CO-OPERATING FOR A BETTER WINE SOCIETY
Our review of the year 2018/19
‘We want to be loud and proud about what we are’

Sarah Evans, Chairman
Review of the year

Proud to be a mutual

The overarching theme of this review is ‘what it means to be a mutual’ and what that means for you, the members. This will be familiar to many of you, but we think it’s worth repeating, especially for our newer members: this way of working (whether you call it mutual or co-operative – we do both) really is at the heart of the way we do things here.

We have used various phrases in the past such as ‘putting members first’ and ‘passion before profit’ to try to express our raison d’être. But none quite captures the essence of mutuality or why we believe so strongly in it. With no pressure from analysts or the financial markets, with no external shareholders calling for a rising share price or dividend streams, we can take the time to make measured business decisions which will hold good over the longer term and not fall into the trap of knee jerk actions which might deliver short-term results but are not sustainable. We don’t need to expand rapidly to satisfy shareholders, we don’t need to expand overseas or diversify away from our core business to generate more sales. What we need to do is to grow steadily, ahead of the rate of inflation, and to make sufficient profit (and cash) to allow investment into the business as, for example, technology changes.

Woven through The Society are numerous small things that we do which support the key tenets of mutuality and which make it work for you. At its most basic and obvious is our pricing where we are quite unlike any other retailer. We don’t use ‘loss-leaders’ or ‘deep discounts’. What we do is to give honest, everyday, consistent pricing across our whole range of wines.

And consistent doesn’t mean ‘high’. Several times a year someone says to me ‘I thought you would be more expensive but your pricing is really good’. Discounts always have to be paid for – usually by putting up the price of something else instead. So consistency and good everyday low pricing go hand in hand. As Jancis Robinson MW said last year; ‘The Wine Society is almost certainly the best UK retailer for value’; we wouldn’t have it any other way.

I’ve said before that we are often told we are a ‘best kept secret’. We used to be quite proud of that. But in today’s fast-paced, competitive world, to be a best kept secret is a recipe for disaster. Instead we want to be loud and proud about what we are, to shout about what makes us special and unique and to champion the joy of good wine.

Sarah Evans, Chairman
Proud to be recognised in industry awards

Our focus on members continues to pay off and this year we won several categories in the wine industry awards. For the seventh time in the last eight years, The Society was named as the Decanter Outstanding Retailer of the year. The overall comments were:

‘A fair few names were in contention for this ‘best of the best’ award, but ultimately it was the ‘sense of joy’ that won it for The Wine Society. Top buyers, great wines, good value, impeccable service, constant improvement and a real sense of community. It doesn’t get much better’

We were also honoured to be named IWC Wine Club of the Year 2018.

‘Another outstanding year for The Wine Society with a huge range of offers and countries explored. Clear benefits for members include myriad events and walkthrough tastings as well as extraordinary cellaring facilities’.

As a mutual, it’s recognition from our members that matters the most; but obviously it’s always a delight to receive accolades from our peers in the industry, and we hope they make you feel a sense of pride at being part of our very special wine community.
Overview of performance

It has been an extremely difficult year for the retail sector with several big high-street names disappearing or shutting large numbers of stores. Consumer demand is variable, high-street stores carry with them a huge overhead cost and the competition from online retailers is intense. The wine sector is not immune and only the week before writing this, it was announced that Oddbins had been put into administration for the second time in eight years. We do know that alcohol consumption per head is falling; slowly, but falling nonetheless. Delivery is a key battleground with customer expectations going up all the time, though at a substantial cost to the retailer. The challenges, therefore, are considerable.

Against this background, our financial performance remains reassuringly steady. Those aren’t words that you would normally read in an Annual Review. But with a focus on long-term trends not short-term targets, and the key measure of our success being member satisfaction not an increase in share price or dividend payment, ‘steady’ is appropriate.

Regular sales were up by about 3% compared with last year while turnover, which is stated after adjusting for en primeur sales invoiced to members in earlier years, was up almost 9% compared with 2017/18. Cases per member were slightly down again this year and the number of active members this year was flat compared with last year. Together, this meant that total volumes sold were slightly down compared with 2017/18 but as we have seen in recent years, average case price rose again.

This year we had good cost control and no unexpected defined benefit pension charges (2017/18 £1.5m) giving profit before tax of £1.6m compared with £978k last year. We were unable to declare a dividend again this year because the profit and loss account remains in deficit, but a prepayment of cash into the pension scheme has enabled us to reduce the tax payable this year.

Cash balances remain strong but we are planning for substantial capital spend in the next few years including on our IT system and Warehouse 5, and will plan to use those balances for that expenditure.

All in all a satisfactory performance in a challenging retail environment.

More detail is provided in the summary financial statements on pages 20 to 23.

New CEO and Executive team

We were delighted when our new CEO, Steve Finlan, joined us early in January. Steve’s appointment followed a thorough recruitment process involving an external firm and all members of the Committee. We were unanimous in our view that Steve was the right person for the job.

