T. G. BRIGHT & CO., LIMITED

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ANNUAL REPORT 1987

T. G. Bright & Co., Limited is Canada's largest producer and marketer of fine wines and ciders. Founded in 1874 in Toronto, Ontario, it moved to its current Niagara Falls headquarters early in this century.

The Company owns and operates vineyards, wineries, cider operations, research and development facilities and retail outlets across Canada. It employs more than 500 people.

It produces a range of wines, ciders, sparkling wine beverages and Canadian champagnes. Its products have won more than 200 awards in world competitions over the past 25 years.

T. G. BRIGHT & CO., LIMITED

Highlights of the Year

Operating

- The Company became Canada's largest wine and cider producer as a result of the purchase of Jordan & Ste-Michelle Cellars.
- Bright's Entre-Lacs was named official wine of Expo '86, resulting in more than doubled sales of the product in British Columbia.
- Cider sales of more than five million litres were recorded for the year.

The Company's longtime director of research, George Hostetter, was honoured with the Order of Canada this year. Mr. Hostetter retired in 1986 after serving Brights for 46 years. His research made it possible for commercial quantities of European wine-producing grapes to be grown in northern regions.

- Brut President Canadian champagne won the distinguished Monde Selection award in Brussels.

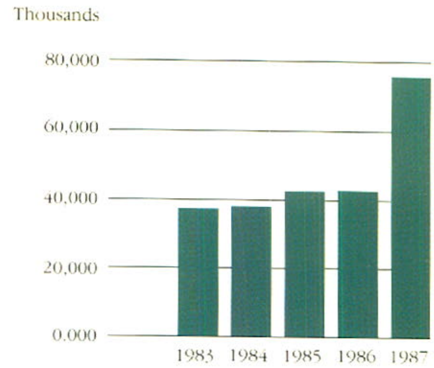
Financial

- The Company's revenue increased by 77 percent, to $75.4 million.
- Sales and net earnings established new records.
- Return on shareholders' equity rose significantly, to 14 percent.
- The Company's share of the total (foreign and domestic) wine market in Canada nearly doubled.

Results of the Year

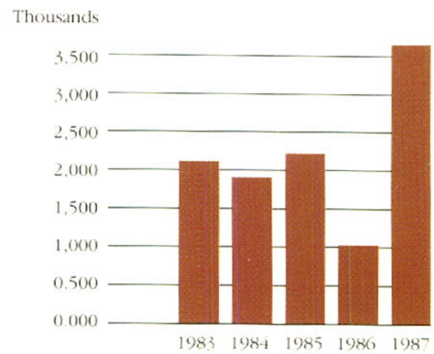
Net Sales

Sales have grown from $37.27 million to $75.40 million from 1983 to 1987.



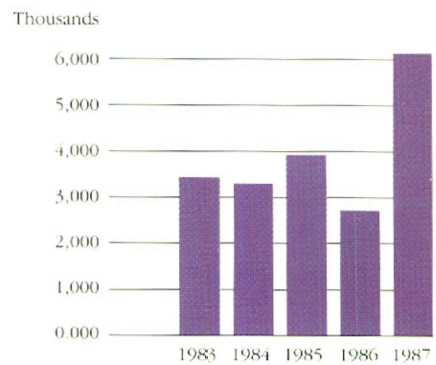
Net Income

Income from operations has risen from $2.10 million to $3.64 million from 1983 to 1987.



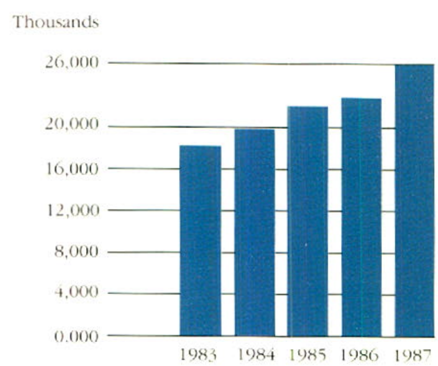
Funds from Operations

Funds from operations have changed from $3.48 million to $6.10 million from 1983 to 1987.



Shareholders' Equity

Shareholders' equity has increased from $18.28 million to $25.95 million from 1983 to 1987.



