Forth Wines Limited

Directors' report and financial statements

For the year ended 28 February 2009

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 28 February 2009.

Principal activity

The Company's principal activity during the year has been that of a wine and spirits wholesaler and distributor.

Business review

Forth Wines is one of Scotland's largest wine specialists offering a unique portfolio of wines, to hotels and restaurants and other on-trade premises across the UK. The product portfolio is drawn from all over the world predominantly from family growers and producers.

As part of the Matthew Clark Holdings Group of companies, the key performance indicators for Forth Wines are turnover growth, gross margin and operating profit.

FY09 (the year to 28 February 2009) was a year unparalleled in recent history, with pressure on trade and the worsening economic cycle combining to make the market exceptionally challenging. As in the prior year Forth Wines saw a decline in turnover with volumes down 21%, due to the full year effect of its major account selling half its estate and the decline in the UK on-trade, which is estimated to have declined by as much as 10% over the last year according to Nielsen market research.

Profit per case remained fairly constant despite significant pressure due to the rapid weakening of sterling in the second half of the year. A large proportion of the Company's products are sourced in Euros and US Dollars; accordingly the second half of the year was affected by their respective strength.

The business continues to address this by taking appropriate steps to insulate itself from currency effects, working with suppliers to keep cost of goods increases to a minimum and ensuring that the sales mix is kept towards premium wine and spirits brands.

Forth Wines exposure to currency is managed by their parent company Matthew Clark (Holdings) Ltd.

Overheads reduced despite upward pressure for most of the year. This pressure has weakened somewhat but still remains a challenge for the business. In addition the business was hit by substantial bad debt costs from two major customers who were placed into administration during the period. This bad debt risk remains an ongoing issue. The business takes appropriate steps to increase and tighten its credit management and risk management policies. Standard bank reports and third party credit checks are requested for new customers with customer and credit limits consistently reviewed for bad debt risk.

The Directors acknowledge that the market will remain exceptionally challenging for the foreseeable future, but are confident that the Forth Wines business is well placed to deal with the uncertainty that surrounds the economic environment, but also to take advantage of the opportunities that will undoubtedly arise.

Additionally the appointment of a new managing director in January 2009 has further strengthened the management group and will provide even greater leadership for the year ahead.

Results and dividends

The loss after tax for the year was £132,000 *(2008: profit of £534,000).*

The Directors do not recommend the payment of a dividend *(2008: £Nil).*

Charitable contributions

Charitable contributions made by the Company during the year amounted to £265 *(2008: £229).*

Directors

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

T Christensen	
A Collquhon	(resigned 31 March 2008)
D Klein	(resigned 3 April 2009)
D Malhotra	(appointed 31 March 2008)
H Glennie	(appointed 3 April 2009)

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

T Christensen
Director

Crawford Place
Milnathort
Kinross
Fife
KY13 9XF

28 May 2009

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 2009 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 2009 and of its loss 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

28 May 2009

Profit and loss account

for the year ended 28 February 2009

	Note	2009 £000	2008 £000
Turnover	*2*	**23,532**	28,210
Cost of sales		**(19,643)**	(23,576)
Gross profit		**3,889**	4,634
Distribution costs		**(1,131)**	(1,277)
Administrative expenses		**(2,883)**	(2,821)
Operating (loss)/profit		**(125)**	536
(Loss)/profit on ordinary activities before taxation	*3-5*	**(125)**	536
Tax on (loss)/profit on ordinary activities	*6*	**(7)**	(2)
(Loss)/profit for the financial year	*13*	**(132)**	534

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 28 February 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Tangible fixed assets	7		**457**		457
Current assets					
Stocks	8	**3,276**		3,752	
Debtors	9	**4,007**		4,358	
Cash at bank and in hand		**534**		361	
		7,817		8,471	
Creditors: amounts falling due within one year	10	**(2,150)**		(2,474)	
Net current assets			**5,667**		5,997
Total assets less current liabilities			**6,124**		6,454
Provisions for liabilities and charges	11		**-**		(198)
Net assets			**6,124**		6,256
Capital and reserves					
Called up share capital	12		**1,100**		1,100
Share premium account	13		**169**		169
Capital redemption reserve	13		**180**		180
Special capital reserve	13		**3**		3
Capital contribution	13		**68**		68
Profit and loss account	13		**4,604**		4,736
Shareholders' funds	14		**6,124**		6,256

These financial statements were approved by the board of Directors on 28 May 2009 and were signed on its behalf by:

T Christensen
Director

Statement of total recognised gains and losses

for the year ended 28 February 2009

	2009 £000	2008 £000
(Loss)/profit for the financial year	**(132)**	534
Preference shares on which rights to redemption have been waived during the year	-	100
Total recognised gain and losses relating to the financial year	**(132)**	634

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 Company's funding is based on the secured financing for the group headed by Matthew Clark (Holdings) Limited (the "Group") over which there are cross guarantees as described in note 15. This funding is in place until April 2012 subject to banking covenants. The Directors have prepared cash flow forecasts and while the nature of the Group's business means that there can be unpredictable variation in the timing of cash flows, taking account of reasonably possible changes in the Group's performance, the Director's have concluded that the group should be able to operate within the level of its current facilities.

In preparing those forecasts, the Directors have taken into account various risks and uncertainties. The principal areas of risk and uncertainty are the impact of the wider economic climate on the achievement of operating targets, in particular projected revenue and gross margins. In addition to these risks and uncertainties, the Group's performance is also impacted by financial risks, interest rate risk and credit risk. The Board has a documented policy in relation to manage these risks.

After making enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 19).

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 19.

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, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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.

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.

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.

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 prior year, Forth Wines employees saving in the share save 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 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:

	2009 £000	2008 £000
Depreciation	22	20

	2009 £000	2008 £000
Auditors' remuneration		
Fees for the audit of these financial statements	10	10

The audit fee in both years was borne by a fellow Group company.

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 2009	2008
Sales, marketing and distribution	56	52
Administration	8	8
	64	60

The aggregate payroll costs of these persons were as follows:

	2009 £000	2008 £000
Wages and salaries	1,341	1,429
Social security costs	125	132
Other pension costs (see note 16)	88	97
Share based compensation expense (see note 17)	-	54
	1,554	1,712

Notes *(continued)*

5 Directors' remuneration

The Directors of the Company received no remuneration from the Group or the Company in the period.

The Directors' costs are borne by the controlling parties as disclosed in note 19.

The remuneration of the Directors was as follows:

	2009	2008
	£000	£000
Emoluments	-	79
Gains made on the exercise of share options	-	22
Pension payments	-	7
Redundancy costs	-	100
	-	208

The number of directors who:

	Number of directors	
	2009	2008
Are members of defined benefit pension schemes	-	2
Exercised options over shares in the Company	-	1

Notes *(continued)*

6 Tax on (loss)/profit on ordinary activities

The tax charge comprises:

	2009 £000	2008 £000
Current tax		
Adjustments in respect of prior years		
- UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination of timing differences	3	1
Effect of decreased tax rate	-	2
Capital allowances in access of depreciation	3	3
Adjustment in respect of prior year	1	(4)
Total deferred tax (see note 9)	7	2
Total tax on (loss)/profit on ordinary activities	7	2

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 (loss)/profit before tax is as follows:

	2009 £000	2008 £000
(Loss)/profit on ordinary activities before taxation	(125)	536
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 28.17% *(2008: 30%)*	(35)	161
Effects of:		
Group relief not paid for	30	(167)
Expenses not deductible for tax purposes	8	10
Capital allowances in excess of depreciation	(3)	(3)
Other timing differences	-	(1)
Adjustments to tax charge in respect of previous periods	-	-
Current tax charge for the year	-	-

Notes *(continued)*

7 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	556	24	1,095
Additions	13	9	-	22
At end of year	528	565	24	1,117
Accumulated depreciation				
At beginning of year	94	520	24	638
Charge for the period	12	10	-	22
At end of year	106	530	24	660
Net book value				
At end of year	**422**	**35**	**-**	**457**
At beginning of year	421	36	-	457

Freehold land and buildings includes £110,000 *(2008: £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.

8 Stocks

	2009 £000	2008 £000
Goods held for resale	**3,276**	3,752

Notes *(continued)*

9 Debtors

	2009 £000	2008 £000
Trade debtors	2,351	3,254
Amounts owed by group undertakings	1,339	656
Amounts owed by associated undertakings	-	198
Other debtors	274	163
Prepayments	23	60
Deferred tax asset	20	27
	4,007	4,358

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

	2009 £000	2008 £000
At the beginning of the year	27	29
Charged to the profit and loss account (see note 6)	(7)	(2)
At the end of the year	20	27

The balance on the deferred tax account represents:

	2009 £000	2008 £000
Differences between accumulated depreciation and capital allowances	17	21
Origination and reversal of timing differences	3	6
	20	27

There is no unprovided deferred taxation at either year end.

