The Wine Society

Annual Review & Buyers' Report

2011 - 2012

AGM

The Society's 138th AGM will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Monday, 11th June 2012 at 5.30pm.

Committee

Sarah Evans *Chairman*

George Jeffrey *Deputy Chairman*
*Alan Black
Stephen Bourne
Katherine Douglas
Guy de Froment
*Robert Graham-Harrison
Luke Nunneley
Michael Schuster
Mike Thompson

*Co-opted members

Executive Management

Richard Shorrocks *Acting Chief Executive*

Liz Cerroti *Member Services*
Matthew Kirk *Marketing*
David Marsh *Information Systems*
Sebastian Payne MW *Buying*
Richard Shorrocks *Finance*
Peter Styne *Operations*
Tim Sykes *Buying (from 19/3/12)*

David Caunce *Company Secretary & Data Protection Officer*

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thewinesociety.com/annualreview

Chairman's report

2011 was very important for The Society: a year in which we were awarded the two top wine merchant awards in the UK, we reduced our margins for the second year running, a record number of new members joined us and helped to deliver a record level of sales despite challenging economic conditions and we appointed a new Chief Executive and a new Head of Buying.

We continue to believe that our mutual status enables The Society to focus on what is important to its members without the distraction or cost of satisfying outside shareholders.

Economic background

The economy in the UK was in some ways a repeat of 2010: very low interest rates, inflation running far ahead of the Government's target, volatility in the equity markets, uncertainty about the housing markets and a continued squeeze on public finances. During the autumn there was an increased focus on the health of the eurozone and real concern and debate over its survival. One thing that all politicians and economists appear to agree upon is that we will continue to have a low-growth economy for a number of years.

Happily, The Society is not interested in growth maximisation but continues to focus on providing members with quality wine and associated services at minimum added cost.

This approach is reflected in the financial performance of The Society which showed that turnover increased but gross profit decreased as we reduced margins, so giving better value for money to members. The number of cases sold during the year increased by 8% compared with the prior year and active membership, that is the number of members who trade with us regularly, was up by 6%.

It was pleasing to see that members continued to enjoy the savings in duty and VAT offered through our showroom in Montreuil, France, where dozens bought by members were 8.5% ahead of last year. Sales through our showroom at Stevenage were up by 10%. Details of the financial performance are given in the Finance Report (pages 10-11).

New members

The Society's performance this year has been driven both from the buying patterns of existing members and by the new members who have joined us this year. We were delighted in 2011/12 to welcome 13,269 new members: a record number. The Society does not advertise; the majority of new members come though personal recommendation or word of mouth, with gift membership also proving a useful source. A good inflow of new members is important for The Society allowing organic growth and demonstrating to suppliers that The Society is a vibrant business and enabling us to reduce our margins as volumes increase.

In recent years we have spent rather more time on public relations: interacting with wine journalists and introducing them to The Society and our wines. Members tell us that they enjoy reading about The Society in the press and that it tempts them to try new wines that are featured. We believe that these press mentions have raised the general awareness of The Society and been one of the catalysts behind the higher numbers of new members.

A lunch we hosted in Stevenage to introduce wine bloggers to The Wine Society

"Drinking well and spending less in 2012 will be nigh on impossible for hard-hit wine drinkers, owing to duty hikes and the lousy sterling-euro exchange rate. So canny wine drinkers can increase their odds by cracking open lesser wines from traditional regions and buying wines from off the beaten track. The wise old Wine Society, a non-profitmaking co-operative founded in 1874 in the Albert Hall, has been following both purchasing routes for years."

Jane MacQuitty, *The Times*, March 2012

Awards for The Society

The inflow of new members was also helped by The Society's success in the wine industry awards this year. We were absolutely delighted to be named as the International Wine Challenge 'Merchant of the year' and, in the same month, by *Decanter* magazine in their retailer awards as 'National Wine Merchant of the Year', their highest accolade.

"...They do everything well, from entry point own label to offering some of the best wines in the world...Their offerings range from wines sold En Primeur to great mature vintages, cellared in that wonderful warehouse. They sell over 600,000 cases a year to 110,000 clients. Their wine-list is diverse and well-researched. The Wine Society is gloriously traditional but right up to date – a proper, authentic wine merchant."

IWC Merchant of the Year

(Left to right) Head of Tastings Ewan Murray, the IWC's Charles Metcalfe and Society buyer Marcel Orford-Williams

"We were impressed by The Wine Society's confidence in the buyers' tastes – they back their choices, and their palates are some of the UK's most consistent and reliable… The Wine Society's commitment to good-value wines and small growers is not just a 19th-century virtue: despite the increase in VAT and duty, The Society has held its prices on 80% of the range, with June 2011 prices almost identical to December 2010."

Decanter National Wine Merchant of the Year

Sarah Evans receiving the Decanter National Wine Retailer of the Year award from judge Anthony Rose

The Society also achieved top billing in a *Which?* online consumer survey of wine clubs. The Society was the head-and-shoulders winner with overall satisfaction of 86%, compared with just 64% for the next closest.

"Ultimately, it's the quality of the wines that separates the best from the rest, and in our customer satisfaction survey of 12,286 Which? members, one club stood out. The Wine Society was the only wine club to achieve 5 stars for quality, and also topped the bill for its range of wines, delivery and managing orders."

Which? May 2011

The theme common to all these awards is The Society's focus on quality, service and value. As a mutual, with no outside shareholders to satisfy with high dividends or capital growth, we seek to manage the business to generate only sufficient profit and cash to reinvest back into the business to enhance our service to members.

The Society seeks to offer the best overall value of any wine retailer and we work hard to price our wines competitively. Where our financial performance allows it, we return surpluses by reducing margins and not passing on inflationary and duty rises to members.

This approach can be seen in comparing our prices in December 2010 with prices in December 2011. During this period we increased the price of 233 wines (29% of the range), reduced the price on a small number and maintained the price on 552 wines. This was despite the increase in VAT in January 2011, the duty rise in April and inflation running at nearly 5%.

Thanks to the strong support of existing members and the higher-than-expected number of members joining in 2011/12, we have been able to reinvest surpluses into the business and reduce our margins for the second year running. We have also maintained prices in the January 2012 List at their pre-Christmas rates and even reduced the price of more than 300 wines.

New senior appointments

Our mutual status and the ethos of The Society were important elements for our new Chief Executive and new Head of Buying, both of whom were recruited towards the end of 2011.

Robin McMillan takes over the role of CEO on 1st May 2012 from Oliver Johnson who left after seven successful years with The Society to pursue other personal interests.

Robin joins us from Berry Bros. & Rudd where he has been Chief Operating Officer since 2006. He joined BB&R in 1994 and he performed a number of roles including Retail Director with responsibility for all stores, internet and direct sales and leading or supporting business development initiatives in Japan, New York, Dublin and Hong Kong. As Chief Operating Officer and a member of the BB&R Ltd Board he had a broad remit across operations, strategy, HR, sales, customer service and logistics.

On his appointment Robin said:

"I consider myself fortunate to be joining a great organisation such as The Wine Society. The mutual model demands an overriding focus on members and service rather than profits and growth. It is almost unique in the wine trade, making it a very attractive prospect with, I believe, greater further potential. I am tremendously excited about working to ensure that we provide and enhance services that are relevant to members whilst continuing to offer outstanding value for money."

New Chief Executive Robin McMillan joins in May

At last year's AGM I announced to members that after 27 years, Sebastian Payne would be stepping down as Head of Buying and that the search for his successor would begin. Arguably this is the most important role in The Society and the most prestigious in the UK wine industry; we were delighted by the calibre of candidates applying.

Sebastian Payne MW who steps down as Head of Buying after 27 years

Tim Sykes joined in March

Tim Sykes joined as our new Head of Buying on 19th March. After qualifying in law from the Sorbonne, Tim served a proper fine-wine apprenticeship with La Vigneronne and OW Loeb before joining Enotria as French buyer in 1996. Shortly after that he took on New World purchasing and was appointed Director of Buying in 2004.

It is a testament to the Executive Team at Stevenage how well The Society has not only managed, but has evolved and thrived, during this period of change. My thanks to them all but in particular to Head of Finance, Richard Shorrocks, who took on the role of acting Chief Executive in August 2011.

Richard Shorrocks, Head of Finance

Sebastian Payne

2012 will be a year of considerable change for The Society, not least as Sebastian steps back from his role as Head of Buying, a position he has held since 1985.

Sebastian developed an enjoyment and appreciation of fine wine at Oxford University and decided at an early stage to make wine his career choice, rather than following his father into the legal profession. He learned how to taste and negotiate while working with Fred May who specialised in German and Hungarian wines. At the suggestion of Chairman Edmund Penning-Rowsell, he joined The Society in 1973 as Promotions Manager; a role in which he had to taste all the wines in order to be able to write about them for the List. Sebastian became a Master of Wine in 1977 and was appointed as The Society's buyer (there was only one at that time) in 1985.