Steve brings with him a wealth of experience relevant to us including strategy, retail, warehousing and distribution and HR. As you might expect, Steve has spent his first few weeks immersing himself in the business and getting to know the teams. I’m delighted to say that he has been enthusiastically received by everyone he has met. Steve’s focus in the early months will be to draw up a new strategy for The Society, focusing on how we spread the joy of good wine, how we
modernise the business to secure it for the long term and how we celebrate our unique proposition for you, the members.

The role of CEO was held on an interim basis by Liz Cerroti, Head of Service and the Member Experience whom many of you will know. Liz has worked at The Society for over 30 years, is well respected across the business and knows it very well indeed. Because Steve was held to his full six month notice period, Liz held the interim role for about 11 months and did an outstanding job throughout that time. Carrying a huge workload of the interim CEO role as well as her ‘day job’ Liz led the Executive team with confidence, delivering several important projects and initiatives that we had agreed. On behalf of the Committee, I should like to thank Liz for her diligence, hard work and very positive impact that she made on The Society and the staff during 2018.

Another big ‘thank you’ goes to Pierre Mansour, Head of Buying who has stood in as Head of Marketing since July 2018 when Matthew Kirk, the former head, left The Society. A new CEO should be involved in the appointment of a senior member of the team and so we decided that Pierre lead marketing on an interim basis. He has done an outstanding job. In fact, putting Buying and Marketing ‘under one roof’ for a period of time has brought all sorts of benefits, led to better understanding and coworking, and will help to shape our thinking for the future.

Finally, I would like to welcome Belinda Spies, who has been appointed as Head of Finance. Belinda joined us in 2017 on an interim basis to cover for Richard Shorrocks who was on long term leave. In 2018 we were delighted to make that a permanent appointment. Belinda has previously worked at PC World/Dixons and Bathstore so comes with lots of retail experience which she is putting to good effect at The Society.

Other significant appointments

In January this year we were delighted to welcome Valentine Steadman as Company Secretary & Legal Counsel. This is the first time that The Society has had an in-house Legal Counsel and reflects the ever-increasing regulation that all businesses face as well as the increasing complexity of contracts and the penalties that can be faced if things go wrong.

The final new appointment this year to share with you is the appointment of new auditors. Grant Thornton had served as our auditors for approximately 15 years but good governance suggests that periodic changes are important. After a competitive tender process, in which we invited seven firms to pitch for the audit work, we appointed a team from the St Albans office of PricewaterhouseCoopers. The new team will be available for you to meet at the AGM when you will also be asked to approve their appointment.

Committee

We have more changes this year on the Committee as Katherine Douglas stands down. Katherine is a head teacher and has recently qualified as a schools inspector: a role which is enormously demanding but which gives her much less control of her diary. With regret she has decided that she must therefore step down from the Committee and I am sad to see her go. Katherine has been a hugely valuable member of the Committee, bringing a different perspective, adding enormously to
our thinking about ‘engagement’ and challenging us to think about how we educate members about wine. Our best wishes go with Katherine as she pursues the next, important, stage of her career.

Since the last AGM we co-opted Eleanor de Kanter to the Committee. Eleanor runs her own digital marketing consultancy and therefore brings, not only, insight into the perspective of younger members but also directly relevant professional experience.

The Annual Review: all change in 2019

You will see that this Annual Review is very different from previous ones. This year we have included only summary financial statements in this document [see pages 20 to 23] and we have taken out the Buyers’ Reports. All the key information of profit and loss, the balance sheet and the cash flow statement is included in the summary financial statements so that you can see how The Society has performed. But the long and technical notes to the accounts are no longer contained here. Instead we have filled this review with reports and stories from all around our business aimed at sharing with you what it means to be a co-operative and how that affects how we do business.

Ever-changing accounting reporting – mainly aimed at public companies and investors – has driven a huge increase in the number of pages needed for the full accounts and accompanying notes.

This year, by including only summary financial statements we have freed up 23 pages to use to tell you more about The Society. The full statements with all the notes to the accounts are available online at thewinesociety.com/finance. Alternatively, call Member Services on 01438 741177 to request a copy.

The Buyers’ Reports have been a popular part of the Annual Review for as long as I can remember. But rather than have a fixed report, which will date quite quickly, we think it’s better to have them available online (visit thewinesociety.com/buyers-reports) where they can be updated as the year goes on. So those too are gone from this review, to be replaced by what I hope you will find to be interesting and informative views from around the business about what it is to be a mutual and insights from some of our suppliers of how they find doing business with The Society.

Investment for a sustainable future

Steve Finlan and the Executive team have a number of important issues to work through in the months ahead including significant investments in our warehouses, on our IT systems and digital platform, along with our delivery proposition and building on our popular tastings programme.

Stocking up for Brexit, for example, has put even more pressure on already full warehouses, reducing their efficiency and adding to costs. We secured some warehouse space away from Stevenage to cope with the extra stock but it has brought to the foreground the need for more space and better warehouse systems. As a consequence we are actively assessing the most appropriate time to begin building our new warehouse (Warehouse 5) for which we already have planning permission. We expect to be in a position to say more by the time of the AGM in June.
DELIVERY CONTINUES TO BE A KEY FOCUS AS MEMBER EXPECTATIONS INCREASE. OUR POPULAR ‘CLICK & COLLECT’ SERVICE WAS SUSPENDED DURING THE YEAR WHEN OUR SUPPLIER WITHDREW FROM THIS TYPE OF OPERATION BUT I’M PLEASED TO SAY THAT, FOLLOWING A TAKEOVER OF THAT SUPPLIER, IT HAS NOW BEEN REINSTATED AND THIS YEAR WE’LL BE THINKING ABOUT HOW WE MIGHT EXPAND THE SERVICE AND MAKE IT EVEN MORE CONVENIENT FOR YOU TO USE.

