Forth Wines Limited

Directors' report and financial statements

For the year ended 29 February 2008

Registered number SC039321



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Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 29 February 2008

Principal activity

The company's principal activity during the year has been that of wholesale wine and spirits merchants

On 17 April 2007 the company's entire share capital was sold to Dubwath Limited, a company incorporated in England and Wales, which subsequently changed its name to Matthew Clark (Holdings) Limited Matthew Clark (Holdings) Limited is ultimately jointly owned by Constellation Brands Inc , a company incorporated in the United States of America, and Punch Taverns Plc, a company incorporated in England and Wales

Business review

Forth Wines is Scotland's largest specialist wine merchant offering a unique portfolio of wines, shipped directly from around the world Over the last twelve years we have developed 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 1 4% year on year In Scotland trade was up 5 1% due to regional business growth in a major key account The decline in business was caused by one of Forth Wines' key accounts selling approximately half of their estate with Forth Wines unable to continue this contract with the new owners The effect on this account was a decline of 15 8% The impact of this loss was mostly in the English region with the English region remaining flat to the prior year

Gross margin remained stable year on year at 16 4% with product mix remaining strong at 77% wines to 23% spirits, a small movement towards spirits compared with last year Gross margin per case improved slightly, up £0 04 per nine litre case year on year, driven by price increases enhancing sales per case, but offset by increases in cost of sales driven by increasing delivery costs (all deliveries for Forth Wines are made by third party carriers) In the coming year Forth Wines will continue to review supplier terms in order to maximise both Forth Wines' and its preferred suppliers' profitability

In the year to 28 February 2009 Forth Wines is targeting turnover to increase by 5%, 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 remain competitive with other regional wine wholesalers Key appointments will be made within the sales team to help deliver these targets

Results and dividends

The profit after tax for the year was £534,000 *(2007 £714,000)*

The directors do not recommend the payment of a dividend *(2007 £Nil)*

Charitable contributions

Charitable contributions made by the company during the year amounted to £229 *(2007 £565)*

Directors

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

DM Campbell	(resigned 31 January 2008)
AT Colquhoun	(resigned 31 March 2007)
J Moramarco	(resigned 1 March 2007)
T Christensen	
D Klein	(appointed 5 March 2007)
D Malhotra	(appointed 31 March 2008)

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 they ought to have taken as a director to make themselves 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

T Christensen
Director

Crawford Place
Milnathort
Kinross
Fife
KY13 9XF

23 June 2008

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 29 February 2008 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 29 February 2008 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

2 July 2008

Profit and loss account

for the year ended 29 February 2008

	Note	2008 £000	2007 £000
Turnover	2	**28,210**	28,622
Cost of sales		**(23,576)**	(23,838)
Gross profit		**4,634**	4,784
Distribution costs		**(1,277)**	(1,330)
Administrative expenses		**(2,821)**	(2,430)
Operating profit		**536**	1,024
Interest receivable and similar income	6		10
Interest payable and similar charges	7		(33)
Profit on ordinary activities before taxation	3 5	**536**	1,001
Tax on profit on ordinary activities	8	**(2)**	(287)
Profit for the financial year	16	**534**	714

No statement of historical cost profits and losses is included as there is no material difference between the historical cost profit and the reported profit in either the current or the prior year

These results derive from continuing operations

Balance sheet
at 29 February 2008

	Note	2008		2007	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		457		460
Current assets					
Stocks	10	3,752		4,265	
Debtors	11	4,358		6,596	
Cash at bank and in hand		361		2,483	
		8,471		13,344	
Creditors amounts falling due within one year	12	(2,474)		(8,250)	
Net current assets			5,997		5,094
Total assets less current liabilities			6,454		5,554
Provisions for liabilities and charges	13		(198)		
Net assets			6,256		5,554
Capital and reserves					
Called up share capital	14		1,100		1,000
Share premium account	15		169		169
Capital redemption reserve	15		180		180
Special capital reserve	15		3		3
Capital contribution	15		68		
Profit and loss account	15		4,736		4,202
Shareholders' funds	16		6,256		5,554

These financial statements were approved by the board of directors on 23 June 2008 and were signed on its behalf by

