 7950)	1,200				**1,200**
April 2004 Award (exercise price $16 6300)	10,200		(2,800)		**7,400**
April 2005 Award (exercise price $27 2350)	8,800				**8,800**
April 2006 Award (exercise price $25 8800)		8,900			**8,900**
	24,600	**8,900**	**(2,800)**		**30,700**
Weighted average exercise price	$19 27	$25 88	$16 63		**$21 43**
Weighted average contractual life remaining					**7 years**

Constellation Brands Inc received proceeds of $47,000 in respect of the 2,800 options exercised during the year The options were exercised during October The weighted average share price at date of exercise was $28 81

Notes *(continued)*

19 Share based payments *(continued)*

c) Employee expenses

The employee expense included in the profit and loss account can be analysed as follows

	2007 £000	2006 £000
April 2006 share options	10	
Sharesave Plan 3 year	2	
Sharesave Plan 5 year	2	
Schemes from prior years		
	14	

During February 2006, the majority of unvested options were accelerated, becoming vested prior to the new financial year The result of this is that, in the main, only options granted from the start of the new financial year are subject to the recognition and measurement rules of FRS20 The small amount of unvested options from prior years are not material to the financial statements, hence no prior year adjustment has been made

20 Ultimate parent undertaking

The directors regard Constellation Brands Inc , a company incorporated in the United States of America, 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

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

21 Post balance sheet events

On 17 April 2007 Forth Wines Limited was sold to Matthew Clark (Holdings) Limited (formerly Dubwath Limited), which became its immediate parent Matthew Clark (Holdings) Limited is a joint venture between Constellation Brands Inc and Punch Taverns Plc As a result of this, those Forth Wines employees saving in the sharesave scheme were offered cash in return for discontinuing their participation in the scheme Of the 12 who originally elected to save in the scheme, 8 elected to receive cash with 4 continuing to save On 20 July 2007 Dubwath Limited changed its name to Matthew Clark (Holdings) Limited