ANDERSEN

Canandaigua Limited and subsidiary undertakings

Accounts for the year ended 28 February 2001
together with directors' and auditors' reports

Registered number: 3649497

Directors' report
For the year ended 28 February 2001

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 28 February 2001.

Principal activity and business review

Throughout the year the principal activity of the group was production, distribution and wholesaling of beverages.

Results and dividends

	£'000
Profit on ordinary activities before taxation	12,614
Tax on profit on ordinary activities	(6,816)
Profit after tax, being the retained profit for the year	5,798

Directors and their interests

The following directors served during the year:

Robert Sands	
Thomas Summer	
Peter Aikens	
Anne Colquhoun	
Nigel Hodges	(appointed 22 March 2001)
Hugh Etheridge	(resigned 22 March 2001)

Directors' interests in the shares of the ultimate parent company, Constellation Brands Inc. are disclosed in the accounts of that company.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of its profit or loss for that year. In preparing those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable and political contributions

The group gave £18,000 (2000 - £23,000) to charitable organisations during the year. No political donations were made in the year.

Supplier payment policy

The group and company agree terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. The group and company had creditor days at 28 February 2001 of 32 days (2000 – 36 days) and nil days respectively (2000 – nil days).

Employees

The group's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job and to provide equal opportunity regardless of sex, religion or ethnic origin. The group does all that is practicable to meet its responsibility towards the employment of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

It is group policy that career development and promotion opportunities should be available to all employees. The company ensures that all group employees are kept up to date with major developments and changes within the organisation via the company magazine, notice boards and departmental briefings. The training and re-training of staff is a high priority. Much of this training is on the job as well as by internal and external courses.

Health and safety at work

The company promotes all aspects of safety throughout the group in the interest of employees and users of premises.

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

Whitchurch Lane
Bristol
BS14 0JZ

By order of the board,

A T Colquhoun
Secretary

18 December 2001

ANDERSEN

To the Shareholders of Canandaigua Limited:

We have audited the accounts on pages 4 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 8.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company and of the group at 28 February 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 The Square
Temple Quay
Bristol
BS1 6DG

18 December 2001

Profit and loss account

For the year ended 28 February 2001

	Note	Year ended 28 February 2001 £'000	15 months ended 28 February 2000 Results before exceptional items £'000	Exceptional items (note 4) £'000	Consolidated profit & loss account £'000
Turnover					
- existing operations		609,096	725,924	-	725,924
- acquisitions		9,460	-	-	-
Continuing operations	2	618,556	725,924	-	725,924
Cost of sales					
- existing operations		(478,839)	(574,756)	-	(574,756)
- acquisitions		(8,781)	-	-	-
Continuing operations		(487,620)	(574,756)	-	(574,756)
Gross profit		130,936	151,168	-	151,168
Other operating expenses	3	(101,922)	(114,342)	(3,930)	(118,272)
Operating profit					
- existing operations		28,849	36,826	(3,930)	32,896
- acquisitions		165	-	-	-
Continuing operations	2	29,014	36,826	(3,930)	32,896
Finance charges (net)	7	(16,400)	(20,743)	-	(20,743)
Profit on ordinary activities before taxation	8	12,614	16,083	(3,930)	12,153
Tax on profit on ordinary activities	9	(6,816)	(8,286)	1,179	(7,107)
Profit for the financial year being retained profit for the year	19	5,798	7,797	(2,751)	5,046

There were no recognised gains and losses other than the profit for the financial year.

The accompanying notes are an integral part of this consolidated profit and loss account.

Balance sheet

28 February 2001

	Note	Group		Company	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed assets					
Investments	10	-	-	251,092	280,292
Goodwill	11	128,163	133,820	-	-
Tangible assets	12	100,861	100,132	-	-
		229,024	233,952	251,092	280,292
Current assets					
Stocks	13	49,147	43,348	-	-
Debtors	14	113,200	96,423	9,782	5,522
Cash at bank and in hand		21	21,551	6	6
		162,368	161,322	9,788	5,528
Creditors: Amounts falling due within one year	15	(101,699)	(96,881)	(18,260)	(16,612)
Net current assets (liabilities)		60,669	64,441	(8,472)	(11,084)
Total assets less current liabilities		289,693	298,393	242,620	269,208
Creditors: Amounts falling due after more than one year	16	(166,128)	(181,689)	(165,690)	(180,154)
Provisions for liabilities and charges	17	(19,766)	(18,703)	-	-
Net assets		103,799	98,001	76,930	89,054
Capital and reserves					
Called-up share capital	18	92,955	92,955	92,955	92,955
Profit and loss account	19	10,844	5,046	(16,025)	(3,901)
Equity shareholders' funds	20	103,799	98,001	76,930	89,054

Signed on behalf of the Board

N I Hodges
Director

18 December 2001

The accompanying notes form an integral part of this balance sheet.