T Christensen
Director

Statement of total recognised gains and losses

for the year ended 29 February 2008

	2008 £000	2007 £000
Profit for the financial year	**534**	714
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	**634**	814

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

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 financial statements have been prepared on a going concern basis The company's funding is based on secured financing which is in place until April 2012 subject to normal banking covenants After making enquiries and reviewing future forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Consequently, the accounts have been prepared on a going concern basis

Under FRS1 (revised), the company is exempt from the requirement to prepare a cash flow statements on the grounds that a parent undertaking includes the company in its own published financial statements (see note 21)

As the company is a wholly owned subsidiary of Matthew Clark (Holdings) Limited, the company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Matthew Clark (Holdings) Limited can be obtained from the address given in note 21

Turnover

Revenue from the sale of goods includes excise and import duties which the company 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, fixtures and fittings	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

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

For money purchase schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

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

Participation in the two schemes that had operated within Forth Wines, Constellation Brands UK Sharesave Scheme and Constellation Long Term Stock Incentive Plan , is no longer available to employees of Forth Wines

As a result of the joint venture and resultant change in ownership of Forth Wines during the year, Forth Wines employees saving in the sharesave scheme were offered cash in return for discontinuing their participation in the scheme

Forth Wines employees have not been awarded any new options under the Constellation Long Term Stock Incentive Plan during the year, although those who held options previously are still entitled to hold those options through to vesting date and exercise those options within the exercise period

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

	2008 £000	2007 £000
Depreciation	20	22

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

	2008 £000	2007 £000
Fees for the audit of these financial statements	10	9

Amounts receivable by the company's auditor in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent

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 2008	2007
Sales, marketing and distribution	52	50
Administration	8	8
	60	58

The aggregate payroll costs of these persons were as follows

	2008 £000	2007 £000
Wages and salaries	1,429	1,285
Social security costs	132	132
Other pension costs (see note 18)	97	56
Share based compensation expense (see note 19)	54	14
	1,712	1,487

Notes *(continued)*

5 Directors' remuneration

The remuneration of the directors was as follows

	2008 £000	2007 £000
Emoluments	79	123
Gains made on the exercise of share options	22	18
Pension payments	7	8
Redundancy costs	100	
	208	149

The number of directors who

	Number of directors 2008	2007
Are members of defined benefit pension schemes	2	1
Exercised options over shares in the company	1	1

6 Interest receivable and similar income

	2008 £000	2007 £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

	2008 £000	2007 £000
Interest payable on corporation tax liability		33

Notes *(continued)*

8 Tax on profit on ordinary activities

The tax charge comprises

	2008 £000	2007 £000
Current tax		
Adjustments in respect of prior years		
UK corporation tax		269
Total current tax		269
Deferred tax		
Origination/reversal of timing differences	1	
Effect of increased/decreased tax rate	2	
Capital allowances in access of depreciation	3	
Adjustment in respect of prior year	(4)	18
Total deferred tax (see note 11)	2	18
Total tax on profit on ordinary activities	2	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

	2008 £000	2007 £000
Profit on ordinary activities before taxation	536	1,001
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% *(2007 30%)*	161	300
Effects of		
Group Relief not paid for	(167)	(308)
Expenses not deductible for tax purposes	10	8
Capital allowances in excess of depreciation	(3)	(4)
Other timing differences	(1)	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 £000	Plant, machinery, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At beginning of year	515	539	24	1,078
Additions		17		17
At end of year	515	556	24	1,095
Accumulated depreciation				
At beginning of year	82	512	24	618
Charge for the period	12	8		20
At end of year	94	520	24	638
Net book value				
At end of year	**421**	**36**		**457**
At beginning of year	433	27		460

Freehold land and buildings includes £110,000 *(2007 £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

	2008 £000	2007 £000
Goods held for resale	**3,752**	4,265

Notes *(continued)*

11 Debtors

	2008 £000	2007 £000
Trade debtors	3,254	3,195
Amounts owed by group undertakings	656	3,117
Amounts owed by associated undertakings	198	
Other debtors	163	
Prepayments	60	255
Deferred tax asset	27	29
	4,358	6,596

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

	£000
At the beginning of the year	29
Charged to the profit and loss account (see note 8)	(2)
At the end of the year	27