AN IMPORTANT DEVELOPMENT IN DELIVERY IS TO INTRODUCE DYNAMIC ROUTING TO OUR ROUTE PLANNING. UNTIL NOW, OWN VAN DELIVERY ROUTES HAVE BEEN PLANNED ON STRICT POSTCODE AREAS. DYNAMIC ROUTING WILL MEAN THAT WE CAN PLAN DELIVERIES IN A MUCH MORE EFFICIENT WAY SO THAT, IN TIME A HIGHER PROPORTION OF ORDERS WILL BE DELIVERED BY OUR OWN VAN FLEET. THIS IS VERY POSITIVE AND WE LOOK FORWARD TO DYNAMIC ROUTING BEGINNING IN THE FIRST HALF OF THIS YEAR.

A SMALL WORD OF WARNING THOUGH – IT IS LIKELY THAT IT WILL TAKE A BIT OF TIME TO BED IN FULLY. THE NATURE OF ‘DYNAMIC’ ROUTING IS THAT IT IS...DYNAMIC. OUR UNDERSTANDING AND USE OF IT WILL EVOLVE AND PATTERNS WILL BEGIN TO EMERGE. IN THE EARLY WEEKS/MONTHS, HOWEVER, WE WON’T BE ABLE TO TELL YOU UNTIL A COUPLE OF DAYS BEFORE YOUR CHOSEN DELIVERY DATE, WHAT SORT OF TIME THE DELIVERY IS LIKELY TO BE.

IN OTHER AREAS, INVESTMENT IS NEEDED IN OUR IT SYSTEMS AND IN OUR WEBSITE AND DIGITAL OFFERINGS. WE URGENTLY NEED TO INVEST IN OUR WEBSITE TO MAKE IT MORE USER FRIENDLY. THE SYSTEM HAS SERVED US WELL BUT IT HAS EVOLVED OVER TIME AND NOW I CAN ONLY DESCRIBE IT AS ‘CLUNKY’ AT BEST. IN A FAST-PACED WORLD, WE NEED TO BE FAST PACED TOO.

WE ALSO NEED TO INVEST IN OUR MEMBERSHIP AND IN OUR FUTURE MEMBERS. RELYING ON MEMBERS TO HELP US RECRUIT FRIENDS, FAMILY AND COLLEAGUES HAS SERVED US INCREDIBLY WELL FOR A VERY LONG TIME, BUT IN AN INCREASINGLY COMPETITIVE LANDSCAPE, EVEN THAT STRATEGY NEEDS A BIT OF HELP! WE’LL BE TRYING OUT SOME NEW INITIATIVES THIS YEAR TO ATTRACT NEW MEMBERS; YOU MAY NOT LIKE ALL OF THEM AND IF THAT IS THE CASE, I AM SORRY. BUT BEAR WITH US, IT IS IMPORTANT TO TRY. IF THEY WORK; GREAT. IF THEY DON’T WORK, WE’LL TAKE A FRESH LOOK.

I AM EXCITED ABOUT WHAT THE FUTURE HAS TO OFFER FOR THE SOCIETY AND ITS MEMBERS. WE HAVE A UNIQUE BUSINESS MODEL THAT HAS SERVED US WELL SINCE 1874. SO LONG AS WE MOVE WITH THE TIMES, MAKE APPROPRIATE INVESTMENT IN OUR BUSINESS, OUR SYSTEMS AND OUR PEOPLE, WE CAN LOOK FORWARD WITH CONFIDENCE.
Over 145 years, more than 140,000 members, 1,500 wines and counting and still doing things better together!

Being a co-operative is at the heart of everything we do at The Wine Society, and we’re proud of the way it’s helped us to run our business over the last 145 years. Of course, when we say our business, it’s not just about our CEO or board of directors. This business belongs to you, and we want to keep our shared passion for good wine at the heart of the way we do things.

How we’re run

Run by and for their members, co-operatives don’t have to answer to external shareholders, so can focus their efforts on keeping members happy over and above churning profit. They are driven by shared principles – in our case, to champion the joy of good wine for our wine-loving members across the UK and beyond.

Our strongly held principles

Whenever we make decisions that will affect members, we refer to our Core Principles. These are a list of non-negotiable values that make The Society special. They’re rules that exist to keep us distinctive and true to ourselves, and are at the heart of the way we’re run. They include:

1. A co-operative is owned by its members, for its members, not by external shareholders
2. Members get a say in how the co-operative is run, with decisions made by an elected Committee
3. Because maximising profit isn’t a priority, money can go back into making services better and prices fairer for the members.