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of consolidation

The group accounts consolidate the accounts of Canandaigua Limited and its subsidiaries. The results of subsidiaries acquired are consolidated from the date on which control passed. Acquisitions are accounted for under the acquisition method.

No profit and loss account is presented for the company as permitted by S 230 Companies act 1985. The loss for the year attributable to Canandaigua Limited was £12,124,000 (15 months to 28 February 2000 – loss of £3,901,000).

c) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its useful economic life of twenty years. Provision is made for any impairment.

d) Tangible fixed assets

Tangible fixed assets are stated at cost to the group, net of depreciation and provision for any impairment in value. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life.

During the year, the group performed a review of the useful economic life of its fixed assets. The result of this review and change in useful economic life of classes of assets is not considered material. Depreciation is now provided at the following rates:

Freehold and leasehold buildings	-	10 – $33^1/_3$ years
Plant, machinery and vehicles	-	3 - 25 years
Fixtures, fittings, tools and equipment	-	3 - 10 years

e) Stocks

Stocks are stated at the lower of cost (including Customs and Excise Duty where incurred) and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving and defective items where appropriate.

In the case of beverages produced by the group, cost includes direct materials and labour together with appropriate overheads, incurred in brining the product to its present location and condition.

1 Accounting policies (continued)

f) Investments

Fixed asset investments are shown at cost less any provision for any impairment.

g) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All other exchange differences are included in the profit and loss account.

h) Turnover

Turnover consists of the value of goods and services supplied to customers outside the group, including duty and excluding VAT.

i) Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful economic life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments. Rentals relating to assets held under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

j) Taxation

UK Corporation tax is provided on amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences but only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions are always provided in full.

k) Pension costs

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect any variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Differences between amounts charged to the profit and loss account and amounts funded are shown as either accruals or prepayments in the balance sheet.

For the defined contributions scheme 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.

1 Accounting policies (continued)

l) Cash flow statement

The group has taken advantage of the exemption from preparing a cashflow statement, afforded by FRS 1 (revised), because Canandaigua Limited is a wholly owned subsidiary of Constellation Brands Inc., which prepares consolidated accounts which are publicly available and include a consolidated cashflow statement.

2 Segmental information

All turnover and profit originates in the UK. There are no material sales to customers outside the UK.

	2001			2000		
	Branded drinks £'000	Wholesale £'000	Group £'000	Branded drinks £'000	Wholesale £'000	Group £'000
Turnover						
Total	322,443	313,332	635,775	386,338	360,156	746,494
Less intersegmental sales	(17,219)	-	(17,219)	(20,570)	-	(20,570)
Sales to third parties	305,224	313,332	618,556	365,768	360,156	725,924
Operating profit before goodwill amortisation	28,477	7,700	36,177	33,780	8,037	41,817
Goodwill amortisation			(7,163)			(8,921)
Operating profit after goodwill amortisation			29,014			32,896
Finance charges (net)			(16,400)			(20,743)
Profit on ordinary activities before taxation			12,614			12,153
Net assets						
Segment net assets	116,370	34,888	151,258	109,194	24,783	133,977
Unallocated net liabilities			(47,459)			(35,976)
Net assets			103,799			98,001
Unallocated net liabilities comprise:						
Cash at bank and in hand			21			21,551
Pension prepayment			20,217			19,902
Bank loans and overdrafts			(594)			-
Finance lease liabilities			(822)			(1,306)
Provisions			(10,169)			(13,369)
Amounts owed to parent and fellow subsidiary undertakings			(184,275)			(196,574)
Intangible assets – goodwill			128,163			133,820
			(47,459)			(35,976)

3 Other operating expenses

	2001 £'000	2000 £'000
Sales and administration costs	94,759	105,421
Amortisation of goodwill	7,163	8,921
	101,922	114,342

4 Exceptional items

	2001 £'000	2000 £'000
Employee severance	-	242
Plant relocation, property and other costs	-	3,688
	-	3,930

Exceptional items in the period to 28 February 2000 related principally to the closure of the Taunton site and the transfer of production of cider to Shepton Mallet. The tax effect of exceptional items is shown in the consolidated profit and loss account on page 4.

