

2019 ANNUAL REPORT TO MEMBERS

Annual General Meeting Date:
28th November 2019

The Australian Wine Consumers' Co-operative Society Limited

ARBN 068 836 699

66 Bay St, Ultimo NSW 2007

Phone: 1300 723 723

The Australian Wine Consumers' Co-operative Society Limited

Directors' Annual Report

The Board can report that the members of The Wine Society have continued to benefit from being part of a much larger wine trading group.

During the past year, TWS Wholesale Pty Ltd changed its name to Wine Collective Holdings Pty Ltd and launched a new generation website under the trading name 'The Wine Collective.' TWS was effectively subsumed under TWC, resulting in TWS members becoming TWC customers. This has enabled TWC to significantly enhance its product range, buying power, customer engagement and service offerings. As a result, members can now enjoy an even greater range of outstanding wines at exceptional prices.

The 2018/19 financial year also saw further improvement in The Wine Society's financial position. The Wine Society recorded an operating profit for the financial year of \$239,000, an 82% increase on the previous year's profit of \$131,000, and trade and other accounts payable were reduced by 17%. Whilst improving, your Wine Society's financial position is still not satisfactory.

Your Wine Society retains a 1% margin on all sales to members and the Directors hope The Society will benefit proportionately from any profit distribution from Wine Collective Holdings Pty Ltd in the future. It is from these two funding sources that The Society hopes to record further operating surpluses and pay down its remaining debt. Our suppliers have been incredibly supportive of our efforts to pay down The Society's debts and we are extremely grateful to them for their ongoing support and patience.

The Society strives to ensure that the member experience is continually enhanced. Members have access to an ever expanding range of exclusive, high quality wines from emerging and boutique vineyards at exceptional prices across a range of value points.

Under the new Co-operatives National Legislation, The Wine Society is considered to be a 'small co-operative' in the 2018/19 financial year. Small co-operatives are not required to lodge their financial statements with the Registrar or have their financial statements audited unless required to do so by the Registrar or their members. The outsourcing of The Wine Society's operations has dramatically simplified its accounts and governance, eliminated the need for an audit, and enabled costs to be kept to a minimum.

The Board is grateful for the ongoing support of its loyal members and suppliers. We look forward to receiving your continued support in the year ahead. The range of wine offerings is exceptional and we encourage you to continue supporting your Society as it further adapts to constantly changing and challenging market conditions.

Geoffrey Ballard
Director

Alan Johnson
Director

1 November 2019

Chairman's Address to the AGM, 28th November 2019

Our Society is a co-operative and as such it has been difficult to raise capital to ensure the ongoing viability in the face of intense online competition. Member support was and still remains a critical element. The Society was founded in 1946 and started what was then an innovative business model which helped develop the table wine industry in Australia. There was a time even in the late 1950s when a wine shop was a dark and almost furtive place, unlike today.

Our Society encouraged the aspiring wine consumer and made available a wide selection of wine styles and varieties able to be purchased and delivered to the home. This was very successful and what are now termed Baby Boomers essentially constituted the bulk of the membership in the 1970s and 1980s – and even in the 1990s. Our success was copied by others – not restrained by the co-operative structure however. Australian society was changing and, as the years rolled on, retaining the co-operative structure began to constrain the ability of your Society to adapt to the changes. The problem was exacerbated by the dynamics/demographics of the TWS membership and a challenging retail wine marketplace. An essentially static membership resulted in consequential lower revenue levels.

Financial constraints were restricting our ability to grow and in 2017 your Board decided to outsource all operations in return for what in effect is a royalty fee on sales to members and acquiring an equity interest in the new corporate entity now called The Wine Collective, operating under a corporate structure. Members are now receiving a much wider choice of wine at competitive prices but market competition is intense. All this, of course, is to the benefit of imbibing wine consumers, but presents a continuing challenge to producers and distributors.

Our Society continues to exist, although all operations are now outsourced and this has enabled The Wine Society to operate profitably in the past two financial years. As members, the positive difference you will have perceived is a wider range of wine and styles from which to choose. The Regular Tasting Dozens are still available and have been a stalwart product for many years. Regrettably however, the social and educational aspects of your Society have, for all intents and purposes, now ceased; which was in fact one of the original *raison d'être* of your Society's establishment in 1946. Of course there is a much wider choice of entertainment and social events now than there was many years ago. The myriad choices and options available also impacted on our Society's function in this respect.

The Outsourcing Agreement has been successful overall, however that is not to say that there have not been any differences in opinion but the mutual support has been beneficial although in many ways our Society has been relegated to the background. Sadly, our Society still has a debt overhang which is slowly being whittled away but this will take time.

Your continuing support of our Society is valued and will facilitate the repayment of the existing debt, and to this end I express my gratitude and appreciation of our suppliers in their forbearance and understanding and willingness to continue to support the Society through The Wine Collective.

Geoffrey Ballard
Chairman

1 November 2019