- We don’t maximise profits: we can put profits back into fairer prices and better services for you.
- We sell only to members: we don’t make profits or compromise our principles by selling to restaurants, wine bars or otherwise ‘on-trade’ outlets.
- A member can own a maximum of one share: this means that no member has an unfair advantage when it comes to buying wine or the service they receive.
- Our buyers choose wine based on quality and value alone: our buying team is truly independent, only interested in buying bottles they think you’ll enjoy.
- We set out only to sell wine that suits a member’s needs, avoiding the hard sell: our Member Services team aren’t incentivised with bonuses or commission, so they’re free to recommend the right wines for you.
Buying wines we really believe in

When The Society was founded in 1874 our mission was clear – to find ‘wines hitherto unknown’ for our adventurous members. So how do we keep our curiosity stoked and our quest for quality strong 145 years later? We spoke to the people that know.

“We can vouch for every single wine we ship”

Pierre Mansour, Head of Buying

‘It takes great skill to whittle down the hundreds of thousands of wines made around the world and identify the select few that we are willing to put on our List. Our buyers (with nearly 150 years of experience between them) have the freedom to spend more time getting their feet dirty in vineyards, fostering relationships with winemakers, than any wine retailer in the UK. It means we discover great wines long before anyone else and, in many instances, we influence production methods and get back-door access to hone a wine’s style so that it matches the high standards that members expect from us. Our Society labels are often our own blend (rather than well-known brands that have to bear the cost of advertising and wholesalers’ mark-ups).

We’re also able to vouch for every single wine we ship (we never buy from the dubious grey market) and our reputation for paying growers on time and negotiating fair prices (for our members and suppliers) means we are regarded with the utmost respect by the international wine trade.

We’re able to invest in keeping stocks of fine wines when they are first released, and to mature them in the ideal storage conditions of our cellars until ready to drink. No other wine merchant does this to the same extent as The Wine Society.

Take all these ingredients and you have what I firmly believe to be a range of wines with immense depth and choice that is cutting edge and market leading. Why would you buy wine anywhere else?’
‘In most companies the ‘right’ price is the highest one you can get away with!’

Louisa Peskett, Merchandising Manager

‘I’ve been a Merchandiser for 25 years so I’ve seen first-hand that in most companies the ‘right’ price is the highest one you can get away with! But here we aim for the fairest – nearly always the lowest – price possible.

I love that some of the guiding aims of the business aren’t to grow fast or make bigger profits but to reduce our margins. In 2012, for example, we performed better than expected and made more money than we forecast. This windfall wasn’t squandered on dividends and bonuses, but instead we simply reduced our prices to return the money to members. It was the right thing to do.

We also want to make sure our range is a real treasure trove for people wanting to explore the world of wine. It’s what we’re all about! We make sure that you can discover hidden gems that you wouldn’t find in the supermarket, while also giving you the confidence to explore more, whether that’s a Uruguayan tannat, Hungarian kékfrankos or Greek xinomavro – as long as it respects our buying ethos of ‘quality over everything’.

Annual Review 2019
'Good growers aren’t in it just for the money'

Sebastian Payne MW, Buyer for Italy

‘One of the things I have discovered over 30+ years of buying for The Wine Society is that good growers aren’t in it just for the money. Of course they want to make a living and be respected by their peers. They also take great pride in making good wine. One proof for them of that success is a satisfied customer who returns to see them each year. Knowing that they are selling to an organisation owned and run for the benefit of real wine drinkers is an extra pleasure.

For them and for me the fact that we are owned by the people who drink the wines we buy, that we are totally independent of outside shareholders with different interests and that we are financially sound is extremely important. There really is no other organisation in the wine world quite like The Wine Society, and I have been extremely fortunate to be part of it and to work alongside colleagues who feel the same.'
‘We’re a community that embraces a shared love of the land’

Mac Forbes, the winemaker behind our Blind Spot range

‘From our farming through to working with customers, what’s non-negotiable for me is respect and an eye to the longer term. The thing I love above all else in this industry are the proper relationships built over time. The Wine Society has become the finest example of a business in the 21st century that can succeed based on respect and valuing longer-term relationships. It offers members and suppliers the opportunity to be involved in a community that embraces a shared love of the land and celebrates the great joy its delicious fruits provide us with. It’s a privilege to work with you.’

‘It’s great to see a younger generation of wine lovers joining The Society’

Chris Williams, Cellarmaster at Meerlust Estate, Stellenbosch, South Africa

‘It is such a pleasure to work with The Wine Society, not only because of your extensive membership of wine lovers, but also because of the professionalism and deep wine knowledge of all the staff. I particularly enjoy your tastings where I can interact directly with the people who drink our wines, and it has been great to see a younger generation of wine lovers joining The Society and appreciating what we make.

Your strategy to store wines under optimal conditions for release at the peak of maturity is particularly impressive. We know you can look after our wines perfectly and offer them to the members when they are at their best.’
Bringing you the best service possible

We want to make shopping with us as enjoyable as possible, from ‘add to basket’ to opening the bottle. So how do we ensure a smooth ordering journey? We asked the people that make it happen…

‘A genuine connection with our members is so important’

Isobel Cooper, Member Services Manager

‘I always feel so proud when we receive feedback from our seasonal workers after Christmas – approachable, friendly, fun… they’re all the words you want to hear! It’s important to us to foster that culture of positivity and trust within our team and to extend that same respect to our members too. That means we won’t upsell you a bottle of wine, or treat a higher-spending member preferentially, and we’re able to give you impartial honest wine advice because our advisers aren’t incentivised with bonuses or commission. Our advisers are also funded through their Wine and Spirit Education Trust (or WSET) exams, so you can be sure you’re getting great advice on choosing your next wine.