Since then The Society's wine reputation has gone from strength to strength driven by Sebastian's passion for good quality wine and his desire to find wine that members will enjoy drinking.

Though he is stepping down from the role of Chief Buyer, we are delighted that Sebastian will continue to work as one of the buying team, finding delicious and exciting wines for members to enjoy.

Sebastian Payne in 1973 when he joined The Society. He has been chief buyer since 1985

Service enhancements

One of the key service enhancements introduced this year was additional delivery options bringing greater choice and flexibility.

With member expectations raised by what is available elsewhere we must make delivery as accurate and as flexible as we can. In areas serviced by our dedicated van fleet, members are now able to choose from a list of possible dates on which delivery is free. Next-day delivery charges have reduced and a new name-your-day service has been introduced for a small charge. Improved technology means we are able to plan our routes better and predict the delivery window with reasonable accuracy so that we can advise members in advance.

Members can now choose a 'name-the-day' service from carriers and a new evening/weekend service is also available for deliveries inside the M25.

For those members living and working in London, delivery has long been a problem with nowhere safe to leave the wine during the day. To help, members can now choose to have their wine delivered in the evening or at the weekend.

As with all the services we introduce, we will continue to monitor these closely to ensure adequate take-up by members and that they remain cost effective, so helping with our overall mission of supplying members with wine and associated services at minimum added cost.

Corporate governance

During the year, we made a number of changes to the Sub Committees which support the Committee to ensure that they focus on the issues that are key to The Society. We have also begun a thorough review of the Rules; a process which will be finalised in the course of this year. Members will be consulted on any proposed changes to the Rules before being asked to vote on them at a future General Meeting.

The Committee continues to believe that the mechanism of co-opting members to the Committee allows The Society to benefit from the experience and expertise that our members have to offer. This year we decided to extend the co-option of Alan Black, a senior partner at Linklaters, a leading law firm, and Robert Graham-Harrison, a retired civil servant who spent much of his career in international development.

SARAH EVANS
Chairman

Finance Report

Overview

Although the general UK economic scene was gloomy with very low GDP growth, high inflation and increasing levels of unemployment, Sterling remained stable compared with the euro, albeit with slight falls against both US and Australian dollars. However, The Society enjoyed very healthy sales of both regular and *en primeur* wines to members; the profits of the latter, because of accounting rules, will be reported in future years when the wines are delivered.

Profit & Loss Account

With highest ever case sales and a record number of members purchasing during the year, the combination of deliberately reducing margins by just under 2% and members seeking more value meant that gross turnover only increased marginally to £69.2m (2010/11 £68.9m), while the increased rate of VAT from 17.5% to 20% meant that turnover after VAT was reduced by approximately £1 million to £57.8m. This reduction was also partly a result of the lower opening offer sales of 2008 Clarets compared with the 2007 Clarets delivered and invoiced last year.

Administrative expenses increased by 7%, in part because of staff, social security and pension costs and reflecting a small increase in overall staff numbers. Other operating costs were higher due to higher credit card processing charges, professional fees from the triennial actuarial valuation, recruitment and the effects of inflation. Also, last year establishment costs included a rates rebate.

Dividends & taxation

The further action taken by The Society to reduce margins and return value to members, resulted in a profit on ordinary activities before tax of £0.7m (2010/11 £2.4m).

The Committee declared a dividend of 2% (£0.4m compared with £1.0m in 2010/11) [note 6 to the financial statements] and this was transferred to the members' accumulated profit account [note 15 to the financial statements]. The effect of this dividend was to limit the tax on current activities to £61,000 which, taking a deferred tax credit to the profit and loss account of £32,000, gave a tax charge for the year of £29,000 [note 5 to the financial statements]. Retained profit was £0.3m (£1.3m 2010/11).

Balance Sheet

With minimal fixed asset additions in 2011/12 and the depreciation charge being higher than the value of net additions, the value of fixed assets declined slightly.

Current assets were more than £10 million ahead of those at the end of 2010/11, due largely to a combination of increased opening offer stocks and cash and reduced opening offer prepayments.

Liabilities increased by £10 million, largely due to the increased value of deferred opening offer sales following the successful 2010 Claret offer.

Pensions

There were no changes to the Defined Contribution pension scheme; The Society's contribution was £142,000 compared with £96,000 in 2010/11.

The Society received the result of the triennial valuation of the defined benefit pension scheme carried out as at 1 February 2011, which showed a surplus of £1.0 million. Under FRS 17, which is calculated on a different basis to the full actuarial valuation, the scheme has a surplus of £1.39m (2011: £5.16m). As a result of the triennial valuation The Society's regular contribution to the scheme was increased from 18.5% of active members' salary to 19.4%, which resulted in a payment of £0.6m (2010/11 £1.6m, which included an additional contribution of £1.0m) [note 12 to the financial statements].

The triennial surplus reflects both the changes in the financial situation, actuarial assumptions and returns and the high level of additional contributions made by The Society to the pension scheme since the previous triennial valuation in 2008, which showed a deficit of £2.3m.

GEORGE JEFFREY
Deputy Chairman

Wine Buyers' Reports

The most dramatic improvements in wine quality of the last five years have come from the heartland of wine production, Europe. Suddenly the smart white wine buys have been found in Italy, Spain, Portugal and the south of France. Meanwhile, reds from less famous areas of these countries (regions such as Abruzzo, Basilicata, Calatayud, Yecla, Alentejo, the many corners of Languedoc-Roussillon and the outlying 'Côtes' vineyards of Bordeaux) have been continually delighting us. Many of the most enjoyable wines are made from indigenous local grape varieties best suited to the local climate and now being treated with the respect they deserve. Best of all they are often excellent value for money.

Diogo Campilho, winemaker at Quinta da Lagoalva taking whites to new heights in Portugal's Tejo region

The wake-up call came more than 20 years ago from Australia which delivered consistently generous ripe-flavoured cabernet, shiraz and chardonnay. Their flying winemakers were invited to Europe and began giving the vats in the cellars they worked in what one winemaker called 'a bloody good scrub'. The runaway success of the last decade and more has been the explosion of wonderfully drinkable wines from Chile and Argentina whose progress we continue to chart and enjoy. South Africa, as Joanna Locke reports, is picking up the baton. Here too great value and interest can be found for wine drinkers.

Catalunya, source of many of Spain's new fresh whites

Wine Society buyers continue to take the justly famous regions of Burgundy, Bordeaux, the Rhône and Champagne extremely seriously. Both the 2009 and 2010 vintages in France were splendid opportunities to buy fine wines for laying down. But the good news for wine drinkers is that we are finding so many delicious wines at affordable prices elsewhere as well, as you will discover in the following reports.

SEBASTIAN PAYNE MW

ALSACE

Marcel Orford-Williams

Alsace is separated from the rest of France by the Vosges mountains. They have a crucial part to play as a splendid weather break ensuring that Alsace enjoys very low annual rainfall. Indeed the city of Colmar is the second driest in France after Perpignan.
The climate is cool and the growing season long – perfect conditions for growing grapes. Geology is complex in Alsace and over a thousand years or so, growers have been able to observe which grape variety is best matched to each type of soil. Most Alsace wines are the product of just one grape variety and are marketed as such. And so the joy of Alsace is discovering the countless flavours and wine types, and The Society, buying from more than a dozen producers, has an unrivalled selection. Indeed, our Alsace range was voted the country's finest at the International Wine Challenge 2011, for the fourth consecutive year.

The International Wine Challenge 2011 once again voted The Society's Alsace range the country's finest, for the fourth consecutive year

2006 was the last indifferent vintage. Everything since has been extremely good and the early reports are that 2011 has real promise.

ARGENTINA

Toby Morrhall

2011 was a cool vintage, like 2010, and has produced some of Argentina's best-ever whites. The harvest was about two weeks later than usual and grapes were picked with lower sugar levels (less potential alcohol), fresher acidity and with more intense aromatic compounds than usual. Reds are lovely too; fragrant and balanced.

Our own-label Exhibition Malbec 2009, made for us by Catena, has turned out very well. 2009 was a warm year which produced rich and ripe wines. Working with Alejandro Vigil, Catena's head winemaker, we blended some lovely, structured malbec from the clay soils of Agrelo which supports the ripe fruit. The wine is proving very popular with members.

Old-vine malbec is a speciality of Argentina and both Mendel wines, Mendel Malbec and Mendel Unus, come from two different vineyards planted in 1928, whilst the Fabre and Montmayou Grand Vin comes from a vineyard at Compuertas, planted in 1908. The unforced concentration from old vines, which produce fewer but beautifully balanced grapes, makes weighty yet silky textured wine.