Results

(in thousands except per share and other data)	**1987**	1986	% Change
OPERATING RESULTS			
Sales (net)	**$75,399**	$42,593	+ 77
Net income	**3,637**	1,046	+ 247.7
Funds from operations	**6,105**	2,663	+ 129.3
Dividends	**414**	407	+ 1.7
Capital expenditures	**19,258**	3,353	+ 474.4
FINANCIAL POSITION			
Working Capital	**$20,043**	$13,169	+ 52.2
Total assets	**74,727**	35,149	+ 112.6
Long-term debt	**20,000**	0	+ 100
Shareholders' equity	**25,945**	22,713	+ 14.2
PER-SHARE DATA			
Net income	**$ 3.52**	$ 1.01	+ 248.5
Dividends	**$ 0.40**	$ 0.40	0
Shareholders' equity	**$ 25.11**	$ 21.99	+ 14.2
OTHER DATA			
Return on shareholders' equity	**14.0%**	4.6%	
Working capital ratio	**1.7**	2.2	
Number of employees	**549**	267	

Edward S. Arnold
President

Report of Directors

On behalf of the Board of Directors and the management of T. G. Bright & Co., Limited, we are pleased to provide you with our 1987 Annual Report.

The fiscal year ended March 31, 1987 will be remembered as one of rapid growth for the Company through acquisition.

On June 25, 1986 we completed the purchase of the assets and business operations of Jordan & Ste-Michelle Cellars Ltd., a large Canadian winery with operations in Surrey, B.C. and St. Catharines, Ontario. This annual report presents the financial statements of Brights for the 12-month period ended March 31, 1987 and Jordan Ste-Michelle since the acquisition date.

The acquisition has advanced the Company in many ways.

Our presence across Canada is now even more significant. We have become the country's largest producer of both wines and alcoholic ciders. Our revenue base has nearly doubled. Our employee numbers have grown from about 250 to more than 500.

Over the year, Brights showed gains in net income and sales. Income before extraordinary item rose 116 percent to $2,256,000. Sales increased to $75,399,000, a 77 percent rise. Sales of real estate holdings surplus to our needs in Toronto and Montreal have resulted in a $1,381,000 extraordinary gain, bringing our net after tax income for the year to $3,637,000.

Earnings per share for the year were $2.18 before the extraordinary item compared with $1.01 last year, and return on shareholders' equity was 14 percent. During the year we continued our dividend program, paying dividends of 20 cents per share on both Class A and B shares in April and October.

The acquisition will improve our long-term profitability through reductions in overhead and administration costs, higher sales volume, and the growth potential of the cider market.

The integration of Jordan & Ste-Michelle into our western operation has gone smoothly. Sales forces across the western provinces have been integrated, with some rationalization of staff numbers. We have combined or coordinated activities between our two western producing locations to achieve purchasing and production efficiencies.

The product lines of the combined operations complement each other well, and allow Brights to offer the most complete variety of products in the industry.

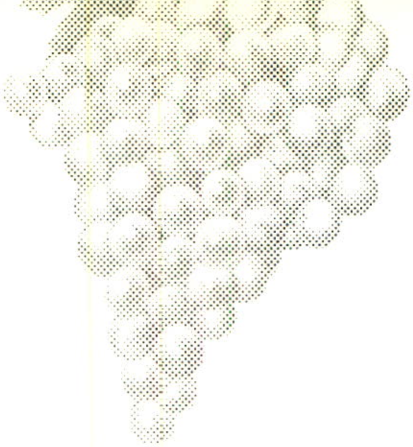
In Ontario, we are going through a similar exercise. Because Jordan & Ste-Michelle's Ontario operations tend to duplicate rather than complement Brights existing business, it has been necessary to rationalize our administration, operations, and marketing forces.

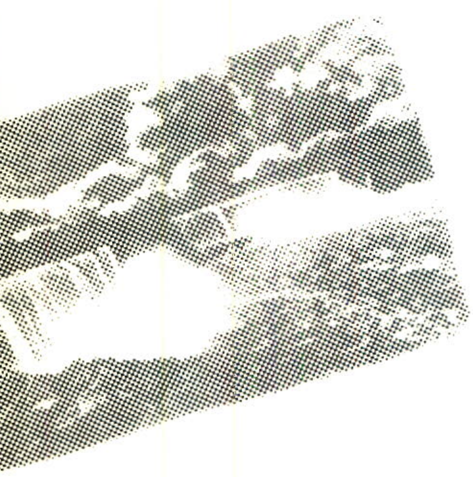
The dramatic change in the size and standing of the Company over fiscal 1987 has also led to a re-examination of its structure and strategy.

