

Avalon Cellars Limited

Directors' report and financial statements

Registered number 2861140

For the year ended 28 February 2006

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of Avalon Cellars Ltd	3
Balance sheet	5
Notes	6

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 2006.

Principal activity

The principal activity of the company is the holding of investments in subsidiary undertakings.

Results and dividends

The company did not trade during the year (2005: £Nil).

The directors do not recommend the payment of a dividend (2005: £Nil).

Directors and directors' interests

The directors who served during the year were as follows:

C Carson (resigned 16 December 2005)
T Christensen (appointed 8 September 2006)
AT Colquhoun
T Creighton (resigned 8 September 2006)
NI Hodges (resigned 29 April 2005)
RD Peters (resigned 1 November 2005)
J Moramarco (appointed 21 Feb 2006)

The directors held no interests in the company during the year that required disclosure under Schedule 7 of the Companies Act 1985.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

The Guildway
Old Portsmouth Road
Artington
Guildford
GU3 1LR


AT Colquhoun
Secretary

22 December

2006

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.

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 Avalon Cellars Limited

We have audited the financial statements of Avalon Cellars Limited for the year ended 28 February 2006 which comprise the Balance Sheet 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 Avalon Cellars 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 2006 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

27/12/2006

Balance sheet
at 28 February 2006

	<i>Note</i>	2006 £000	2005 £000
Fixed assets			
Investments	4	201,387	201,387
Current assets			
Debtors – amounts falling due after one year	5	484	484
Net assets		<u>201,871</u>	<u>201,871</u>
Capital and reserves			
Called up share capital	6	-	-
Share Premium	7	201,871	201,871
Profit and loss account	7	-	-
Equity shareholders' funds		<u>201,871</u>	<u>201,871</u>

These financial statements were approved by the board of directors on *22 December 06* and were signed on its behalf by:

T. Christensen
T. Christensen
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

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

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Canandaigua Limited which prepares consolidated financial statements which are publicly available (see note 8). The company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

Investments

Investments in subsidiaries qualifying for merger relief are measured at cost (the nominal value of the shares issued as consideration plus expenses) less any provision for impairment. All other investments are held at cost, less any provision for any impairment.

Profit and loss account

During the financial year and the preceding financial year, the company did not trade, received no income and incurred no expenditure. Consequently during these years the company made neither a profit nor a loss and had no other recognised gains or losses. Hence, a profit and loss account has not been prepared.

2 Ordinary activities before taxation

The audit fee is borne by the ultimate parent company.

3 Directors' remuneration

The directors received no remuneration for their services to the company (2005: £Nil).

There were no staff directly employed by the company. As a result, there were no payroll costs during either year.

Notes (continued)

4 Investments

	Shares in group companies £000
<i>Cost</i>	
At beginning of year	201,387
Additions	-
	<hr/>
At end of year	201,387
	<hr/>
<i>Net book amounts</i>	
At end of year	201,387
	<hr/>
At beginning of year	201,387
	<hr/>

The principal trading subsidiary which is registered in England and Wales and incorporated in Great Britain is as follows:

<i>Name</i>	<i>Class and % of shares held</i>	<i>Principal activity</i>
Constellation Wines Europe Limited	Ordinary 100%	Distribution of beverages

5 Debtors

	2006 £000	2005 £000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	484	484
	<hr/>	<hr/>

Notes (continued)

6 Share capital

	2006 £	2005 £
<i>Authorised Equity</i>		
100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid Equity</i>		
42 ordinary shares of £1 each	42	42
	<u> </u>	<u> </u>

7 Reconciliation of movement in shareholders' funds

	Share capital £000	Share Premium £000	Profit and loss account £000	Shareholders' funds £000
At beginning and end of year	-	201,871	-	201,871
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8 Ultimate parent undertaking

The directors regard Constellation Brands Inc., a company incorporated in the United States, as the ultimate parent company.

Constellation Brands Inc., is the parent company of the largest group of which the company is a member. Copies of the financial statements are available from Investor Relations of Constellation Brands Inc., at 370 Woodcliff Drive, 3rd Floor, Fairport, NY 14450, USA.

The smallest group of which the company is a member is that headed by Canandaigua Limited. The consolidated financial statements of this group can be obtained from Companies House or the Company Secretary of Canandaigua Limited at Constellation House, The Guildway, Old Portsmouth Road, Artington, Guildford, Surrey, GU3 1LR.

As a subsidiary undertaking of Constellation Brands Inc., the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Constellation Brands Inc.