

Avalon Cellars Limited

Directors' report and financial statements

Registered number 2861140

For the year ended 28 February 2010



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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 2010

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 (2009 £Nil).

Directors and directors' interests

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

T Christensen
D Malhotra (resigned 2 March 2010)
D Klein (resigned 3 April 2009)
H Glennie (appointed 3 April 2009 and then resigned 2 March 2010)
F P Hetterich (appointed 11 March 2010)

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

28 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 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 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.



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 2010 set out on pages 4 to 9. 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 2, 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 result 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.

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

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

28 May 2010

Profit and loss account
for the year ended 28 February 2010

	<i>Note</i>	2010 £000	2009 £000
Impairment loss – investments	6	-	(149,901)
Result / (loss) on ordinary activities before taxation	3	-	(149,901)
Tax on result/ (loss) on ordinary activities	5	-	-
Result / (loss) for the financial year		-	(149,901)

The notes on pages 6 to 9 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

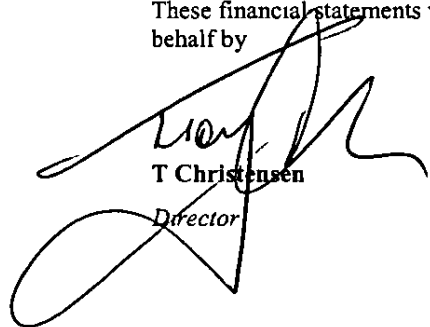
These results derive from continuing operations

Balance sheet
at 28 February 2010

	<i>Note</i>	2010 £000	2009 £000
Fixed assets			
Investments	6	81,541	81,541
 Debtors – amounts falling due after one year	 7	 484	 484
Net assets		82,025	82,025
Capital and reserves			
Called up share capital	8	1,400	1,400
Share Premium	9	410,727	410,727
Profit and Loss	9	(330,102)	(330,102)
Equity shareholders' funds		82,025	82,025

The notes on pages 6 to 9 form part of the financial statements

These financial statements were approved by the board of directors on ~~28 May 2010~~ and were signed on its behalf by



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 401 of the Companies Act 2006 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, on this basis, 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.

The carrying amounts of the company's investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

The recoverable amount of investments is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

2. Analysis of turnover and profitability

The Company has not traded in the year, therefore there has been no turnover for the year (2009: £Nil).

3. Result / (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:	2010 £000	2009 £000
Fees for the audit of the company	5	5
Other services: fees for the audit of the company's subsidiaries	155	152
fees for other services pursuant to legislation	96	102
	<u>256</u>	<u>259</u>

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

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Tax charge on loss on ordinary activities	-	-
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge/(credit) for the period is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28.17%). The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Result / (Loss) on ordinary activities before tax	-	(149,901)
	<hr/>	<hr/>
Current tax at 28% (2009 28.17%)	-	(42,223)
	<hr/>	<hr/>
<i>Effects of</i>		
Amounts not chargeable to income tax	-	42,223
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

Notes (continued)

6. Investments

	Shares in group companies £000
Cost	
At beginning and end of year	411,643
Provision	
At beginning and end of year	330,102
Net book amounts	
At end of year	81,541
At beginning of year	81,541

The principal 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 Brands Limited*	Ordinary 100%	Holding company
Constellation Europe Limited*	Ordinary 100%	Distribution of beverages

* indirectly owned

The company did not recognise any impairment during the year (2009 £149,901,000) in respect of its investment in Avalon Cellars Two Limited and indirect investment in Constellation Europe Limited

Notes (continued)

7. Debtors

	2010 £000	2009 £000
Amounts falling due after more than one year		
Amounts owed by group undertakings	484	484

8. Share capital

	2010 £000	2009 £000
<i>Authorised Equity</i>		
2,000,000 (2009 2,000,000) ordinary shares of £1 each	2,000	2,000
<i>Allotted, called up and fully paid Equity</i>		
1,400,142 (2008 1,400,142) 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	410,727	(330,102)	82,025
Result for the year	-	-	-	-
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

The company has taken advantage of the exemption provided by FRS 8 (as amended in December 2008) whereby disclosure is not required in the financial statements of subsidiary undertakings, 100 per cent of whose voting rights are controlled in the group, with entities that are part of the group or investees of the group qualifying as related parties