Of course breakages, traffic dramas and unforeseen circumstances mean that we don’t get it right all of the time, but our Delivery Management team try to pre-empt problems before they even happen, and if something does go wrong we’ll always do our best to put things right.’
'We have one of the best jobs in the world!'

**Emma Briffett, Tastings & Events Co-ordinator**

‘The Tastings team probably interact with our members more than anyone else at The Society and we get to travel the length and breadth of the land to do it. From Truro to Inverness, Swansea to Kings Lynn and everywhere in between, it’s a vital part of our role to connect and engage with members all over.

We’re actively encouraged to experiment with different styles of events and to try out new themes, which help to keep the programme fresh. Until recently, walkaround tastings with or without growers and dinners have been our staples, but now we are increasingly hosting tutored tastings and dinners on a whole host of topics. Natural wine anyone? No? Then how about a tutored tasting on the Languedoc or Spain? Or a cookery course in the New Forest? The world of wine is ever changing, vibrant and fun, and it’s up to us to bring this joy to our members – and to have a blast doing it!’
'We’re always trying to find innovative new ways to help'

Nicky Glennon, Head of Digital Marketing

‘2018 saw us make lots of changes to our website and we hope you agree that it’s helped to put members at the heart of the digital experience.

We’re constantly looking for ways to make the website more relevant and personalised for you; our new Wine Selector tool, which we created last year, is a great example of this, helping you to choose from our range based on the flavours and styles of wine you love at any price point. We also launched our Discovery pages back in October, with an eye to bringing you recipes, guides and grower stories in an attractive and easy-to-use format.

It’s been a busy few years of change digitally. Our new member homepage, designed to be completely personalised to your needs, was launched back in 2017, the same year as our online Community, with much more going on behind the scenes.

So, are you going to see even more changes to our site in the near future? Yep! It’s a fast-paced world and in order to keep our unique membership of wine lovers growing we need to keep pace with what members have come to expect from a modern website. But we’re always trying to find innovative new ways to help you – and we’re looking forward to taking you on the journey with us.’
‘If the members are happy, then I’m happy too’
Austin Foley, Society driver since 1987

We stand for community and family spirit, which is really important when the human touch is sadly in short supply in daily life – never mind in the retail industry! Most of my members are regulars and some I have known for over 30 years. They give me their keys, recipes and tales of their families. We exchange recommendations about films, music, theatre, holiday destinations, restaurants – and yes, frequently wine! There is never a day goes by without the shine on my shoes receiving a comment and a smile.

The members I speak to love that we trust them – if they don’t like a wine it can be returned without question, and this respect is reciprocated to an amazing level. Our members like a touch of class and can spot naff or ‘dumbed down’ at a hundred paces.

It reflects exactly why I like working for The Society; it’s civilised, intelligent, friendly and unique. And of course, if the members are happy, then I’m happy too!’
AUTHENTICITY AND TRUST

Authenticity and trust

The thing about bold claims around integrity and principles is that you have to back them up; luckily that’s no problem for us! New CEO Steve Finlan and Committee member Thomas Foster tell us how they keep members at the heart of everything we do.

‘Authenticity and trust will see us through the next 145 years’

Steve Finlan, CEO

"A bottle of good wine, like a good act, shines ever in the retrospect," said Robert-Louis Stevenson. So, wine, like music, art or theatre is food for the senses. The retrospect is of joy, of memories, of occasions, of friends and family. Wine accompanies these life experiences.

Championing the joy of good wine by providing members with the highest quality of wines and services at the best possible prices is our purpose. A purpose that the whole team is committed to delivering, on behalf of an equally committed membership who understand that wine brings joy to the senses, who understand that there is no better buying team anywhere across the globe and who appreciate the efforts we all go to to provide an outstanding overall experience.

I was very taken by the rigour of the Committee in making sure that I fully understood what joining a mutual organisation would entail during my interview process. Of course, I thought that I already did. After all, it is easy to find references to the benefits of mutuality. Over the years we, as a Society, regularly remind our members of these benefits. All of our employees ‘get it’ and this drives them every day to select the best quality and value in wines or offer the most outstanding service.

Mutuality is many things, but authenticity and trust are the two qualities I would pick out. It is this authenticity and trust that, with your support, will carry us through the next 145 years.'
'It’s an exciting time to be on the Committee!'

Thomas Foster, Committee member

‘The Society has been present in my life for as long as I can remember. Like many, my father is a member and gifted me membership in my early 20s. From having grown up with household staples such as The Society’s White Burgundy I was now able to buy it myself!

What I have always loved and admired about The Society is the buyers. Their exuberance, passion and individual character comes flooding across in the fantastic wines they source. It is through their guidance, their knowledge and their relationships that I feel able to buy with such confidence. It is like having your own tutor or personal shopper to support you through the buying experience!