We are in the process of re-stating the Brights mission, and working to update and articulate our long-term corporate goals.

Our general goal is, and will be, to maintain our market leadership and the competitive advantage we now enjoy in the Canadian wine industry.

We see this as particularly important in light of the move toward





a free trade agreement between Canada and the United States.

As negotiations between the nations continue, we are endeavoring to ensure that our federal, provincial and local governments clearly recognize the adverse impact a bilateral trade agreement would have on Canadian wineries, particularly those in Ontario.

However, we are also working to position the Company to take advantage of any benefits – and minimize the potential problems – a free trade agreement would present.

We are currently engaged in a vigorous defence in the champagne litigation mentioned in past reports. The champagne litigation is an attempt by a French government agency and French champagne producers to obtain an injunction forcing Canadian producers to stop using the words "Canadian champagne" or "champagne" to describe any Canadian wine.

The trial began in May, 1987. Judgment may not be rendered by the time of our annual meeting.

Expo boosts Western division

Expo '86 focused international attention on Canada, and the Company made full use of the event. Brights Entre-Lacs wines were designated official wines of Expo. Sales of Entre-Lacs more than doubled in British Columbia over the year, and the product is well poised for continued growth.

Many of the visitors to Expo were also introduced to cider. The exposure has generated a wide degree of export interest in this unique product, and we are optimistically following up on many inquiries. We believe there is enormous potential for cider products in the United States and Pacific Rim nations.

Recent policy changes allowed the opening of off-site retail wine stores in British Columbia. Brights, along with two other commercial wineries, opened one highly successful store last June in Vancouver's fashionable Granville market.

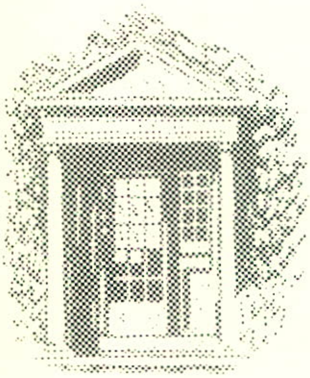
The Company is also involved, on a test basis, in retailing wine in British Columbia through the Woodwards department store chain. If successful, this program will be extended to exposure in 27 stores throughout the province over the next year.

The British Columbia government has announced a full review of current policies governing alcoholic beverages, with changes likely to be made during 1987. The Company is working closely with the province and the industry in British Columbia in an effort to ensure revisions are balanced between international trade concerns, and local industry and market needs.

In Alberta and Manitoba, new provincial budgets introduced during the year included major increases in the markup collected on all wine products. The resulting rise in consumer prices is expected to temporarily shrink the market for wines in those regions.

Eastern division growth continues

In 1978, the Quebec government allowed wine to be sold in grocery stores. The decision has meant a marked rise in the sales of Brights products. Over the past five years, Brights sales in the province have doubled. Next to the Société des



alcools du Québec, Brights is the largest supplier of wine to the Quebec market.

In late 1985, we opened a winery in Dartmouth, Nova Scotia. Sales volumes to date are on target, and with more new product introductions, we expect business in Atlantic Canada to reach new profit levels in the upcoming year.

Ontario presents challenges

Ontario continues to be the most profitable – and challenging – of our regional markets. Sales of all wines dropped one percent below last year's levels.

Changes in retail markups, which our industry had looked to as a means of improving the Ontario wine industry's market share in its own province, were slow to show results. We are pleased, however, to report that volumes are improving.

At the end of this fiscal year, our ongoing sales volume to the Liquor Control Board of Ontario was up a modest three percent from the past year. We expect this recovery to continue. We also expect increased sales through our own retail outlets in the province. The acquisition has added 30 retail wine stores in Ontario, bringing the total to more than 60.

An ongoing concern is the surplus of grapes existing in Ontario. The Company is working with other members of the industry, and with the federal and provincial governments to reduce surpluses by marketing higher volumes of Canadian wines.

Over the year, Brights participated in the Task Force on the Grape and Wine Industry in Ontario, chaired by Dr. J. W. Tanner of the University of Guelph. The wide-ranging study will be the source of further discussion and consideration by the government and industry.

The people of Brights

We are pleased to welcome W. Douglas H. Gardiner of Vancouver to our Board of Directors. Mr. Gardiner is Chairman of the Board of Reed Stenhouse Companies Limited, and serves as a director of a number of other companies. Brights will benefit from his business experience.