AUSTRALIA

Pierre Mansour

As the Australian wine scene matures, the diversity and quality of its wines continue to evolve. Australia has become an excellent source of hand-crafted wines, the result of constant tweaking and improvement both in vineyard management and winemaking style. We reported last year on the revolution in Australia's chardonnays, which continue to impress us with their subtlety, careful oaking and drinking pleasure; the Exhibition Tasmanian Chardonnay is a delicious example of this 'Mod Oz' style. In the reds, we are currently offering the 2009s, a lovely vintage both in South and Western Australia.

New this year, we unveil our 'Blind Spot' range made by the brilliant young-gun Mac Forbes. Selling for £8.50 or less per bottle, they include a single-vineyard Mornington Peninsula chardonnay, a shiraz-cabernet and GSM (grenache-shiraz-mourvèdre blend) from Victoria, plus a few other eclectic wines that we think members will love.

Finally, on a celebratory note, we congratulate the Osborn family at d'Arenberg on reaching the incredible milestone of 100 years of winemaking. If you are unable to make the celebrations planned in London and Cheshire, fear not as Chester Osborn has crafted two special cuvées exclusively for members to enjoy at home.

AUSTRIA

Joanna Locke MW

Interest in Austrian wines has been growing internationally, thanks to the Wine Marketing Board's sterling promotional efforts, and, more importantly, to the quality of the wines. Those lucky enough to visit the top rank of restaurants will see that informed young sommeliers are excited by what they find in the bottle, and Austrian wines, which match such a wide variety of dishes, are regularly offered by the glass, especially in their dessert form (try the new Beerenauslese from Umathum). Slightly improved shipping and exchange rates have helped us to list more affordable wines too, such as the Rieden Selection Grüner.

BEAUJOLAIS

MO-W

Beaujolais is on a roll. If 2010 produced very good wines, 2011 is perhaps even better thanks to a perfect Indian summer. A run of good vintages and positive sales have helped give confidence to the region. New laws have come into force which will strengthen the region's position, so crus such as Moulin-à-Vent or Fleurie will no longer be allowed to downgrade to Bourgogne Rouge.

BORDEAUX

JL

Château de Camarsac in the Entre-Deux-Mers celebrates its 700th anniversary this year. Charming Bordeaux Supérieur from the charming Lurton family.

Bordeaux has seen an exceptional run of vintages over the last few years. 2011 is clearly not of the quality of 2009 or 2010 and brought extraordinary conditions which threw just about everything at growers and winemakers. Those who rested on their (after the last couple of years, well-polished!) laurels, will have had a difficult time. As ever, those who watched and took the right decisions at the right time during the growing cycle produced the best results. We have heard rumour that some Bordelais are claiming to have made better wine in 2011 than in 2010, but we have not met one yet. We will rigorously re-taste the wines from April this year.

Drinkers of the 'real' Bordeaux – those more modestly priced, but regionally characterful wines – are spoilt for choice. These wines are not only well represented in our List but celebrated in our first growers' tastings of these wines in June, attended by representatives of some of your favourite Bordeaux families. The majority of these wines are now from 2008 and 2009, representing respectively classically well-made fresh, firm wines alongside more seductive, sweeter-fruited examples.

2007 is the vintage that has surprised us most of late. At a comprehensive tasting of 2007 *crus classés* last autumn, we were delighted by just how well these wines are developing in bottle. Sebastian Payne e-mailed his preferences for earlier drinking last year and we will build on our updated body of tasting notes for further offers over the medium term. 2006s are coming round, whilst many 2005s – and certainly those from the great properties – are still far too young to drink in our view. 2004 remains the vintage of the moment, with more wines expressing the charm of early to mid-maturity. There are not many 2001s around but we will be offering these delicious, more opulent wines when they are ready. 2000 produced a solid structure that continues to benefit from bottle maturation. 2003s are generally rich and ready to go; 2002s, in a more classic fragrant, light to medium style are starting to drink well now.

BURGUNDY TM

We always wait for the malolactic fermentation to occur (the subject of a January 2012 blog post on SocietyGrapevine.com where all is explained) before judging a Burgundy vintage. So we will give our views on the 2011 vintage this time next year.

2010 is a lovely vintage for both colours which is at once concentrated, due to low yields, and fresh, as the weather was quite changeable. Virtually everything is good, so buy with confidence. We will soon be moving on to the lovely red and white Exhibition Saint-Aubins from Henri Prudhon. Our bottling of the new and delicious little Côte Chalonnaise Cuvée Le Levraut is an excellent example of the rich yet fresh virtues of the vintage, as is the very reliable old favourite Mallory and Benjamin Talmard Mâcon-Villages.

Otherwise the ripe 2009 vintage has produced accessible wines, many of which will be delicious early, yet the best will keep well. Even at modest levels 2009 Burgundy is successful for whites as well as for reds. Nicolas Potel's Maison Roche de Bellene, Cuvée Réserve, 2009 (red) is a little star, as is the red Marsannay from Sylvain Pataille.

The 2006 red wines are drinking well now at *village* or *premier cru* level. White wines from 2005 and 2006 are mature. The more austere 2007s are lovely now, as are the fruitier but well-constituted 2008 whites, which are outstandingly good, combining an overt concentrated fruitiness with lovely balancing acidity.

CHAMPAGNE & SPARKLING WINE MO-W

Wine should always give pleasure and sparkling wine all the more so. Later this year, our excellent sparkler from Sumarroca will be re-baptised as The Society's Cava to join the Saumur and Crémant de Loire at the head of our own range. The fun element will come from Italy where we have rediscovered true Lambrusco and will be offering two new wines: a food-friendly dry red and an absurdly refreshing pink.

With an Olympic summer ahead and Jubilee celebrations as well, everyone should have some good Champagne at the ready. There will be lots to choose from. Among the great Houses, Louis Roederer is absolutely on song and we gave all the Alfred Gratien wines, including The Society's Champagne, very high marks when we tasted 30 Champagnes blind just before Christmas.

Grower Champagnes continue to grab headlines and we have spent the last year expanding our range of these exceptional artisan wines.

CHILE

TM

2011 was a cool year in Chile, like 2010. Yields were low, down 15–25%, due mainly to poor fruit-set at flowering, which effectively improves quality by lowering the crop level. Grapes ripened at lower sugar levels than is usual (resulting in lower alcohol in the finished wines), with vivid colours in the red wines and lovely fresh acidities and very intense aromas in both reds and whites.

It is great to have won the International Wine Challenge's Specialist Merchant of the Year for Chile in 2011 for the fourth time in five years and I think our Chilean selection has actually never been better. Quality has improved due to the many new drip-irrigated vineyards planted on suitable soils. Variety (already very wide in scope because Chile encompasses such a spread of climates enabling a great diversity of grape varieties with differing climatic needs to be successfully grown) is more extensive than ever.

The knowledge of how to grow and make the wines has increased too. Concha y Toro's Ignacio Recabarren and Marcelo Papa have made a superb range called 'Corte Ignacio' and 'Corte Marcelo' for us. Ignacio, for example, is harvesting riesling at 11.5–12% instead of 13.5%, a move that really shifts the balance to a much more lithe, racy and refreshing wine than before, yet he waits longer for the viognier grapes to turn almost red to get the typical peachy flavours and oily texture that are characteristic attributes of this variety. Marcelo has been instrumental in developing vineyards in the Limarí Valley and his first Maycas pinots are exceptional. The cool climate and pockets of limestone soil mean chardonnays from here are fine, taut and mineral. His Corte Marcelo Limarí Chardonnay is a lovely example. Our carefully chosen own-label wines are better than ever.

The International Wine Challenge 2011 voted The Society the Specialist Merchant for Chile, for the fourth time in five years

ENGLAND

Mark Buckenham

English sparkling wines are giving the Champenois a run for their money. We currently list sparklers from Sussex vineyards Ridgeview and Nyetimber. Both are producing award-winning wines that outclass many a Champagne, and are well worth trying.

We continue to list English still wines from Three Choirs (Gloucestershire), Chapel Down (Kent) and Camel Vineyards (Cornwall). All are producing first-class examples of English wines with the quality of the 2010 and 2011 vintages shining through.

GERMANY

SP

I shall be in Germany to taste 2011 when this report goes to print, but first reports from trusted sources are promising. We may be looking at a cross between 2005, the best vintage of the last decade, and 2007, which shows such immense charm. Wines from the Saar and Ruwer are outstanding, and dry wines very successful.

2010 by contrast, with its higher acidity, is more in line with 2002 and 2004. Such wines, when made by good growers, are very food friendly and we find most attractive with good keeping quality.