And now I am privileged to be able to meet all of them and support the great work of The Society through the Committee. My experience over the last year has been fascinating as I have learnt more about the business, its operations and the challenges of communicating our unique position in the wine world in a rapidly changing consumer landscape. I have great confidence in the plans and work to date of the Executive Team to meet these challenges and to let the world know about the joy of The Wine Society.

It’s an exciting time to be on the Committee!'
Finance report

The focus, from a finance perspective, in 2018/19 was on cost containment and ensuring that The Society’s year end balance sheet was sufficiently strong to support our new CEO as he embarks on a strategy that will involve making a number of necessary, as well as exciting, new investments in the business.

The Society also had to navigate the potential financial risks associated with the UK’s pending exit from the European Union, both from a foreign currency perspective and in planning for potential supply disruption, for which we have increased stocks of our most popular wines while coping with the ongoing challenges of operating with warehouses that are at capacity. I am pleased to report that the business managed these risks very effectively.

We decided this year to send members only summary financial statements (the full financial statements and audit opinion are available online at thewinesociety.com/finance). This has not only allowed The Society to reduce its print costs but, more importantly, means that we can focus more of the Annual Review on the areas that we consider are of most interest to members, rather than increasingly complex but not particularly illuminating financial reporting disclosures.

Profit and loss account

Revenue for the year of £106m (2017/18 £97m) was up 9% reflecting an improvement in sales mix, which more than offset a decline in cases per member, while active membership numbers remained relatively flat.

Regular sales were up modestly year on year, en primeur sales, which, in our statutory accounts, is based on the wines that are available for delivery to members (primarily the 2015 vintages from Rhône, Burgundy and Bordeaux) rather than new en primeur sales, had a strong year. The decision this year to increase the number of countries from which The Society now offers wines en primeur proved very popular with members and will help to ensure continued good en primeur sales going forward.

Gross profit margin of 19.9% was up on last year (2017/18 18.9%), due largely to the stronger sales mix, administrative expenses rose by 3.7%; however the prior year benefitted from a credit of £1.498m relating to the closure of the defined benefit pension scheme to future accruals such that on a like for like basis, administrative expenses are actually down 5%, reflecting the significant efforts to manage costs.

After applying the tax charge for the year of £65k (2017/18 £151k), The Society reported a profit after tax of £1,502k (2017/18 £827k).
**Balance sheet**

There were no major capital investments this year. Stock levels however have increased, due to stocking up ahead of potential Brexit disruption and decisions to lay down keeping wines, both from strong recent vintages and selected wines for release in our 150th anniversary year. During the year, The Society undertook a review of the wines on offer to ensure that we continue to offer a diverse range of regular wines while at the same time minimising our dependency on expensive third-party outside storage.

Cash of £13.8m (2017/18 £14.7m) remains healthy while The Society continued to make meaningful contributions towards reducing the defined benefit pension scheme deficit. Some of the cash balance will however be deployed over the next few years as we make significant investments in the business. Prudent cashflow management during this time will be an important focus.

**Dividends, capital and reserves**

As reported two years ago, the significant adjustments relating to the defined benefit pension scheme resulted in a deficit on the retained profit and loss account. This year’s profit for the year has reduced the deficit to £(845)k (2017/18 £(2,997)k) but has nevertheless meant that we are unable to declare a dividend for the year. The overall shareholders’ funds of £33.9m (2017/18 £31.2m) remain strong.
Independent auditors’ statement to the members of The International Exhibition Co-operative Wine Society Limited

We have examined the summary financial statements included within the Annual Review for the year ended 25 January 2019, which comprises, the profit and loss account, the balance sheet as at 25 January 2019, the statement of changes in equity and cash flows for the year then ended.

Respective responsibilities of the directors and the auditors
The directors are responsible for preparing the Annual Review, in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, which includes information extracted from the full annual financial statements of The International Exhibition Co-operative Wine Society Limited for the year ended 25 January 2019.

Our responsibility is to report to you our opinion on the consistency of the summary financial statements, included within the Annual Review, with those full annual financial statements.

This statement, including the opinion, has been prepared for and only for The Society’s members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion
Our examination involved agreeing the balances disclosed in the summary financial statements to full annual financial statements. Our audit report on The Society’s full annual financial statements describes the basis of our opinion on those financial statements.

Opinion
In our opinion the summary financial statements are consistent with the full annual financial statements of The International Exhibition Co-operative Wine Society Limited for the year ended 25 January 2019.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory auditors
9 April 2019
## Profit and loss account

For the year ended 25 January 2019

<table>
<thead>
<tr>
<th></th>
<th>2018/19 £’000</th>
<th>2017/18 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Revenue</strong></td>
<td>106,059</td>
<td>97,367</td>
</tr>
<tr>
<td>Less: Value added tax</td>
<td>(16,294)</td>
<td>(15,335)</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>89,765</td>
<td>82,032</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(71,940)</td>
<td>(66,509)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>17,825</td>
<td>15,523</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(16,337)</td>
<td>(15,756)</td>
</tr>
<tr>
<td>Other defined benefit pension charges</td>
<td>-</td>
<td>(1,498)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>1,488</td>
<td>1,265</td>
</tr>
<tr>
<td>Other income and charges</td>
<td>100</td>
<td>(10)</td>
</tr>
<tr>
<td>Movement in fair value of forward currency contracts</td>
<td>(21)</td>
<td>(277)</td>
</tr>
<tr>
<td><strong>Profit on ordinary activities before taxation</strong></td>
<td>1,567</td>
<td>978</td>
</tr>
<tr>
<td>Taxation</td>
<td>(65)</td>
<td>(151)</td>
</tr>
<tr>
<td><strong>Profit after taxation</strong></td>
<td>1,502</td>
<td>827</td>
</tr>
</tbody>
</table>

