Forth Wines Limited

Directors' report and financial statements

For the year ended 28 February 2010

Registered number SC039321

WEDNESDAY

ARPJCKBG

A45 26/05/2010 150

COMPANIES HOUSE

Contents

Directors' report	1
Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of Forth Wines Limited	4
Profit and loss account	6
Balance sheet	7
Notes	8

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 2010.

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 operating profit and cashflow.

The trends of the previous year continued with significant down trading from a number of customers impacting the early part of the year. Trading stabilised during the second half of the year and actions taken to improve case margins and control operating overheads started to take effect.

The business took aggressive action to limit the impact from supplier increases and the continued weakness of sterling in an effort to protect profit.

Despite the actions around bad debt risk and a more aggressive stance on credit policy the business was hit by a significant bad debt at the end of the year, which pushed the business to an operating loss, albeit lower than prior year.

In light of the economic environment the Directors are confident that Forth Wines is well placed to take advantage of the opportunities that are presenting themselves. Although the foreseeable future remains challenging the structural changes within the business together with an increased focus on working capital mean the business is in stronger shape than 12 months ago.

Results and dividends

The loss after tax for the year was £76,000 *(2009: loss of £132,000).*

The Directors do not recommend the payment of a dividend *(2009: £Nil).*

Charitable contributions

Charitable contributions made by the Company during the year amounted to £540 *(2009: £265).*

Directors' report *(continued)*

Directors

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

T Christensen
D Klein (resigned 3 April 2009)
D Malhotra
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

24 May 2010

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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

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 2010 set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



A.C. Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

24 May 2010

Profit and loss account

for the year ended 28 February 2010

	Note	2010 £000	2009 £000
Turnover	2	**22,142**	23,532
Cost of sales		**(18,496)**	(19,643)
Gross profit		**3,646**	3,889
Distribution costs		**(951)**	(1,131)
Administrative expenses		**(2,768)**	(2,883)
Loss on ordinary activities before taxation	3-5	**(73)**	(125)
Tax on loss on ordinary activities	6	**(3)**	(7)
Loss for the financial year	13	**(76)**	(132)

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 2010

	Note	2010		2009	
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	7		**444**		457
Current assets					
Stocks	8	**2,816**		3,276	
Debtors	9	**4,274**		4,007	
Cash at bank and in hand		**343**		534	
		7,433		7,817	
Creditors: amounts falling due within one year	10	**(1,829)**		(2,150)	
Net current assets			**5,604**		5,667
Net assets			**6,048**		6,124
Capital and reserves					
Called up share capital	11		**1,100**		1,100
Share premium account	12		**169**		169
Capital redemption reserve	12		**180**		180
Special capital reserve	12		**3**		3
Capital contribution	12		**68**		68
Profit and loss account	12		**4,528**		4,604
Shareholders' funds	13		**6,048**		6,124

These financial statements were approved by the board of Directors on 24 May 2010 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.

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 14. 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 18).

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 18.

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. 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. See note 15 for further information on the treatment of this scheme.

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.

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 significant sales to customers outside the UK.

Notes *(continued)*

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2010 £000	2009 £000
Depreciation	22	22

	2010 £000	2009 £000
Auditors' remuneration		
Fees for the audit of these financial statements	11	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 2010	2009
Sales, marketing and distribution	53	56
Administration	7	8
	60	64

The aggregate payroll costs of these persons were as follows:

	2010 £000	2009 £000
Wages and salaries	1,340	1,341
Social security costs	137	125
Other pension costs (see note 15)	96	88
	1,573	1,554

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 disclosed in note 18.

6 Tax on loss on ordinary activities

The tax charge comprises:

	2010 £000	2009 £000
Current tax		
Adjustments in respect of prior years		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination of timing differences	-	3
Effect of decreased tax rate	-	-
Capital allowances in access of depreciation	3	3
Adjustment in respect of prior year	-	1
Total deferred tax (see note 9)	3	7
Total tax on loss on ordinary activities	3	7

No material exposure to deferred taxation would arise on the disposal of land and buildings at the revalued sums.

There are no plans for their disposal.

Notes *(continued)*

6 Tax on loss on ordinary activities *(continued)*

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) before tax is as follows:

	2010	2009
	£000	£000
(Loss) on ordinary activities before taxation	**(73)**	(125)
Tax on (loss) on ordinary activities at standard UK corporation tax rate of 28% *(2009: 28.17%)*	**(20)**	(35)
Effects of:		
Group relief not paid for	**16**	30
Expenses not deductible for tax purposes	**7**	8
Capital allowances in excess of depreciation	**(3)**	(3)
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	528	565	24	1,117
Additions	-	8	-	8
Disposals	-	-	(24)	(24)
At end of year	528	573	-	1,101
Accumulated depreciation				
At beginning of year	106	530	24	660
Charge for the period	13	8	-	21
Disposals	-	-	(24)	(24)
At end of year	119	538	-	657
Net book value				
At end of year	**409**	**35**	**-**	**444**
At beginning of year	422	35	-	457

Freehold land and buildings includes £110,000 *(2009: £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

	2010	2009
	£000	£000
Goods held for resale	**2,816**	3,276

Notes *(continued)*

9 Debtors

	2010 £000	2009 £000
Trade debtors	1,870	2,351
Amounts owed by group undertakings	2,106	1,339
Other debtors	267	274
Prepayments	14	23
Deferred tax asset	17	20
	4,274	4,007

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

	2010 £000	2009 £000
At the beginning of the year	20	27
Charged to the profit and loss account (see note 6)	(3)	(7)
At the end of the year	17	20

The balance on the deferred tax account represents:

	2010 £000	2009 £000
Differences between accumulated depreciation and capital allowances	14	17
Origination and reversal of timing differences	3	3
	17	20

There is no unprovided deferred taxation at either year end.

10 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	983	1,299
Other taxes and social security	614	660
Other creditors	-	51
Accruals	232	140
	1,829	2,150

Notes *(continued)*

11 Called up share capital

	2010 £000	2009 £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

12 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	4,604
(Loss) for the financial year	-	-	-	-	(76)
At end of year	169	180	3	68	4,528

13 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
(Loss) for the financial year	**(76)**	(132)
Net reduction in shareholders' funds	**(76)**	(132)
Opening shareholders' funds	**6,124**	6,256
Closing shareholders' funds	**6,048**	6,124

Notes *(continued)*

14 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 £2,611,000 *(2009: £3,357,000)*.

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 2010 of the Company in respect of guarantees given to secure the banking facilities of other Group undertakings was £16,107,000 *(2009: £25,190,000)*.

15 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 £53,000 *(2009: £45,000)*.

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 required 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 2007, 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 trustees 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 *(2009: £43,000)*.

Notes *(continued)*

16 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 £1,993,000 (*2009: £2,000,000*) and services of £295,000 (*2009: £288,000*) from Constellation Brands Inc.;
- The Company made sales of £nil (*2009: £nil*) to Constellation Brands Inc.; and
- The balance owing from the company to Constellation Brands Inc. at 28 February 2010 was £85,000 (*2009: £64,000*).

b) **Transactions with the Punch Taverns Plc group**

- The Company purchased goods of £nil (*2009: £nil*) and services of £xxx (*2009: £nil*) from Punch Taverns Plc;
- The Company made sales of £nil (*2009: £nil*) to Punch Taverns Plc; and
- The balance owing from Punch Taverns Plc to the company at 28 February 2010 was £nil (*2009: £nil*).

17 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.