

The Sydney Morning Herald

 [Print this article](#) |  [Close this window](#)

Accounting system still broken at Constellation

Eli Greenblat

Published: October 16, 2009 - 12:01AM

CONSTELLATION BRANDS, the parent of Australia's second-largest wine company, with labels such as Hardys, Banrock Station and Leasingham, has admitted that a defective accounting system at its Australian operation, first identified in February, has still not been fixed.

The company said yesterday that despite recent actions set down to remedy the financial irregularities testing was not complete, so neither the chief executive nor the chief financial officer could verify that the material weakness in its internal controls had been remedied.

The US-based Constellation Brands is seeking to offload three local wineries and more than 20 vineyard properties as part of its strategy to streamline its Australian business in the face of an international wine glut and cut its global workforce by 5 per cent.

Foster's, following a review of its winery operations this year, announced plans to dispose of 33 properties covering more than 7000 hectares of vineyards and land. To date it has sold 10 vineyards, or 25 per cent of assets for sale.

Constellation Brands' flawed reporting relates to bulk inventory accounts at its Australian wine business, specifically the reconciliation and review controls for vineyard farming costs, cost accumulation and finished goods by respective vintage year.

Reporting for the quarter to August 31, the company said it had implemented a number of corrective measures to deal with the accounting irregularity.

"However, while testing of these remedial actions is targeted for completion by the end of the company's fiscal year, the testing was not completed as of the end of the period covered by this report."

Constellation Brands warned that its wine, beer and spirits business faced big challenges in a tough competitive environment. It said the continued surplus of Australian wine had led many British retailers to create and build private label brands - on the back of cheap bulk wine - in the Australian wine category.

Net sales for the Constellation Brands wine division fell to \$US876.8 million for the second quarter of 2009-10 from \$US956.5 million in the 2008-09 second quarter, a fall of 8 per cent.

Constellation is one of the largest competitors in Australia to Foster's.

Shares in Constellation Brands ended yesterday unchanged at \$1.81.

This story was found at: <http://www.smh.com.au/business/accounting-system-still-broken-at-constellation-20091015-gz6q.html>