Gain/(Loss) on defined benefit obligations | 650 | (297) |

**Total comprehensive gain for the year attributable to the members** |

<table>
<thead>
<tr>
<th></th>
<th>2018/19 £’000</th>
<th>2017/18 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after taxation</td>
<td>1,502</td>
<td>827</td>
</tr>
<tr>
<td>Dividends appropriated during the period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Retained profit</strong></td>
<td>1,502</td>
<td>827</td>
</tr>
</tbody>
</table>

## Memorandum of appropriation

<table>
<thead>
<tr>
<th></th>
<th>2018/19 £’000</th>
<th>2017/18 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after taxation</td>
<td>1,502</td>
<td>827</td>
</tr>
<tr>
<td>Dividends appropriated during the period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Retained profit</strong></td>
<td>1,502</td>
<td>827</td>
</tr>
</tbody>
</table>
### Balance sheet

As at 25 January 2019

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£'000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Plant property and equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9,370</td>
<td>9,145</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>40,577</td>
<td>38,059</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>17,786</td>
<td>6,302</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>13,845</td>
<td>14,652</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>(46,994)</td>
<td>(34,776)</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td>25,214</td>
<td>24,237</td>
</tr>
<tr>
<td><strong>Total fixed and current assets less creditors excluding pension liability</strong></td>
<td>34,584</td>
<td>33,382</td>
</tr>
<tr>
<td><strong>Pension liability</strong></td>
<td>(837 )</td>
<td>(2,599)</td>
</tr>
<tr>
<td><strong>Deferred tax on pension liability</strong></td>
<td>142</td>
<td>442</td>
</tr>
<tr>
<td><strong>Net assets including pension liability</strong></td>
<td>33,889</td>
<td>31,225</td>
</tr>
</tbody>
</table>

### Capital and reserves

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£'000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share capital</strong></td>
<td>8,364</td>
<td>8,076</td>
</tr>
<tr>
<td><strong>Share premium account</strong></td>
<td>4,370</td>
<td>4,071</td>
</tr>
<tr>
<td><strong>Accumulated profit account</strong></td>
<td>14,677</td>
<td>14,710</td>
</tr>
<tr>
<td><strong>Sales discount account</strong></td>
<td>7,311</td>
<td>7,353</td>
</tr>
<tr>
<td><strong>“A” shareholders reserve fund</strong></td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td><strong>Profit and loss account</strong></td>
<td>(845 )</td>
<td>(2,997)</td>
</tr>
<tr>
<td><strong>Shareholders’ funds</strong></td>
<td>33,889</td>
<td>31,225</td>
</tr>
</tbody>
</table>

The financial statements were approved and authorised for issue by the Committee on 9 April 2019 and signed on its behalf by:

E S Evans, Chairman  
T Wright, Deputy Chairman  
K Brown, Chairman of the Finance Subcommittee  
V Steadman, Secretary
Cash flow statement

For the year ended 25 January 2019

<table>
<thead>
<tr>
<th></th>
<th>2018/19 £’000</th>
<th>2017/18 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the financial year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and gain / loss on disposal of plant property and equipment</td>
<td>816</td>
<td>838</td>
</tr>
<tr>
<td>Other income and charges</td>
<td>(100)</td>
<td>10</td>
</tr>
<tr>
<td>Movement on non-basic financial instruments held at fair value through profit and loss</td>
<td>21</td>
<td>277</td>
</tr>
<tr>
<td>Taxation</td>
<td>-</td>
<td>457</td>
</tr>
<tr>
<td>Curtailment gain in relation to the closure of the scheme to future accrual</td>
<td>-</td>
<td>(1,487)</td>
</tr>
<tr>
<td>Deficit of employer contributions over amounts charged to profit and loss</td>
<td>(1,273)</td>
<td>(2,194)</td>
</tr>
<tr>
<td><strong>Net cash from operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in inventories</td>
<td>(2,518)</td>
<td>(4,989)</td>
</tr>
<tr>
<td>Decrease in trade and other receivables</td>
<td>560</td>
<td>495</td>
</tr>
<tr>
<td>Increase in current liabilities</td>
<td>232</td>
<td>5,685</td>
</tr>
<tr>
<td>Cash (used in)/ generated from operations</td>
<td>(695)</td>
<td>70</td>
</tr>
<tr>
<td>Income taxes received/(paid)</td>
<td>264</td>
<td>(532)</td>
</tr>
<tr>
<td><strong>Net cash from operations</strong></td>
<td>(431)</td>
<td>(462)</td>
</tr>
</tbody>
</table>