Riesling remains the most undervalued white wine grape in the UK market though it is much appreciated in Australia, the Far East and, of course, in Germany for its amazing versatility. Pinot noir is of increasing interest but the most enjoyable examples are at least as expensive as their Burgundian counterparts. We bought some excellent Franconian wines, including silvaner and scheurebe, in response to members' requests.

GREECE, HUNGARY, TURKEY & THE BALKANS

SP

Eastern Europe, and now Turkey too, has become an increasingly worthwhile source of good wine and so we have expanded this section of the List. There are a growing number of talented individual producers realising their countries' potential often using indigenous grapes and so offering flavours that cannot be found elsewhere. Most of the best wines are made in limited quantities and are appreciated locally so do not come at entry-level prices, but you will find that they are well worth trying. The gutsy Burgundian-like Kalecik Karasi from Turkey and the excellent full dry white Moraitis Sillogi from the island of Paros would be good places to start.

Ileana & Jakob Kripp of Agricola Ştirbey, Romania

Theodore & Manolis Moraitis' wines were a great new find this year

ITALY

SP

Members' purchases of Italian wines are growing apace. The transformation of the last five years – it is as recent as that – has been in the quality of Italy's white wines, as growers regain confidence in their indigenous grapes instead of mimicking international styles. Flavour is back and with it the realisation that most of us do not enjoy white wines that taste predominantly of oak and vanilla or with raging acidity. Verdicchio, fiano, grechetto, greco and vermentino make delicious wines when grown in the regions best adapted to them and not overproduced.

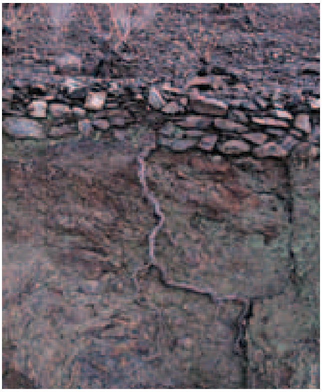
Organically farmed vines of the Saladini Pilastri estate from the 'off-the-beaten-track' Marche

As for the reds, 2011 produced some extreme conditions of great heat and cold that worked well for barbera in Piedmont and montepulciano in Abruzzo. The gentle reds of the Verona region based on corvina – Valpolicella, Bardolino, Ripasso and Amarone – have been a smart buy, but stay away from cheap Amarone which is a headache in a bottle. 2007 Barolos are luxurious now, while the classic 2006 wines go back into their shell and need to be kept another few years. 2009 saw lovely approachable Chianti Classico while 2008 sorted the sheep from the goats with top estates making delicious sangiovese and the also-rans were very much also-rans.

LANGUEDOC ROUSSILLON

MO-W

Grape varieties provide an almost endless topic of conversation. In the New World, of course, most wines are marketed by grape variety: chardonnay, cabernet sauvignon and so on. In the Languedoc-Roussillon, it was once thought best practice to plant those same international grapes as a way of improving quality. But the old varieties retained their place because they were able to cope with the droughts, gales and very high summer temperatures prevalent in this part of the world. Now with climate change the weather has become more extreme with higher temperatures and lower rainfall, and the resilient old varieties are proving their worth and making a comeback. Try the bourboulenc from Domaine Simonet near Narbonne. Try too Picpoul de Pinet which has become one of the most successful wines of the Languedoc. Could it be the new pinot grigio?



Old resilient varieties are proving their worth

LOIRE

JL

Stéphane Sérol's 2011 Côte Roannaise is a delight

The biggest surprise in our recent tastings has been just how good the 2010 reds have turned out to be, in a delightful fresh, easy-drinking style; more will be listed over the year. 2011 will be more variable, for whites as well as reds, but Sérol's Côte Roannaise – a Loire red, but it falls in Marcel Orford-Williams' patch as it is far closer in style and geography to Beaujolais than to most of the Loire's many growing regions – is an absolute delight this year.

For the sauvignons of the Central Vineyards (Sancerre, Pouilly-Fumé, Menetou-Salon, Reuilly and Quincy) there is no hurry to move on from the perfectly balanced 2010s. Nor in Muscadet, where 2011 was truly challenging, and where the good 2010s are still beautifully fresh; later bottlings having been kept on their fine lees until the autumn. Chenin blanc is represented in the List across a number of vintages, including in its dessert style; and there are numerous new finds, from Jean-Christophe Mandard's rare L'Orbois, through Vincent Carême's delightful Spring Vouvray, to Valençay.

RHONE

MO-W

White Rhône production is tiny, accounting for about 4% of the total. So why bother? The answer is that the Rhône produces very distinctive whites which go extremely well with food. So many of the dishes now presented on television with their copious flavours and extremes of spice and sweetness are beyond most wines, but not Rhônes, especially not the whites. The wines are full flavoured, generous and often with quite low acidity and at their best with food. Some are rather expensive but many are not and are truly delicious and the quality is getting better. Try Richard Maby's Lirac from the south. His wines are brought to life by the inclusion of grape varieties such as picpoul that have great acidity and freshness. From the north, Fabrice Gripa makes a lovely Saint-Péray from marsanne grapes; his Les Pins from the great 2010 vintage is brilliant.

It is always a good time to visit the Rhône just after the vintage. The cellars are fully active and there is a buzz in the air as the wines are born. 2011 was a long-drawn-out vintage which started in August and ended in October. How the new wines will evolve has yet to be decided but they will have benefited from the very cold spell that gripped much of Europe in February.

Richard Maby's Liracs are a revelation with food

My main reason for visiting was of course to taste the 2010s, which were wonderful and will give much pleasure in the years to come. Those members who were successful in our opening offer will be able to look forward to some very special wines in the future.

Red Rhônes tend to need time in bottle to allow all those flavours to settle and bind together. Some vintages like 2005, 2001 and 1998 were sleepers. By and large the 2005s are still quite closed, while the 1998s are now lovely and almost at their full potential. The 2001s are just behind and many are now extremely good. Other vintages are born with more obvious charm and reveal themselves sooner. This is true of 2006, 2004 and 2000, which are all very approachable. I especially like 2006 Châteauneuf-du-Papes: they are not blockbusters but wines with true finesse and already delightful to drink now.

NEW ZEALAND

PM

It has been a year of contrasts in New Zealand. The devastating earthquake left its mark in Christchurch, but such is the enthusiasm and entrepreneurial spirit of the Kiwis that the country bounced back in no time. A year on and New Zealand has hosted and won 2011's big sporting event, the Rugby World Cup, and this same dedication and success can be seen in her performance in the wine world.

The pure, intense and mouthwatering flavours of New Zealand's wines have captured wine drinkers' imaginations, and the recent crop will not disappoint fans. The 2011 harvest produced delicious sauvignon blanc, which now comes in a number of styles (from restrained and delicate to pungent and tropical); less fashionable but potentially finer still are New Zealand's chardonnays (The Society's Exhibition New Zealand Chardonnay 2010 from Kumeu River is possibly the best vintage to date); and pinot noir quality continues to rise, showing that New Zealand's sunny yet cool climate provides a comfortable home for this tricky grape. The excellent pinot regions of Central Otago and Martinborough produce exquisite examples, gaining all the headlines, but we urge you to try Marlborough's pinots which are juicy, round and superb.

PORT

MB

The Society made a small offer of 2009 Vintage Ports in October; it was a year that was declared by some but not all shippers. Prospects are that the 2010 vintage will produce single quinta wines only, but the word from the shippers is that the quality of fruit from the 2011 harvest is exceptional and the likelihood of a general declaration is high. However, we will have to wait for the 2011 wines to spend two winters in cask before a final blend and offer to the trade is made in spring of 2013.

For current drinking, The Society's 2006 LBV Port from the Symington group is hard to beat.

PORTUGAL

JL

Recognition from ViniPortugal and the UK Importers Association for our efforts to raise the profile of Portuguese wines has been more than matched by members' willingness to explore Portugal's wealth of indigenous flavours. Helped by the fact that so many of these wines offer such exceptional value for money, we have expanded our range (members will find more on thewinesociety.com than we have space for in the List). Try the lighter, aromatic whites when you might otherwise serve an Italian white, particularly in summer; the reds fit as well with a barbecue as they do richer prepared dishes for later in the year. Portugal's fine wines are gaining in recognition too, as visitors to our Wine Fair in May will have discovered through the lively contribution of Luis Pato and his single vineyard Bairradas.

The Society won the National Retailer Award at the 2011 Portuguese Wine Awards for the second time in three years. Joanna Locke MW, buyer for Portugal, received the award from the Portuguese ambassador

REGIONAL FRANCE

MO-W

The Sud-Ouest

January is my time to visit the South West and this year I spent a day and a half in and around Bergerac where I discovered two new suppliers. Château La Grave Béchade from Duras make a lovely, fresh and supple sauvignon. Perhaps more interesting is a new red from Pécharmant; Château Champarel was new to me and I recommend their lovely, refined 2009.