The balance on the deferred tax account represents

	2008 £000	2007 £000
Differences between accumulated depreciation and capital allowances	21	25
Origination and reversal of timing differences	6	4
	27	29

There is no unprovided deferred taxation at either year end

12 Creditors amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	1,491	1,926
Amounts owed to group undertakings		5,295
Other taxes and social security	485	539
Other creditors	44	264
Accruals	454	126
Shares classified as liabilities		100
	2,474	8,250

Notes *(continued)*

13 Provisions for liabilities and charges

	£000
Provision for environmental liabilities	
At beginning of year	
Charge for the year	198
At end of year	**198**

The provision relates to the costs of remedial activity following an oil spillage and is expected to be utilised over a period of 2 years

14 Called up share capital

	2008 £000	2007 £000
Authorised		
4,250,000 ordinary shares of 40p each	**1,700**	1,000
9% 'A' cumulative redeemable preference shares of £1 each where redemption rights waived	-	600
9% 'A' cumulative redeemable preference shares of £1 each where redemption rights not waived	-	100
100,871 deferred shares of £1 each	-	101
		801
	1,700	1,801
Allotted, called up and fully paid		
2,750,000 ordinary shares of 40p each	**1,100**	400
9% 'A' cumulative redeemable preference ordinary shares of £1 each	-	700
	1,100	1,100
Shares classified as liabilities due within one year (note 12)	-	100
Shares classified in shareholders' funds	**1,100**	1,000
	1,100	1,100

On 11 April 2007, pursuant to a written resolution, the share capital of the company was amended such that the 700,000 issued cumulative redeemable preference shares of £1 each were reclassified as 1,750,000 ordinary shares of £0 40 each, prior to being sold to Dubwath Limited, which subsequently changed its name to Matthew Clark (Holdings) Limited Matthew Clark (Holdings) Limited is jointly owned by Constellation Brands Inc , a company incorporated in the United States of America, and Punch Taverns Plc, a company incorporated in England and Wales

Notes *(continued)*

15 Reserves

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Special capital reserve £000	Capital contribution £000	Profit and loss account £000
At beginning of year	1,000	169	180	3		4,202
Retained profit for the financial year						534
Preference shares reclassified in the year (note 14)	100					
Share based payments (note 19)					68	
At end of year	**1,100**	**169**	**180**	**3**	**68**	**4,736**

16 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the year	**534**	714
Preference shares reclassified in the year (note 14)	**100**	100
Share based payments (note 19)	**68**	
Net increase to shareholders' funds	**702**	814
Opening shareholders' funds	**5,554**	4,740
Closing shareholders' funds	**6,256**	5,554

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 £1,210,000 *(2007 £7,706,000)*

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 29 February 2008 of the company in respect of guarantees given to secure the banking facilities of other group undertakings was £40,505,000 *(2007 £8,984,000)*

Notes *(continued)*

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 £58,000 *(2007 £56,000)*

The company also participates in the Matthew Clark Pension Plan which is a funded defined benefit pension scheme operated by Constellation Europe (Holdings) Limited (formerly Matthew Clark Limited) on behalf of Matthew Clark (Holdings) Limited 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 2007

Following the joint venture on 16 April 2007 as described in the Director's report, the Joint Venture Agreement provided that Matthew Clark (Holdings) Limited will procure that Matthew Clark Wholesale Limited and Forth Wines Limited shall pay £1,250,000 per annum for a period of 10 years to the Matthew Clark Group Pension Plan Trustees The amount is fixed at a Group level regardless of what the pension trust might request Should the Trustees request additional amounts, theses shall be refunded to Matthew Clark Holdings Limited by Hertford Cellars Limited (a subsidiary of Constellation Brands Inc) Should the Trustees request a payment less than £1,250,000 then the difference shall be treated as a distribution from Matthew Clark Wholesale Limited and Forth Wines Limited to Matthew Clark (Holdings Limited) The Group contribution for the year was £1,146,000 and was paid entirely by Matthew Clark Wholesale Limited on behalf of the Group The Forth Wines Limited charge for the year was £39,000

19 Share based payments

a) Sharesave scheme

As a result of the joint venture and resultant change in ownership of Forth Wines during the year, Forth Wines employees saving in the sharesave scheme were offered cash in return for discontinuing their participation in the scheme