5 Staff costs

The average monthly number of employees (including executive directors) was as follows:

	2001 Number	2000 Number
Production staff	395	451
Sales, marketing and distribution staff	1,073	1,079
Administrative staff	306	286
	1,774	1,816

Their aggregate remuneration comprised:

	2001 £'000	2000 £'000
Wages and salaries	36,944	45,643
Social security costs	2,957	3,778
Other pension costs	(155)	51
	39,746	49,472

6 Directors' remuneration

a) Remuneration

The remuneration of Robert Sands and Thomas Summer is disclosed in the accounts of the parent company, Constellation Brands Inc. These two directors were remunerated for their services to Constellation Brands Inc.

The remuneration of the other three directors is as follows:

	2001 £'000	2000 £'000
Emoluments	642	790
Company contributions to defined benefit pension schemes	16	31
Company contributions to personal pension schemes	100	124
	758	945

b) Pensions

The number of directors who were members of pension schemes was as follows:

	2001 Number	2000 Number
Defined benefit schemes	2	2

c) Highest paid director

The above amounts of remuneration include the following in respect of the highest paid director:

	£'000
Emoluments	344
Company contributions to personal pension schemes	86
	430

7 Finance charges (net)

	2001	2000
Investment income	£'000	£'000
Bank interest receivable	396	249
Interest payable and similar charges		
On bank loans and overdrafts	(411)	(1,518)
Amounts owed to group undertakings	(16,385)	(19,474)
	(16,796)	(20,992)
Finance charges (net)	(16,400)	(20,743)

Finance lease interest of £84,000 (2000 - £170,000) is included within interest payable above.

8 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets	7,561	10,353
Amortisation of goodwill	7,163	8,921
(Loss) profit on disposal of tangible fixed assets	(2,163)	107
Operating lease rentals		
- plant and machinery	498	479
- motor vehicles	3,307	5,145
Auditors' remuneration		
- audit services	-	110
- non audit services	20	55

The audit fee for the year ended 28 February 2001 was borne by the ultimate parent company.

9 Tax on profit on ordinary activities

The tax charge comprises:

	2001 £'000	2000 £'000
UK corporation tax	1,952	1,184
Deferred taxation	4,864	5,923
Adjustments in respect of prior years		
- current taxation	601	-
- deferred taxation	(601)	-
	6,816	7,107

The effective tax rate to the group has been increased because the goodwill amortisation of £7,163,000 (2000 - £8,921,000) is not deductable for corporation tax purposes.

10 Fixed asset investments

Company

	£'000
Cost	
At 1 March 2000	280,292
Repayment of capital contribution from Matthew Clark plc	(29,200)
At 28 February 2001	251,092

The company has investments in the following principal subsidiary undertakings, all of which are registered in England and Wales.

Name	**Holding**	**%**	**Principal activity**
Matthew Clark plc	88,520,498 ordinary shares of 25p each	100%	Intermediate holding company
Matthew Clark Brands Limited*	-	100%	Production, packaging and distribution of beverages
Matthew Clark Wholesale Limited *	-	100%	Wholesale distributor of beverages
Forth Wines Limited *	-	100%	Wholesale distributor of beverages

* indirectly owned

11 Intangible fixed assets - goodwill

	Group £'000
Cost	
Beginning of year	142,741
Additions	1,506
End of year	144,247
Amortisation	
Beginning of year	8,921
Charge for the year	7,163
End of year	16,084
Net book value	
Beginning of year	133,820
End of year	128,163

11 Intangible fixed assets – goodwill (continued)

a) Acquisition during the year – Forth Wines Limited

On 25 October 2000, the Group purchased all of the share capital of Forth Wines Limited, which operates in Scotland, for a cash consideration of £2,905,000. The aggregate net assets acquired and their fair values to the Group were as follows:

	Book value £'000	Adjustment £'000	Preliminary fair value £'000
Fixed assets			
Tangible assets	1,789	(989)	800
Current assets			
Stocks	4,205	(116)	4,089
Debtors	3,985	-	3,985
Cash at bank	7	-	7
Total assets	9,986	(1,105)	8,881
Creditors			
Bank loans and overdrafts	(2,537)	-	(2,537)
Trade creditors	(3,461)	-	(3,461)
Finance lease obligations	(123)	-	(123)
Accruals and other creditors	(1,233)	(28)	(1,261)
Total liabilities	(7,354)	(28)	(7,382)
Net assets acquired	2,632	(1,133)	1,499
Goodwill capitalised			1,506
Purchase consideration:			3,005
Satisfied by:			
- Cash			2,905
- Acquisition costs			100
			3,005

Adjustments primarily relate to the revaluation of fixed assets and accounting policy alignments. Preliminary fair values relate to fixed asset, stock and land and business acquisition costs. Any material adjustment to these balances will be recorded in the accounts for the year ended 28 February 2002.

11 Intangible fixed assets – goodwill (continued)

The summarised profit and loss account for the period 1 May 2000 to 27 October 2000 of Forth Wines is shown below:

	£'000
Turnover	12,689
Operating loss	(510)
Interest payable	(92)
Loss on ordinary activities before taxation	(602)
Tax on loss on ordinary activities	143
Loss on ordinary activities after taxation	(459)

There were no recognised gains and losses other than the profit for the period.

In the previous year ended 30 April 2000 the profit after tax of Forth Wines was £203,000.

12 Tangible fixed assets

Group

	Freehold land and buildings £'000	Short leasehold £'000	Fixtures, fittings tools and equipment £'000	Plant, machinery and vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost						
Beginning of year	21,815	1,755	5,865	81,050	-	110,485
Acquisition of subsidiary undertaking	506	-	79	215	-	800
Additions	254	45	1,434	6,868	1,853	10,454
Disposals	-	(134)	(186)	(2,854)	-	(3,174)
Reclassifications	2,196	6	265	(3,524)	1,057	-
End of year	24,771	1,672	7,457	81,755	2,910	118,565
Depreciation						
Beginning of year	522	139	966	8,726	-	10,353
Charge for the year	600	84	1,494	5,383	-	7,561
Disposals	-	(30)	(39)	(141)	-	(210)
End of year	1,122	193	2,421	13,968	-	17,704
Net book amounts						
Beginning of year	21,293	1,616	4,899	72,324	-	100,132
End of year	23,649	1,479	5,036	67,787	2,910	100,861

12 Tangible fixed assets (continued)

Freehold land amounting to £7,226,000 (2000 - £6,568,000) has not been depreciated. The net book value of assets held under finance leases within plant, machinery and vehicles was £1,362,000 (2000 - £2,277,000), and within fixtures, fittings, tools and equipment was £145,000 (2000 - £962,000). Depreciation on assets held under finance leases during the period ended 28 February 2001 was £812,000 (2000 - £1,109,000).

13 Stocks

Stocks

Stocks and work-in-progress comprise the following:

	2001 £'000	2000 £'000
Raw materials and consumables	7,220	7,700
Work in progress	3,499	4,015
Finished goods and goods for resale	38,428	31,633
	49,147	43,348

14 Debtors

	Group		Company	
	2001 £,000	2000 £,000	2001 £'000	2000 £'000
Amounts falling due within one year:				
Trade debtors	78,969	69,916	-	-
Amounts owed by Group undertakings	-	238	9,782	5,522
Other debtors	2,655	2,386	-	-
Prepayments and accrued income	11,359	3,981	-	-
	92,983	76,521	9,782	5,522
Amounts falling due after more than one year:				
Pension prepayment	20,217	19,902	-	-
	113,200	96,423	9,782	5,522

15 Creditors: Amounts falling due within one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank loans and overdrafts	594	-	-	-
Finance lease obligations	609	176	-	-
Trade creditors	33,038	34,963	-	-
Amounts owed to other group undertakings	18,585	16,658	18,260	16,612
Corporation tax	5,525	2,838	-	-
VAT, payroll tax and social security	7,667	7,735	-	-
Other creditors	10,001	10,844	-	-
Accruals and deferred income	25,680	23,667	-	-
	101,699	96,881	18,260	16,612

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Lease premium	225	405	-	-
Finance lease obligations	213	1,130	-	-
Amounts owed to other group undertakings	165,690	180,154	165,690	180,154
	166,128	181,689	165,690	180,154

Amounts owed to other group undertakings have no fixed repayment date and are interest bearing at market interest rates.