'Chapeau' to the Grassas who celebrate their centenary this year

At the heart of the sud-ouest though is Gascony where grapes used to be grown entirely for distillation. Armagnac remains important, and there are fantastic stocks maturing in barrel in countless cellars, but today most grape production is destined for wine, much of it sold as Côtes de Gascogne. The man who pioneered wines from Gascony was Yves Grassa of Tariquet with whom The Society began working in 1985. In 2012, Tariquet celebrates a special milestone. In 1912, the estate, devasted by phylloxera, was bought by Pauline and Jean-Pierre Artaud whose daughter Hélène married a resistance fighter, Pierre Grassa. Both Pierre and Hélène live on the estate, welcoming visitors. Pierre has had to curtail his visits to Cuba, though Tariquet remains the Armagnac of choice for Havana cigars. Their son Yves, ever restless, now grows crops in Romania and it is his sons, Rémy and Armin, who are in charge.

Savoie

There are always new areas to explore in France. The Alpine wines were too easy to sell to passing skiers and good-quality wine was hard to find, but that is now beginning to change. For a couple of years we have listed a good white from Gilles Berlioz (no relation to the composer). This year we are adding a new estate called Domaine de l'Ardoisie, both red and white from a raft of grape varieties. These are lovely wines made to be refreshing, with long growing seasons creating flavour but always with modest alcohol.

Provence

Provence is synonymous with rosé and indeed most of its red grapes are made into pink wine. In truth, most of it is not particularly good as few producers take much effort when it is so easy to sell. However, recent years have seen a welcome surge in quality, which for now is coming exclusively from estates rather than the co-ops. Côtes de Provence from Domaine Houchart is outstanding in 2011 and, for the money, so is Château de Vignelaure.

SOUTH AFRICA JL

After its admirable conservation drive, restoring acres of native species to its already beautiful winelands, South Africa's latest initiative is towards sustainability all round. Estates are increasing measures to improve the lives of vineyard and winery workers as well as following recognized environmentally friendly practices in the vineyards and cellars. Perhaps unsurprisingly, wine quality just gets better and better at the same time, and not just at the top end. There is such variety in South Africa – so many different grape varieties across so many ancient and varied soil types, on a myriad of mountain as well as more agriculture-friendly vineyard sites – that understanding the wealth of styles on offer is not always easy. What is now certain is that South African wines are worth a second look, and they offer great value for money at all levels. Check out the new wines from The Winery of Good Hope in our Rising Stars offer this June, Warwick's new unoaked chardonnay (to be released later this year), and the age-worthy wines from new and old classics Boekenhoutskloof and Meerlust.

SPAIN PM

The vineyards of Galacia are making some extraordinary whites

Every time I visit Spain I am thrilled by the excellent quality and sheer value for money available. Spanish sales at The Society continue to surge forward, suggesting that more and more members are latching on to the pleasure these wines provide. Simply made garnacha, tempranillo and monastrell offer a whole lot of fruit and authentic Spanish flavour for the money. Prices remain good because Spain's domestic market for wine has imploded. In whites, we continue to focus our buying on the country's excellent new wave and believe The Society now has one of the most comprehensive ranges in the UK.

Rioja is still, by far, Spain's most important red wine region. The best wines spend time in barrel and bottle before being released. 2007 is a good vintage that provides enormous pleasure – the wines have lovely fruit, balance and soft tannins; the majority are best now and over the next few years, though at the very top end wines like Contino Reserva will cellar well. Last year I recommended 2001 Gran Reservas and these continue to amaze me, confirming the vintage's extraordinary quality. As a result we have worked with CVNE on a one-off Exhibition Gran Reserva 2001 to be released this year. It is a traditionally made Rioja, smooth, silky, intense and utterly gorgeous.

USA

PM

For many wine drinkers in the UK, North American wine means pink, off-dry and low alcohol. These commercial styles have their place but not on The Society's List. Members tell us that they look for character, authenticity and value in the wines they buy which is precisely where we focus our efforts in the USA. Finding graceful, balanced and appetising wines from California is not easy but they do exist. Ridge Vineyards continues to be a beacon of quality, and reasonably priced for fine wine. 2010 was a small and difficult vintage in California, so we have bought up stocks of the delicious 2009 Geyserville and Lytton Springs to cover member demand. Good news also is that there appears to be a small but growing band of producers who aim for harmony over power. We will be shipping more wines from the excellent Napa estate Frog's Leap and the fine pinot noirs of Joseph Swan.

John Williams of Frog's Leap entertained members at a recent dinner in London

Financial Statements

PROFIT AND LOSS ACCOUNT

For the year ended 27 January 2012

	Notes	**2011/12 £'000**	2010/11 £'000
Turnover	1	**69,152**	68,890
Less: Value added tax		**(11,320)**	(10,018)
		57,832	58,872
Cost of sales		**(45,415)**	(45,331)
Gross profit		**12,417**	13,541
Administrative expenses	2	**(12,265)**	(11,456)
Operating profit		**152**	2,085
Other income and charges	4	**531**	308
Profit on ordinary activities before taxation		**683**	2,393
Taxation	5	**(29)**	(67)
Profit after taxation		**654**	2,326

MEMORANDUM OF APPROPRIATION

		2011/12 £'000	2010/11 £'000
Profit after taxation		**654**	2,326
Dividends appropriated during the period	6	**(374)**	(1,046)
Retained profit		**280**	1,280

All operations are continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

BALANCE SHEET

As at 27 January 2012

	Notes	2012 £'000	2011 £'000
Tangible fixed assets	7	**10,779**	11,039
Current assets			
Stocks	8	**36,534**	24,421
Debtors	9	**7,974**	11,522
Fixed term money market deposits		**-**	2,000
Cash at bank and in hand		**10,772**	7,027
		55,280	44,970
Creditors	10	**(38,674)**	(29,250)
		16,606	15,720
Total fixed and current assets less creditors excluding pension asset		**27,385**	26,759
Pension asset	12	**1,110**	4,126
Net assets including pension asset		**28,495**	30,885
Capital and reserves			
Share capital	13	**6,371**	6,115
Share premium account	14	**2,297**	2,032
Accumulated profit account	15	**12,722**	12,373
Sales discount account	16	**5,837**	5,869
"A" shareholders reserve fund		**12**	12
Profit and loss account	17	**1,256**	4,484
Shareholders' funds	18	**28,495**	30,885

The financial statements were approved and authorised for issue by the Committee on 27th March 2012 and signed on its behalf by:

E S Evans, Chairman
G Jeffrey, Deputy Chairman
L Nunneley, Chairman of the Finance Subcommittee
W D Caunce, Secretary

The accompanying accounting policies and notes form an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 27 January 2012

	Notes	**2011/12 £'000**	2010/11 £'000
Net cash inflow from operating activities	21	**1,786**	2,406
Returns on investments and servicing of finance			
Rent received		**80**	80
Interest received		**88**	60
Cash inflow from returns on investments and servicing of finance		**168**	140
Taxation			
UK tax paid		**(63)**	(63)
Capital expenditure			
Purchase of tangible fixed assets		**(611)**	(220)
Sale of tangible fixed assets		**1**	1
Cash inflow before management of liquid resources and financing		**1,281**	2,264
Management of liquid resources			
Movement out of money market deposits		**2,000**	1,794
Financing			
Shares issued to new members		**530**	470
Shares cancelled		**(66)**	(77)
Net cash inflow from financing		**464**	393
Increase in cash in the year	22	**3,745**	4,451

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 27 January 2012

	Notes	2011/12 £'000	2010/11 £'000
Profits attributable to members for the year		**654**	2,326
Net actuarial (loss)/gain relating to the pension scheme	12	**(4,262)**	2,707
Deferred taxation movement on pension scheme surplus		**754**	(773)
Total (losses)/gains recognised since the last financial statements		**(2,854)**	4,260

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

1 Principal accounting policies

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

The Committee has reviewed the principal accounting policies summarised below and considers, given the requirements of Financial Reporting Standard (FRS) 5 'Reporting the Substance of Transactions', they are the most appropriate for The Society. These policies have remained unchanged from the prior year.

a) Turnover
Turnover represents all sales to members and is inclusive of Customs and Excise duty and Value Added Tax and is recognised when the goods or services are supplied to members.

b) Depreciation
Depreciation is provided on all tangible fixed assets, apart from freehold land, at rates calculated to write off the cost less estimated residual value of each asset, on a straight-line basis, over its expected useful life, which is reviewed annually. The rates used are as follows:

Freehold buildings	2.5 – 10%
Equipment, furniture and fittings	10 – 50%
Motor vehicles	50%

c) Stocks
Stocks are valued at the lower of cost and net realisable value. Cost comprises suppliers' invoice price and, where relevant, shipping cost and excise duty. Net realisable value is defined as the estimated selling price, net of further costs of marketing, selling and distribution.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

1 **Principal accounting policies** *(continued)*

d) Taxation

UK Corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is recognised on all timing differences where the transactions or events that give The Society an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

e) Foreign currency translation

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the date the suppliers' invoices are received or, if hedged, at the forward contract rate. Monetary assets and liabilities in foreign currencies have been expressed in sterling at the rates ruling at the balance sheet date. Any gains or losses are taken to the profit and loss account and included within cost of sales.

f) Pension arrangements

The Society operates both a defined contribution and a defined benefit pension scheme and accounts for these in accordance with FRS 17 'Retirement Benefits'.