The Constellation Brands UK Sharesave Scheme offered all employees the opportunity to purchase shares in Constellation Brands at a discounted price 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

Notes *(continued)*

19 Share based payments *(continued)*

a) Share save scheme *(continued)*

Grant date	*3 year scheme*	*5 year scheme*
	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	Transferred during year *	Exercised during year	Forfeited during year	**Outstanding at end of year**
August 2006 scheme (exercise price $20 7485)	**1,894**	**341**		**(2,235)**	
Weighted average exercise price	$20 75	$20 75		$20 75	

5 year scheme	Outstanding at start of year	Transferred during year *	Exercised during year	Forfeited during year	**Outstanding at end of year**
August 2006 scheme (exercise price $20 7485)	**3,647**	**(884)**		**(2,763)**	
Weighted average exercise price	$25 88	$20 75		$20 75	

**** Options transferred in and out with employees from and to other group companies during the year***

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 $8 87 to $27 23 The options vest after four years and expire ten years after the grant date

As a result of the joint venture and resultant change in ownership of Matthew Clark Wholesale during the year, the vesting of all options under the long term stock incentive plan was accelerated such that all options were fully vested at 16 April 2007

Notes *(continued)*

19 Share based payments *(continued)*

b) Long term stock incentive plan *(continued)*

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

** 4 years was the vesting period assessed when the fair value of the options was calculated at the date of grant. As noted above, the vesting period on all options was accelerated such that the options fully vested as of 16 April 2007*

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

	Outstanding at start of year	Transferred in 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	(600)			**600**
April 2004 Award (exercise price $16 6300)	7,400	(1,200)	(5,000)		**1,200**
April 2005 Award (exercise price $27 2350)	8,800	(1,100)			**7,700**
April 2006 Award (exercise price $25 8800)	8,900	(1,100)			**7,800**
	30,700	**(8,400)**	**(5,000)**		**17,300**
Weighted average exercise price	$21 43	$16 20	$16 63		**$25 35**
Weighted average contractual life remaining					7 years

** Options transferred out with employees who transferred to other group companies during the year*

Constellation Brands Inc received proceeds of $83,000 in respect of the 5,000 options exercised during the year The options were exercised during October The weighted average share price at date of exercise was $25 75

c) Employee expenses

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

	2008 £000	2007 £000
April 2006 share options	**31**	10
Sharesave curtailment – 3 year	**6**	
Sharesave curtailment – 5 year	**8**	
Sharesave Plan 3 year	**1**	2
Sharesave Plan 5 year	**8**	2
	54	14

Curtailment charges arose as a result of the buy out of the scheme members as described in (a)

Notes *(continued)*

20 Related party disclosures

During the year the company entered into transactions with companies in the groups headed by Constellation Brands Inc and Punch Taverns Plc No comparatives are given in relation to transactions with companies in the group headed by Constellation Brands Inc as these transactions qualified for the exemption under FRS 8 No comparatives are given in relation to transactions with companies in the group headed by Punch Taverns Plc as these transactions did not meet the definition of related party transactions FRS 8 in the prior year

a) Transactions with the Constellation Brands Inc. group

- The company purchased goods of £1,910,000 and services of £264,000 from Constellation Brands Inc ,
- The company made sales of £nil to Constellation Brands Inc , and
- The balance owing from the company to Constellation Brands Inc at 29 February 2008 was £nil

b) Transactions with the Punch Taverns Plc group

- The company purchased goods of £nil and services of £nil from Punch Taverns Plc,
- The company made sales of £nil to Punch Taverns Plc, and
- The balance owing from Punch Taverns Plc to the company at 29 February 2008 was £nil

21 Ultimate parent undertaking

On 17 April 2007 the company's entire share capital was sold to Dubwath Limited a company incorporated in England and Wales, which subsequently changed its name to, Matthew Clark (Holdings) Limited As a result, the company's immediate parent undertaking is Matthew Clark (Holdings) Limited, the consolidated financial statements of which are available from Constellation House, The Guildway, Old Portsmouth Road, Guildford GU3 1LR

Matthew Clark (Holdings) Limited is jointly owned by Constellation Brands Inc , a company incorporated in the United States of America, and Punch Taverns Plc, a company incorporated in England and Wales