The maturity of net obligations under finance leases and hire purchase contracts is as follows:

Group	2001 £000	2000 £000
Within one year	609	176
In the second to fifth year	213	1,130
	822	1,306

17 Provisions for liabilities and charges

	Deferred taxation £000	Restructuring provisions £000	Total £000
Beginning of year	5,334	13,369	18,703
Charged to profit and loss account	4,263	-	4,263
Utilised in the period	-	(3,200)	(3,200)
End of year	9,597	10,169	19,766

Deferred taxation provided is as follows:

	2001 £'000	2000 £'000
Accelerated capital allowances	366	(2,522)
Other timing differences	9,231	7,856
	9,597	5,334

There is no unprovided deferred taxation at 28 February 2001 for the group or company.

Restructuring provisions include vacant property and onerous lease provisions on a lease that will expire in 2026.

18 Called-up share capital

	2001		2000	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of £1 each	200,000,000	200,000	200,000,000	200,000
Allotted, called-up and fully paid				
Ordinary shares of £1 each	92,954,506	92,955	92,954,506	92,955

19 Reserves

Group

	Profit and loss account £'000
Beginning of year	5,046
Profit for the financial year	5,798
End of year	10,844

Company

	Profit and loss account £'000
Beginning of year	(3,901)
Loss for the financial year	(12,124)
End of year	(16,025)

20 Reconciliation of movements in group shareholders' funds

	Group £'000
Opening shareholders' funds	98,001
Profit for the financial year	5,798
Net addition to shareholders' funds, being closing shareholders' funds at 28 February 2001	103,799

21 Financial commitments

The minimum annual rentals under operating leases are as follows:

	2001		2000	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Due within 1 year	100	142	21	7
Due within 2 – 5 years	174	287	154	244
Over 5 years	3,811	-	3,816	-
	4,085	429	3,991	251

The group had £5,250,000 (2000 - £4,269,000) of commitments under forward currency contracts at 28 February 2001 (company - £nil (2000 - £nil)).

The group had no capital commitments at 28 February 2001.

22 Pensions arrangements

The company and its subsidiaries currently operates the Matthew Clark Group Pension Plan. This plan is of the defined benefit type with assets held in Trustee administered funds separate from the company's finances. The company and its subsidiaries also contributed to certain personal pension plans.

Pension expense

The pension cost for the year ended 28 February 2001 was based on the actuarial valuations of the Matthew Clark Group Pension Plan and the Matthew Clark Group Executive Pension Plan carried out by independent actuaries as at 31 December 1998. On the advice of the Scheme Actuary the two Plans were merged with effect from 31 December 1999 and the Executive Plan's assets and liabilities were transferred to the Matthew Clark Group Pension Plan. The funding level of the combined Plans, on the assumptions stated below, as at 31 December 1998 was 134%. The combined market value of the assets at 31 December 1998 was approximately £117 million. The pension cost is assessed in accordance with a qualified actuary's advice.

The assumptions adopted for the purpose of SSAP 24 were as follows:

Long-term investment return	7%
Salary escalation	3.75%

Pension increases were allowed for in accordance with the Rules of the Plan and the past practice of granting discretionary increases.

22 Pensions arrangements (continued)

Contributions

On a discontinuance of the Plan, the market value of the assets would exceed the cost of securing the liabilities at the appropriate valuation date, assuming that cash equivalent transfer values were paid in respect of active or deferred members.

The most recent valuation of the Plans was carried out at 31 December 1998 using the projected unit method. The funding level of the combined Plans was 113%. The principal assumptions adopted were:

Long-term investment return	6%
Salary escalation	3.75%

The combined market value of scheme assets, excluding AVCs and money purchase benefits at 31 December 1998 was £117,050,000.

The company is currently not contributing to the Plan. The rate of contribution will be reviewed at the next actuarial valuation which is due at 31 December 2001.

23 Related parties

The group has taken advantage of the exemption in Financial Reporting Standard number 8 (Related Parties) not to disclose transactions with other group companies as the accounts of the ultimate parent company was available to the public.

24 Ultimate parent company

Constellation Brands Inc. is both the immediate and ultimate parent company of Canandaigua Limited. The only group in which the results of the group are consolidated is that headed by Constellation Brands Inc., a company incorporated in Delaware in the United States of America. Copies of these accounts are available from Investor Relations, Constellation Brands Inc., 300 Willowbrook Office Park, Fairport, New York 14450, or via www.cbrands.com.