

Avalon Cellars Limited

Directors' report and financial statements

Registered number 2861140

For the year ended 28 February 2009

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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 principal activity of the company is the holding of investments in subsidiary undertakings. The directors intend that the company continue to be a holding company.

Results and dividends

The company did not trade in the current or prior years. The directors do not recommend the payment of a dividend (2008: £Nil).

Investments

During the year, the company issued shares to the immediate parent company, Constellation Europe (Holdings) Limited in exchange for cash. The issue was for total consideration £70,157,835. The company also made a capital contribution to its subsidiary undertaking, Avalon Cellars Two Limited, for the same consideration.

The company recognised an impairment loss of £149,901,000 (2008: £55,968,000). This reflected the identification of impairment indicators surrounding the future cash flows expected to be realised through the company's investments.

Directors and directors' interests

The directors, who served throughout the year except as noted, were as follows:

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

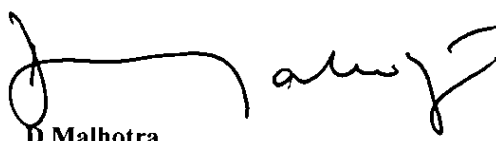
Statement of disclosure to auditors

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 he ought to have taken as a director to make himself 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 re-appointed and KPMG LLP will therefore continue in office.

By order of the board


D Malhotra
Secretary

The Guildway
Old Portsmouth Road
Artington
Guildford
GU3 1LR

19 September 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 Avalon Cellars Limited

We have audited the financial statements of Avalon Cellars Limited for the year ended 28 February 2009 which comprise the Profit and Loss Account, 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

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 2.

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 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 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

14 September 2009

Profit and loss account
for the year ended 28 February 2009

	<i>Note</i>	2009 £000	2008 £000
Impairment loss – investments	2,6	(149,901)	(55,968)
Loss on ordinary activities before taxation	3	(149,901)	(55,968)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year		(149,901)	(55,968)

The notes on pages 7 to 10 form part of the financial statements.

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

These results derive from continuing operations.

Balance sheet
at 28 February 2009

	<i>Note</i>	2009 £000	2008 £000
Fixed assets			
Investments	6	81,541	161,284
 Debtors – amounts falling due after one year	7	484	484
Net assets		<u>82,025</u>	<u>161,768</u>
Capital and reserves			
Called up share capital	8	1,400	1,400
Share Premium	9	410,727	340,569
Profit and Loss	9	(330,102)	(180,201)
Equity shareholders' funds		<u><u>82,025</u></u>	<u><u>161,768</u></u>

The notes on pages 7 to 10 form part of the financial statements.

These financial statements were approved by the board of directors on 14 Sept 2009 and were signed on its behalf by:

Helen M Glennie

H Glennie

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 228A of the Companies Act 1985 because it is a wholly owned subsidiary of Constellation Brands Inc. which prepares consolidated financial statements under US Generally Accepted Accounting Principles, and which are demonstrably equivalent to EU Endorsed International Financial Reporting Standards.

The Company is also, by virtue of Section 228A, exempt from the requirement of FRS 1 to present a cash flow statement.

Taxation

The charge for taxation is based on the profit or loss for the period 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 tax and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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.

2. Analysis of turnover and profitability

The Company has not traded in the year, therefore there has been no turnover for the year (2008: £Nil).

3. Loss on ordinary activities before taxation

The audit fee for both years was borne by the ultimate parent company.

Fees payable to the company's auditor:	2009 £000	2008 £000
Fees for the audit of the company	5	5
Other services: fees for the audit of the company's subsidiaries	152	163
fees for other services pursuant to legislation	102	91
	<hr/> 259	<hr/> 259
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Notes (continued)

4. Directors' remuneration

The directors received no remuneration for their services to the company during the year.

There were no employees or staff costs for the year.

5. Taxation

Analysis of charge/(credit) in period

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Tax charge on loss on ordinary activities	-	-
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Factors affecting the tax charge for the current period

The current tax charge/(credit) for the period is lower (2008: lower) than the standard rate of corporation tax in the UK of 28.17% (2008: 30%). The differences are explained below:

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(149,901)	(55,968)
	<hr/>	<hr/>
Current tax at 28.17% (2008: 30%)	(42,223)	(16,790)
	<hr/>	<hr/>
<i>Effects of:</i>		
Amounts not chargeable to income tax	42,223	16,790
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Total current tax charge (see above)	-	-
	<hr/>	<hr/>

Notes (continued)

6. Investments

	Shares in group companies £000
Cost	
At beginning and end of year	341,485
Additions	70,158
	<hr/>
At end of year	411,643
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Provision	
At beginning of year	180,201
Impairment	149,901
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At end of year	330,102
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Net book amounts	
At end of year	81,541
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At beginning of year	161,284
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The principal trading subsidiaries which are registered in England and Wales and incorporated in Great Britain are as follows:

<i>Name</i>	<i>Class and % of shares held</i>	<i>Principal activity</i>
Avalon Cellars Two Limited	Ordinary 100%	Holding company
Constellation Wines Europe Limited*	Ordinary 100%	Distribution of beverages
Constellation Europe Limited*	Ordinary 100%	Distribution of beverages
Western Wines Limited*	Ordinary 100%	Distribution of beverages

* indirectly owned

During the year, the company issued 100 ordinary shares with nominal value £1 each, for £701,578.35 per share, to the direct parent company, Constellation Europe (Holdings) Limited. The company also made a capital contribution to its subsidiary undertaking, Avalon Cellars Two Limited, for the same consideration.

The company recognised an impairment loss of £149,901,000 (2008: £55,968,000) in respect of its investment in Avalon Cellars Two Limited and indirect investment in Constellation Europe Limited.

Notes (continued)

7. Debtors

	2009 £000	2008 £000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	484	484

8. Share capital

	2009 £000	2008 £000
<i>Authorised</i>		
<i>Equity</i>		
2,000,000 (2008: 2,000,000) ordinary shares of £1 each	2,000	2,000
<i>Allotted, called up and fully paid</i>		
<i>Equity</i>		
1,400,142 (2008: 1,400,042) ordinary shares of £1 each	1,400	1,400

9. Reconciliation of movement in shareholders' funds

	Share capital £000	Share Premium £000	Profit and Loss £000	Shareholders' funds £000
At beginning of year	1,400	340,569	(180,201)	161,768
Premium on share issue (see note 6)	-	70,158	-	70,158
Loss for the year	-	-	(149,901)	(149,901)
At end of year	1,400	410,727	(330,102)	82,025

10. Ultimate parent undertaking

The directors regard Constellation Brands Inc., a company incorporated in the United States of America, 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 the Investor Center, Constellation Brands Inc., 207 High Point Drive, Building 100, Victor, NY 14564, USA.

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.