Defined contribution scheme:

The cost of pension contributions is recognised within the profit and loss account in the year to which it relates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

1 **Principal accounting policies** *(continued)*

Defined benefit scheme:
Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by The Society.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance income/charges. Actuarial gains and losses are reported in the statement of total recognised gains and losses. Retirement benefits other than pensions are accounted for in the same way.

g) Lease agreements
Operating lease rentals are charged to the profit and loss account as incurred. For assets leased to third parties on operating leases, the lease rentals are taken to income on a straight line basis over the term of the lease, and where appropriate, the asset is depreciated using the straight line method.

h) Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Whilst The Society's share capital, accumulated profit, and sales discount accounts attributable to individual members is payable on demand to the member's estate on their death and thus contains debt characteristics, the overall incidence of such payments is sufficiently low and the amount of such payments is sufficiently small to regard the account balances as being substantially equity in nature.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

2 Administrative expenses comprise:	2011/12 £'000	2010/11 £'000
Depreciation and loss on disposal of fixed assets	**870**	948
Fees of Committee members:		
- Chairman and Deputy Chairman	**48**	48
- Other Committee members	**50**	50
Auditor remuneration		
- audit services	**33**	32
- other services	**17**	14
Wages and salaries	**4,972**	4,657
Social security costs	**406**	377
Defined benefit pension current service costs	**458**	471
Defined contribution pension costs	**142**	96
Establishment costs	**1,253**	1,165
Other operating costs	**4,016**	3,598
	12,265	11,456

Other services supplied by the auditor related to taxation and accountancy advice.

3 Employees	2011/12 Number	2010/11 Number
The average number of full time equivalent permanent and temporary employees during the year was:	**202**	195

	2011/12 £'000	2010/11 £'000
Staff costs during the year amounted to:		
Wages and salaries – administration	**4,972**	4,657
Wages and salaries – transport	**663**	630
Social security costs	**461**	427
Defined benefit pension current service costs (note 12)	**458**	471
Defined contribution pension costs (note 12)	**142**	96
	6,696	6,281
Included in administrative expenses	**5,978**	5,601
Transport staff costs included in cost of sales	**718**	680
	6,696	6,281

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

4 Other income and charges comprise:

	2011/12 £'000	2010/11 £'000
Rent receivable under operating leases	**80**	80
Bank interest receivable	**88**	60
Other financial income (note 12)	**363**	168
	531	308

5 Taxation

	2011/12 £'000	2010/11 £'000
UK corporation tax at 20% (2010/11: 21%) based on the taxable profit for the year	**61**	63
Total current taxation	**61**	63
Deferred taxation (see note 11)	**(32)**	4
Taxation charge on profit on ordinary activities	**29**	67

The tax assessed for the period is lower than (2010/11: lower than) the applicable rate of corporation tax in the UK of 20% (2010/11: 21%). The differences are explained as follows:

	2011/12 £'000	2010/11 £'000
Profit before taxation	**683**	2,393
Dividends appropriated to members	**(374)**	(1,046)
Retained profit before taxation	**309**	1,347
Retained profit before tax multiplied by the applicable rate of corporation tax in the UK of 20% (2010/11: 21%)	**62**	283
Effect of:		
Expenses not deductible for tax purposes	**5**	7
Adjustment for pension contributions allowed, as opposed to charged	**(98)**	(268)
Excess of depreciation and profit on disposal of assets over capital allowances	**92**	41
Total current taxation	**61**	63

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

6 Dividends

	2011/12 £'000	2010/11 £'000
Transfer to accumulated profit account (note 15)	**374**	1,046

7 Tangible fixed assets

	Freehold land and buildings £'000	Equipment, furniture and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
28 January 2011	12,519	9,134	6	21,659
Additions	-	611	-	611
Disposals	-	(282)	-	(282)
27 January 2012	**12,519**	**9,463**	**6**	**21,988**
Depreciation				
28 January 2011	3,942	6,672	6	10,620
Charge for the year	261	608	-	869
Disposals	-	(280)	-	(280)
27 January 2012	**4,203**	**7,000**	**6**	**11,209**
Net book value				
27 January 2012	**8,316**	**2,463**	-	**10,779**
28 January 2011	8,577	2,462	-	11,039

Freehold land and buildings include land at a cost of £2,422,000 (2011: £2,422,000) which has not been depreciated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

8 Stocks

	2012 £'000	2011 £'000
Stocks consist of goods purchased for resale, held as follows:		
In bond and overseas	**34,720**	22,609
Duty paid	**1,814**	1,812
	36,534	24,421

9 Debtors

	2012 £'000	2011 £'000
Trade debtors	**220**	281
Deferred tax (note 11)	**61**	29
Other debtors	**144**	149
Prepayments and accrued income	**7,549**	11,063
	7,974	11,522

10 Creditors

	2012 £'000	2011 £'000
Payments received on account from members	**2,007**	1,826
Trade creditors	**2,658**	3,893
Corporation tax	**61**	63
Other taxes and social security	**2,554**	2,433
Accruals and deferred income	**31,394**	21,035
	38,674	29,250

11 Deferred taxation

Deferred taxation at 20% (2011: 20%) is fully provided in the financial statements as follows:

	2012 £'000	2011 £'000
Accelerated capital allowances	**(44)**	(19)
Short term timing differences	**(17)**	(10)
Included in debtors (note 9)	**(61)**	(29)

The movement in the provision during the year of £32,000 was credited to the profit and loss account. In 2010/11 £4,000 was charged to the profit and loss account (see note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

12 Pension schemes

Defined contribution scheme

Since January 2007, employees have been offered membership of The Society's stakeholder pension plan, a defined contribution scheme. During the year The Society paid £142,000 (2010/11: £96,000) into the scheme. There were no outstanding or prepaid contributions at the balance sheet date.

Defined benefit scheme

The Society operates a defined benefit pension scheme for the benefit of employees. The scheme's funds are administered by Trustees and are independent of The Society's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser. The scheme is closed to new entrants.

A full actuarial valuation of the scheme was carried out as at 1 February 2011, which indicated a scheme surplus of £1.00m. The results of the actuarial valuation were updated at 27 January 2012 by an independent qualified actuary in accordance with FRS 17 'Retirement Benefits'. Under FRS 17, which is calculated on a different basis to the full actuarial valuation, the scheme has a surplus of £1.39m (2011: £5.16m).

The estimated amount of total Society contributions expected to be paid to the scheme during 2012/13 is £543,000 (2011/12 actual: £587,000).

The major assumptions used for the actuarial valuation were:

	2012	2011	2010
Salary growth	**2.3%**	2.8%	2.8%
Pension increases			
- Pre 1997 service	**3.0%**	3.0%	3.0%
- 1997 to 2005 service	**3.2%**	3.6%	3.7%
- Post 2005 service	**2.1%**	2.3%	2.4%
Discount rate	**4.5%**	5.6%	5.5%
Price inflation (RPI)	**3.3%**	3.8%	3.8%
Price inflation (CPI)	**2.8%**	3.3%	N/A
Life expectancy of male aged 65 at the accounting date	**24.0 years**	23.3 years	23.1 years
Life expectancy of male aged 65, 20 years after the accounting date	**26.3 years**	26.3 years	26.2 years

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

12 Pension schemes *(continued)*

The mortality rates used for life expectancy were 85% of the rates in the S1NA table published by the Bureau of Continuous Mortality Investigation (CMI). The mortality rates are projected by each member's year of birth in line with the CMI 2010 core projection with a long-term annual improvement of 1.5% p.a. for males and females. In 2010/11 the tables used were Pna00 medium cohort with an underpin of 1.5% p.a. for future improvements.