In May of 1986, Mr. Fred Karner joined our Company as Vice-President, Finance. Mr. Karner is a Chartered Accountant with extensive corporate experience.

Finally, we express our thanks to the people of Brights and Ste-Michelle. No company can successfully make a sudden and significant change in size without outstanding effort and support from all its employees.

In the busy period following the acquisition of Jordan & Ste-Michelle, it was reassuring that business was carried on as usual.

Without the help and understanding of our employees, the Company would not have been able to make a smooth transition to its present position.

With their continued support, we are looking forward to an excellent year in fiscal 1988.

On behalf of the Board,

E S Arnold

Edward S. Arnold
President

Consolidated Statement of Income and Retained Earnings

	1987	1986
	For the year ended March 31 (in thousands)	
Sales	$ **102,161**	$ 58,294
Less: Excise and sales taxes	**26,762**	15,701
	75,399	42,593
Cost and expenses:		
Cost of goods sold	**47,916**	28,191
Selling, general and administrative	**21,023**	12,500
Interest –		
Long-term	**806**	–
Other	**1,411**	687
	71,156	41,378
Income before income taxes and extraordinary item	**4,243**	1,215
Income taxes	**1,987**	169
Income before extraordinary item	**2,256**	1,046
Gain on sales of property less related income taxes of $323,500	**1,381**	–
Net income	**3,637**	1,046
Retained earnings:		
Beginning of year	**19,578**	18,939
	23,215	19,985
Dividends ($0.40 per share) –		
Class A	**411**	397
Class B	**3**	10
	414	407
End of year	$ **22,801**	$ 19,578
Income per share:		
Income before extraordinary item	$ **2.18**	$ 1.01
Net income	$ **3.52**	$ 1.01

Consolidated Balance Sheet

	1987	March 31 (in thousands) 1986
Assets		
Current assets:		
Cash	**$ 268**	$ 60
Accounts receivable	**11,459**	4,849
Taxes recoverable	**–**	209
Inventories (Note 3)	**34,278**	18,616
Prepaid expenses	**925**	489
Total current assets	**46,930**	24,223
Mortgages receivable	**1,046**	–
Fixed assets (Note 4)	**26,751**	10,926
	$ 74,727	$ 35,149
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (Note 5)	**$ 14,926**	$ 8,146
Accounts payable and accrued liabilities	**5,256**	2,701
Taxes payable	**2,597**	–
Dividends payable	**207**	207
Note payable	**3,901**	–
Total current liabilities	**26,887**	11,054
Term loan (Note 6)	**20,000**	–
Deferred income taxes	**1,895**	1,382
Shareholders' equity:		
Capital stock (Note 7)	**3,144**	3,135
Retained earnings	**22,801**	19,578
	25,945	22,713
	$ 74,727	$ 35,149

Approved by the Board:

Charles Rathgeb

C. Rathgeb, Director

E S Arnold

E. S. Arnold, Director

Consolidated Statement of Changes in Financial Position

	For the year ended March 31 (in thousands) 1987	1986
Operating activities:		
Income before extraordinary item	$ 2,256	$ 1,046
Items not involving a current cash flow –		
Depreciation and amortization	3,336	1,493
Deferred income taxes	513	124
Funds from operations	6,105	2,663
Changes in operating elements of working capital	(1,225)	(2,247)
Cash provided by operating activities	4,880	416
Investment activities:		
Purchase of fixed assets (net)	(2,821)	(3,353)
Acquisition (Note 2)	(28,982)	–
Proceeds on sales of property	1,802	–
Assumption of mortgages on sales of property	(1,046)	–
Cash used in investment activities	(31,047)	(3,353)
Financing activities:		
Dividends	(414)	(407)
Issue of term loan	20,000	–
Issue of capital stock	9	82
Cash provided by (used in) financing activities	19,595	(325)
Cash used in year	6,572	3,262
Bank indebtedness* at beginning of year	8,086	4,824
Bank indebtedness* at end of year	$ 14,658	$ 8,086

* Bank indebtedness is defined as bank indebtedness net of cash

Notes to Consolidated Financial Statements
March 31, 1987

1. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company are presented to assist the reader in evaluating the consolidated financial statements and other information in this report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries.

Inventories
Inventories are valued at the lower of cost and net realizable value. The elements of cost included in inventories are direct costs for bulk wine and finished goods and laid-down costs for raw materials and supplies.