**Cash flows from investing activities**

<table>
<thead>
<tr>
<th></th>
<th>2018/19 £’000</th>
<th>2017/18 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of plant property and equipment</td>
<td>(1,053)</td>
<td>(438)</td>
</tr>
<tr>
<td>Sales of plant and property</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Rent received</td>
<td>103</td>
<td>86</td>
</tr>
<tr>
<td>Interest received</td>
<td>62</td>
<td>36</td>
</tr>
<tr>
<td><strong>Net cash from investing activities</strong></td>
<td>(888)</td>
<td>(315)</td>
</tr>
</tbody>
</table>

**Cash flows from financing activities**

<table>
<thead>
<tr>
<th></th>
<th>2018/19 £’000</th>
<th>2017/18 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares issued to new members</td>
<td>599</td>
<td>644</td>
</tr>
<tr>
<td>Shares cancelled</td>
<td>(87)</td>
<td>(90)</td>
</tr>
<tr>
<td><strong>Net cash from financing</strong></td>
<td>512</td>
<td>554</td>
</tr>
</tbody>
</table>

**Net change in cash and cash equivalents**

<table>
<thead>
<tr>
<th></th>
<th>2018/19 £’000</th>
<th>2017/18 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at start of year</td>
<td>14,652</td>
<td>14,875</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>13,845</td>
<td>14,652</td>
</tr>
</tbody>
</table>
The Society’s Committee†

Alan Black
I spent my career in an international law firm. The Society is the most wonderful institution; there is no better place from which to buy wines. Serving on the Committee is both a privilege and extremely enjoyable.

Ken Brown
I have over 30 years experience in investment banking and accountancy, and board experience in e-commerce. I am passionate about the quality of wines our buyers select and the uniqueness of our proposition in the market, as a member-owned mutual, not driven by profit.

Paula Carter
I have been an enthusiastic and active member of The Wine Society for 26 years, exploring wines from all around the world at tastings and by buying from the regular mailings. Now an elected member of the Committee, I bring expertise in digital channels, governance and engaging with young audiences.

Eleanor de Kanter*
I started my career at Deloitte, before going on to work across a variety of digital engagement, marketing and transformation roles. During the Olympics, I developed the strategy for the Mayor’s international marketing programmes, and in 2017, I set up Agensi, a digital strategy consultancy.

Katherine Douglas
As a headteacher; with a background in school improvement and technology, I bring a range of experience and insight in the areas of organisational development, governance and member engagement. I am an enthusiastic explorer of the breadth and diversity of The Society’s offer.

Sarah Evans
I bring expertise in accounting and governance and my job is to lead the Committee. I love that, as a mutual, we focus on members ahead of profit. My wine tastes are broad and my cellar is full of wines from the Rhône, Burgundy and the USA.

Steve Finlan*
I am somebody that is insatiably curious. I have spent my career seeking out different experiences and opportunities. Now at The Wine Society, I am excited to join an organisation that is as insatiably curious as I am! The joy we share will help us to ensure that we flourish over the next 145 years.

Michael Findlay*
I have over 28 years’ experience in advising companies on strategy, financing and corporate governance. A member of The Wine Society since my early 20s, I am passionate about its values and the wide range of good and affordable wines.

Thomas Foster*
My background is in building and running consumer businesses at BT and the RAC, experience which I hope will help The Society as it looks to acquire a new generation of members. I love wine for its great variety and I continue to learn and experiment; where better to do that than The Society, the best source of high-quality, great-value wines you can find?
Ricard Giner-Sariola
I have over 20 years’ experience of working in international education marketing, with a strong background in digital. Quality, value and mutuality are my favourite Society strengths, and I love all good wine, especially Priorat, Rioja, Piedmont, Rhône, Burgundy and the new world.

Mike Thompson
As a classically trained marketeer I’m passionate about differentiation and the inherent strengths we have in our values as a mutual. I continue to learn about wine and I’m currently enthusing about the wines of Spain, and re-discovering the Rhône.

Tim Wright
I have worked for over 35 years in retail and finance. My specialism is in human resources and I also have experience in corporate governance, pensions, finance, property and marketing. I have a longstanding love affair with the Roussillon area, its Catalan culture and, of course, its wines.

Executive management
Steve Finlan
Chief Executive
Liz Cerroti
Service and the Member Experience
Belinda Spies
Finance
Tim Grist
Operations
Pierre Mansour
Buying and Marketing
David Marsh
Information Systems
Valentine Steadman
Company Secretary & Legal Counsel

AGM
The Society’s 145th AGM will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Monday 10th June 2019 at 5.30pm.

Key to subcommittee membership
- Appointments & Remuneration
- Risk & Compliance
- Finance
- Marketing
- Chairman
- Chair of subcommittee
- Co-opted member

† As at the end of the financial year 25 January 2019

For more information on our governance and management, see thewinesociety.com/governance
Creative Coop are a design, branding and web development co-operative, who specialise in working with co-operatives, the public sector, charities and social enterprises. They created our front cover using ideas based on our values and principles to illustrate what makes us so proud to be a co-operative.

thewinesociety.com
01438 741177
The Wine Society, Gunnels Wood Road, Stevenage SG1 2BT

Registered name: The International Exhibition Co-operative Wine Society Limited
Registered number: 1824R