The expected rate of return on the scheme assets and their distribution were:

	2012 Expected Return (p.a.)	**2012 Fair value £'000**	2011 Expected Return (p.a.)	2011 Fair value £'000	2010 Expected Return (p.a.)	2010 Fair value £'000
Equities	**n/a**	-	6.4%	16,881	6.4%	13,614
Diversified growth fund	**4.9%**	**17,833**	n/a	-	n/a	-
Corporate bonds	**4.5%**	**4,923**	5.6%	5,744	5.5%	4,956
Gilts	**2.9%**	**3,045**	4.4%	1,876	4.4%	1,559
Cash	**0.6%**	**34**	2.0%	1,144	2.3%	1,040
AVCs	**4.5%**	**202**	5.6%	190	5.5%	138
Total	**4.6%**	**26,037**	5.9%	25,835	5.8%	21,307

To ascertain the assumptions for the expected long term rate of return on assets, The Society considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

The amount recognised in the balance sheet is as follows:

	2012 £'000	2011 £'000	2010 £'000
Fair value of scheme assets	**26,037**	25,835	21,307
Present value of scheme liabilities	**(24,650)**	(20,678)	(20,136)
Surplus	**1,387**	5,157	1,171
Related deferred tax liability	**(277)**	(1,031)	(258)
Net asset	**1,110**	4,126	913

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

12 Pension schemes *(continued)*

During the year, contributions by The Society of £0.59m (2010/11: £1.58m) were made to the scheme. The Society contributions during the year were at a rate of 19.4% of pensionable salaries and it is expected that this rate will continue in the future.

Amount charged to operating profit:

	2011/12 £'000	2010/11 £'000
Employer's part of current service cost and net charge to operating profit	**458**	471

Included in finance income:

	2011/12 £'000	2010/11 £'000
Expected return on scheme assets	**1,524**	1,281
Interest on pension scheme liabilities	**(1,161)**	(1,113)
Net credit to finance income	**363**	168
Net amount charged to the profit and loss account	**95**	303

Changes in the present value of the defined benefit liabilities are as follows:

	2011/12 £'000	2010/11 £'000
Opening defined benefit liabilities	**20,678**	20,136
Employer's part of current service cost	**458**	471
Interest cost	**1,161**	1,113
Contributions from scheme members	**168**	202
Actuarial loss/(gain) (FRS17 discount rate lower/(higher) than expected and experience gains	**2,703**	(782)
Benefits paid	**(518)**	(462)
Closing defined benefit liabilities	**24,650**	20,678

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

12 Pension schemes *(continued)*

Changes in the fair value of the scheme assets are as follows:

	2011/12 **£'000**	2010/11 £'000
Opening fair value of scheme assets	**25,835**	21,307
Expected return on scheme assets	**1,524**	1,281
Actuarial (loss)/gain (actual return (lower)/higher than expected return)	**(1,559)**	1,925
Contributions by The Society	**587**	1,582
Contributions by scheme members	**168**	202
Benefits paid	**(518)**	(462)
Closing fair value of scheme assets	**26,037**	25,835

The actual return on the scheme assets over the year was a loss of £0.04m (2010/11: gain of £3.21m). The amount recognised outside the profit and loss account in the statement of total recognised gains and losses for 2011/12 is a loss of £4.26m (2010/11: gain of £2.71m). The cumulative amount recognised outside the profit and loss account at 27 January 2012 is a loss of £8.01m (2011: £3.74m).

The funding position of the scheme at 27 January 2012 and the previous four years is as follows:

	2012 **£'000**	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of scheme assets	**26,037**	25,835	21,307	15,895	17,513
Present value of defined benefit liabilities	**(24,650)**	(20,678)	(20,136)	(15,828)	(16,941)
Scheme surplus	**1,387**	5,157	1,171	67	572

As permitted under the amended FRS 17 'Retirement Benefits', The Society has chosen not to restate the corresponding amounts for the fair value of the assets in the previous periods as the effect is immaterial; the assets for these periods are stated at market value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

12 Pension schemes *(continued)*

The history of experience adjustments has been:

	2011/12	2010/11	2009/10	2008/09	2007/08
Experience adjustments on scheme assets:					
Amount of actuarial (loss)/gain (£'000)	**(1,559)**	1,925	3,142	(3,492)	(1,034)
Percentage of scheme assets	**(6%)**	7%	15%	(22%)	(6%)
Experience adjustments on scheme liabilities:					
Amount of gain/(loss) (£'000)	**830**	-	-	(95)	-
Percentage of the present value of the scheme liabilities	**3%**	-	-	(1%)	-

13 Share capital

	2012 £'000	2011 £'000
28 January 2011	**6,115**	5,891
Additions	**265**	235
	6,380	6,126
Cancellation of shares	**(9)**	(11)
27 January 2012	**6,371**	6,115
Representing	**Number**	Number
"A" shares of £20 each	**18,486**	18,511
"B" shares of £20 each	**300,091**	287,261
	318,577	305,772

14 Share premium account

	2012 £'000	2011 £'000
28 January 2011	**2,032**	1,797
Share premium additions to share capital	**265**	235
27 January 2012	**2,297**	2,032

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

15 Accumulated profit account

	2012 £'000	2011 £'000
28 January 2011	**12,373**	11,353
Cancellation of shares	**(25)**	(26)
	12,348	11,327
Dividends appropriated from the profit and loss account	**374**	1,046
27 January 2012	**12,722**	12,373

16 Sales discount account

	2012 £'000	2011 £'000
28 January 2011	**5,869**	5,909
Cancellation of shares	**(32)**	(40)
27 January 2012	**5,837**	5,869

17 Profit and loss account

	2012 £'000	2011 £'000
28 January 2011	**4,484**	1,270
Actuarial (losses)/gains recognised (net of deferred taxation)	**(3,508)**	1,934
Profit after taxation	**654**	2,326
Dividends appropriated in the period	**(374)**	(1,046)
27 January 2012	**1,256**	4,484

18 Reconciliation of movement in shareholders' funds

	2012 £'000	2011 £'000
Retained profit for the year	**280**	1,280
Dividends appropriated	**374**	1,046
	654	2,326
New shares issued - nominal value	**265**	235
- share premium	**265**	235
Cancellation of shares	**(66)**	(77)
Opening shareholders' funds	**30,885**	26,232
Actuarial (losses)/gains recognised net of deferred taxation	**(3,508)**	1,934
Closing shareholders' funds	**28,495**	30,885

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

19 Operating leases

During the year, The Society paid £203,000 (2010/11: £204,000) in respect of operating leases, all of which related to motor vehicles and office equipment.

At 27 January 2012, The Society had annual commitments under non-cancellable operating leases as follows which expire:

	2012 Motor vehicles and office equipment £'000	2011 Motor vehicles and office equipment £'000
Within one year	**4**	19
Between one and five years	**192**	153
	196	172

20 Foreign currency purchase commitments

At the balance sheet date The Society had outstanding forward currency purchase commitments amounting to £14,938,009 (2011: £13,000,000).

21 Reconciliation of operating profit to net cash flow from operating activities

	2011/12 £'000	2010/11 £'000
Operating profit	**152**	2,085
Depreciation and loss on disposal of fixed assets	**870**	948
(Increase)/decrease in stocks	**(12,113)**	3,828
Decrease/(increase) in debtors	**3,580**	(8,393)
Increase in creditors	**9,426**	5,049
Excess of employer pension contributions paid over charge to profit	**(129)**	(1,111)
Net cash inflow from operating activities	**1,786**	2,406

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 27 January 2012

22 Analysis and reconciliation of net funds

	2011/12 £'000	2010/11 £'000
Cash at bank and in hand	**7,027**	2,576
Fixed term money market deposits	**2,000**	3,794
Net funds at beginning of year	**9,027**	6,370
Increase in cash in the year	**3,745**	4,451
Movement in fixed term money market deposits	**(2,000)**	(1,794)
Change in net funds resulting from cash flows	**1,745**	2,657
Net funds at end of year	**10,772**	9,027
Represented by		
Cash at bank and in hand	**10,772**	7,027
Fixed term money market deposits	**-**	2,000
Net funds at end of year	**10,772**	9,027

STATEMENT OF THE COMMITTEE'S RESPONSIBILITIES

The Committee is required by the Industrial and Provident Societies Acts, 1965 to 2002, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of The Society and of the profit or loss of The Society for that period. In preparing those financial statements, it is the responsibility of the Committee to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements 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 Society will continue in business.