10 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	1,299	1,491
Other taxes and social security	660	485
Other creditors	51	44
Accruals	140	454
	2,150	2,474

Notes *(continued)*

11 Provisions for liabilities and charges

	£000
Provision for environmental liabilities	
At beginning of year	**198**
Released during the year	**(198)**
At end of year	**-**

The provision relates to the costs of remedial activity following an oil spillage and was released during the year following agreement with the counterparty that no liability arose on Forth Wines Limited.

Called up share capital

	2009	2008
	£000	£000
Authorised		
4,250,000 ordinary shares of 40p each	**1,700**	1,700
Allotted, called up and fully paid		
2,750,000 ordinary shares of 40p each	**1,100**	1,100

Notes *(continued)*

10 Reserves

	Share premium account £000	Capital redemption reserve £000	Special capital reserve £000	Capital contribution £000	Profit and loss account £000
At beginning of year	169	180	3	68	4,736
Retained loss for the financial year	-	-	-	-	(132)
At end of year	169	180	3	68	4,604

11 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
(Loss)/profit for the year	(132)	534
Preference shares reclassified in the year	-	100
Share-based payments	-	68
Net (decrease)/increase to shareholders' funds	(132)	702
Opening shareholders' funds	6,256	5,554
Closing shareholders' funds	6,124	6,256

In the prior year, 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.

12 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 £3,357,000 *(2008: £1,210,000)*.

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 28 February 2009 of the Company in respect of guarantees given to secure the banking facilities of other group undertakings was £25,190,000 *(2008: £40,505,000)*.

Notes *(continued)*

13 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 £45,000 *(2008: £58,000)*.

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 formation in the prior year, 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, these 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 £1,250,000 and was paid entirely by Matthew Clark Wholesale Limited on behalf of the Group. The Forth Wines Limited charge for the year was £43,000 (*2008: £39,000*).

14 Share based payments

a) Share save scheme

As a result of the joint venture formation of Matthew Clark (Holdings) Limited on 17 April 2007 and resultant change in ownership of the Company, Forth Wines Limited employees saving in the share save scheme were offered cash in return for discontinuing their participation in the scheme. The Constellation Brands UK Share save Scheme offered all employees the opportunity to purchase shares in Constellation Brands at a discounted price compared with the market price at the date of board approval of the scheme. The scheme allowed 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.

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.

Notes *(continued)*

17 Share based payments *(continued)*

a) Share save scheme *(continued)*

As a result of the discontinuation of the scheme explained above there were no options outstanding under the scheme at either the beginning or the end of 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 Forth Wines Limited during the prior year, the vesting of all options under the long term stock incentive plan was accelerated such that all options were fully vested as at 16 April 2007.

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	Forfeited during year	**Outstanding at end of year**
April 2001 Award (exercise price $8.8713)	-	-	-
April 2002 Award (exercise price $13.7125)	-	-	-
April 2003 Award (exercise price $11.7950)	600	(600)	-
April 2004 Award (exercise price $16.6300)	1,200	(1,200)	-
April 2005 Award (exercise price $27.2350)	7,700	(7,700)	-
April 2006 Award (exercise price $25.8800)	7,800	(7,800)	-
	17,300	**(17,300)**	-

Notes *(continued)*

17 Share based payments *(continued)*

c) Employee expenses

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

	2009 £000	2008 £000
April 2006 share options	-	31
Sharesave curtailment – 3 year	-	6
Sharesave curtailment – 5 year	-	8
Sharesave Plan - 3 year	-	1
Sharesave Plan - 5 year	-	8
	-	54

Curtailment charges in prior year arose as a result of the buy-out of the scheme members.

15 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.

a) Transactions with the Constellation Brands Inc. group

- The Company purchased goods of £2,000,000 (*2008: £1,910,000*) and services of £288,000 (*2008: £264,000*) from Constellation Brands Inc.;
- The Company made sales of £nil (*2008: £nil*) to Constellation Brands Inc.; and
- The balance owing from the company to Constellation Brands Inc. at 28 February 2009 was £64,000 (*2008: £nil*).

b) Transactions with the Punch Taverns Plc group

- The Company purchased goods of £nil (*2008: £nil*) and services of (*2008: £nil*) £nil from Punch Taverns Plc;
- The Company made sales of £nil (*2008: £nil*) to Punch Taverns Plc; and
- The balance owing from Punch Taverns Plc to the company at 28 February 2009 was £nil (*2008: £nil*).

16 Ultimate parent undertaking

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.