The Committee is responsible for keeping adequate accounting records that are sufficient to show and explain The Society's transactions and disclose with reasonable accuracy at any time the financial position of The Society and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts, 1965 to 2002. It is also responsible for safeguarding the assets of The Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Committee is aware:

- There is no relevant audit information of which The Society's auditor is unaware; and
- The Committee has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE INTERNATIONAL EXHIBITION CO-OPERATIVE WINE SOCIETY LIMITED

We have audited the financial statements of The International Exhibition Co-operative Wine Society Limited ("The Society") for the year ended 27 January 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to The Society's members, as a body, in accordance with regulations made under section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to The Society'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 Society and The Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee and auditor

As explained more fully in the Statement of the Committee's Responsibilities, the Committee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on 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 website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of The Society's affairs as at 27 January 2012 and of its profit for the year then ended; and
- have been properly prepared in accordance with the requirements of the Industrial and Provident Societies Acts, 1965 to 2002.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report if, in our opinion:

- the Annual review is not consistent with the financial statements; or
- a satisfactory system of control over transactions has not been maintained; or
- The Society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Reading

27th March 2012

ACCUMULATED PROFIT ACCOUNT

The following table shows the amounts of Accumulated Profits to the credit of members, according to their share numbers, as at 27 January 2012. Profits are distributed on the combined value of each share and its relative accumulated profit. Such aggregate values are payable only on the decease of a member.

Years to December	shares issued	£
1874-82	1-1050	1684.06
1883	1051-1090	393.92
1884	1091-1141	383.50
	1142-1176	376.15
1885	1177-1203	365.25
	1204-1221	363.67
1886	1222-1234	362.01
	1235-1260	359.90
1887	1261-1283	353.11
	1284-1313	349.96
1888	1314-1332	346.20
	1333-1350	342.67
1889	1351-1374	339.92
	1375-1402	335.49
1890	1403-1454	333.11
	1455-1498	330.49
1891	1499-1554	310.02
	1555-1613	308.09
1892	1614-1694	305.06
	1695-1732	301.86
1893	1733-1784	299.32
	1785-1826	297.37
1894	1827-1860	294.68
	1861-1882	290.59
1895	1883-1911	288.12
	1912-1944	283.70
1896	1945-1984	275.29
	1985-2024	273.49
1897	2025-2059	269.26
	2060-2105	267.40
1898	2106-2140	265.83
	2141-2197	262.59
1899	2198-2282	260.36
	2283-2336	258.23
1900	2337-2378	254.15
	2379-2425	251.50
1901	2426-2471	250.64
	2472-2517	247.45
Years to January		
1903	2518-2617	244.80
1904	2618-2703	238.49
1905	2704-2783	235.17
1906	2784-2866	232.34
1907	2867-2947	231.27
1908	2948-3022	228.78
1909	3023-3096	227.69
1910	3097-3194	226.05
1911	3195-3317	224.18
1912	3318-3450	223.14

Years to January	shares issued	£
1913	3451-3580	217.87
1914	3581-3689	212.15
1915	3690-3805	205.70
1916	3806-3875	202.98
1917	3876-3987	200.29
1918	3988-4077	195.82
1919	4078-4114	191.68
1920	4115-4197	187.84
1921	4198-4399	184.01
1922	4400-4997	180.63
1923	4998-5252	177.14
1924	5253-5564	175.81
1925	5565-5860	172.50
1926	5861-6230	169.44
1927	6231-6666	166.54
1928	6667-7188	163.91
1929	7189-7712	161.31
1930	7713-8303	158.50
1931	8304-8907	156.15
1932	8908-9488	153.94
1933	9489-10311	151.58
1934	10312-10807	149.77
1935	10808-11659	147.79
1936	11660-12634	145.87
1937	12635-13808	144.19
1938	13809-15149	142.48
1939	15150-16551	140.90
1940	16552-17480	139.17
1941	17481-17995	137.82
1942	17996-18055	137.82
1943	18056-18059	136.62
1946	18060	131.22
1949	18061-18081	128.24
1950	18082-20881	127.18
1951	20882-23954	126.93
1952	23955-26972	126.42
1953	26973-27901	125.54
1954	27902-28503	123.51
1955	28504-29127	119.27
1956	29128-29874	116.93
1957	29875-30676	115.37
1958	30677-31510	114.33
1959	31511-32180	110.54
1960	32181-32999	103.90
1961	33000-33975	98.58
1962	33976-35183	94.22
1963	35184-36367	89.86
1964	36368-37906	87.34
1965	37907-39443	84.99
1966	39444-40923	82.66
1967	40924-42234	82.66

Years to January	shares issued	£
1968	42235-43765	82.66
1969	43766-45560	82.66
1970	45561-47675	81.65
1971	47676-49068	80.33
1972	49069-50716	78.45
1973	50717-53016	76.34
1974	53017-54779	75.88
1975	54780-56495	66.55
1976	56496-57960	65.22
1977	57961-64160	65.22
1978	64161-69632	63.80
1979	69633-75075	61.30
1980	75076-79820	60.09
1981	79821-83605	58.88
1982	83606-89386	56.77
1983	89387-94154	54.73
1984	94155-98759	52.72
1985	98760-106279	50.93
1986	106280-112690	49.15
1987	112691-116698	47.49
1988	116699-120997	44.29
1989	120998-128252	41.24
1990	128253-135454	38.34
1991	135455-143358	35.53
1992	143359-151797	32.91
1993	151798-159300	30.40
1994	159301-167394	27.99
1995	167395-175220	25.69
1996	175221-182893	24.81
1997	182894-191950	23.98
1998	191951-201150	19.62
1999	201151-212344	17.71
2000	212345-223503	17.71
2001	223504-230168	15.58
2002	230169-236802	14.22
2003	236803-244154	11.70
2004	244155-252150	11.39
2005	252151-260127	11.08
2006	260128-269960	10.78
2007	269961-281672	10.78
2008	281673-292724	10.78
2009	292725-304005	8.24
2010	304006-314303	6.16
2011	314304-326075	1.62
2012	326076-339344	0.40

Under the provisions of section 887 of the Income Tax Act, 2007, the above amounts are subject to deduction of income tax if they are payable to a person whose usual place of abode is not within the United Kingdom.

GOVERNANCE AND MANAGEMENT OF THE SOCIETY

The Society's full name is The International Exhibition Co-operative Wine Society Limited. It was founded in 1874 and from its inception has been a mutual organisation. It is governed by its Rules which, amongst other things, dictate that 'The Society, in carrying out its objects and powers, shall have regard to co-operative principles'. The Society is entirely owned by its members, each of whom holds one share.

The board of The Society is known as 'the Committee' and it consists of up to 13 members of The Society. Eight are elected by the membership; one is the Chief Executive, ex officio; and up to another four may be co-opted for limited periods by the eight elected members. The elected members appoint from their number the Chairman and Deputy Chairman of The Society (known as the Officers).

The Committee has responsibility to the members for the direction of the business, with day to day management in the hands of an Executive Team led by the Chief Executive.

The Executive Team takes the operational decisions and leads the staff in implementing the agreed goals and strategy. It comprises the Chief Executive and the Heads of Buying, Finance, Information Systems, Marketing, Member Services and Operations.

The Committee's role includes discussing and deciding long term strategy, establishing policy, monitoring risk exposure and performance, approving the Annual Accounts and major capital investment projects and appointing the Chief Executive. The Officers maintain regular contact with the Chief Executive and the individual expertise of each member of the Committee is also available to the Executive Team.

THE WINE SOCIETY'S COMMITTEE APRIL 2012

***Alan Black** A senior partner of international law firm, Linklaters, age 60. Co-opted to the Committee in November 2009.

Stephen Bourne President of Cambridge University Press, age 60. He offers particular experience in distribution, marketing and not-for-profit organisations.

Katherine Douglas Musician and teacher, age 44. Particularly interested in the views of new and younger members and The Society's communications.

Sarah Evans Chartered Accountant, age 48. Chairman since June 2009. Chairman of Appointments and Renumeration Subcommittee and Member of Finance Subcommittee. Non-Executive Director of Ipswich Building Society.

Guy de Froment Finance Subcommittee, age 62. Particular interests: marketing, finance, wines of Burgundy and Italy.

***Robert Graham-Harrison CMG**. Former civil servant, age 69. Co-opted to the Committee in July 2010. Particular interests: quality of The Society's everyday wines.

George Jeffrey: Deputy Chairman since June 2009. Age 65. Interests: the effective use of Information Technology in supporting business goals, and the wines of the Rhône, Italy and the New World.

Luke Nunneley Finance Subcommittee Chairman, age 48. Particular interests: safeguarding the character of The Society while meeting the competitive challenges of the marketplace, the wines of Bordeaux and the New World.

Michael Schuster Wine lecturer and writer, age 64. Wine Subcommittee Chairman. Particular interests: the quality, range and value of The Society's wines, and communicating these aspects to members new and old.

Mike Thompson Senior Vice President, Pharmaceutical Company. Age 54. Main interests: marketing, strategy development, wines of Bordeaux and Alsace, and Port.

* *Co-opted member*

The International Exhibition
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