Fixed Assets
Fixed assets acquired by purchase or by way of capital lease are recorded at cost net of related investment tax credits and government assistance whether or not conditional in nature. Costs of maintenance and repairs are expensed as incurred. Depreciation is calculated on the diminishing balance method over the estimated useful life of the asset.

Income Taxes
Income taxes are recorded on the tax allocation basis of accounting.

Pension Plans
Pension costs are funded and charged to operations as they accrue.

Income per Share
Income per share on the Class A and Class B shares has been calculated using the weighted average number of Class A and Class B shares outstanding during the year.

2. Acquisition

On June 25, 1986, the Company acquired the business and net assets of Jordan & Ste-Michelle Cellars Ltd. ("Jordans"). The acquisition was accounted for by the purchase method and is summarized as follows:

	(in thousands)
Net assets acquired, at assigned values:	
Working capital	$ 12,545
Fixed assets	16,437
	$ 28,982
Consideration –	
Cash	$ 18,020
Note payable, without interest	10,962
	$ 28,982

The results of operations of the Jordans business have been included in the statement of income from June 25, 1986.

3. Inventories

	March 31 **1987**	(in thousands) 1986
Raw materials and supplies	**$ 7,141**	$ 3,088
Bulk wine	**18,556**	9,750
Finished goods	**8,581**	5,778
	$ 34,278	$ 18,616

4. Fixed Assets

	March 31 1987 (in thousands)	1986
Land and buildings	**$ 16,873**	$ 10,118
Storage tanks, machinery and equipment	**26,748**	14,681
Automobiles and trucks	**682**	693
	44,303	25,492
Less: Accumulated depreciation	**17,552**	14,566
	$ 26,751	$ 10,926

5. Bank Indebtedness

Bank indebtedness includes bank loans of $12,515,000 secured by an assignment of accounts receivable and inventories.

6. Term Loan

The interest rate on the bank term loan as at March 31, 1987 was effectively 10.893% with principal maturities set as follows:

	(in thousands)
November 1988	$ 1,500
November 1989	1,500
November 1990	3,000
November 1991	6,000
November 1993	8,000
	$20,000

7. Capital Stock

The Class A, Class B and common shares participate equally as to dividends. Class A and Class B shares are inter-convertible on a share-for-share basis and the rights of each class are identical. Dividends may be declared on the Class B shares by way of stock dividends of the Class B shares, provided that such dividend is equal or equivalent in value to the cash dividend contemporaneously declared on the Class A shares. Cash may be paid in lieu of any fractional interest in the Class B shares as a result of the stock dividend.

Authorized number of shares without nominal or par value –

Common	1,000
Class A	3,000,000
Class B	1,999,000
	5,000,000

Issued and outstanding –

	March 31 1987	1986
Class A	**1,026,625**	994,487
Class B	**6,642**	38,311
	1,033,267	1,032,798

During the year, the Company issued 469 Class B shares as a stock dividend with a value of $8,691 and 32,138 Class B shares were exchanged for 32,138 Class A shares.

8. Income Taxes

Income taxes provided in 1986 are lower than the statutory rate due to the inventory allowance.

9. Contingent Liabilities

(a) Litigation

The Company is co-defendant with other wineries in an ongoing legal action related to the use of the words "Canadian champagne" by Canadian wine producers. The action includes the plaintiffs seeking injunctive relief against wines labelled "Canadian champagne". No provision has been made in the financial statements for the effect, if any, of this litigation.

(b) Lease commitments

Future minimum lease payments under long-term non-cancellable lease agreements for buildings, retail store premises and equipment are as follows:

Fiscal year ended March 31		Amount (in thousands)
1988	$	431
1989		356
1990		291
1991		264
1992		208
Thereafter		2,655
	$	4,205

10. Segmented Information

The Company considers that its operations fall principally into one product class – wine. Operations are considered to be in one geographical area – Canada.

11. Subsequent Event

On May 20, 1987, the Directors approved, subject to shareholder approval, a two-for-one split of the Company's existing Class A and Class B shares.

12. Comparative Figures

Certain prior year figures have been reclassified to conform with the 1987 financial statement presentation.

Auditors' Report

To the Shareholders of T. G. Bright & Co., Limited:

We have examined the consolidated balance sheet of T. G. Bright & Co., Limited as at March 31, 1987 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse

Chartered Accountants
May 22, 1987

Ten Year review

(in thousands except per share and other data)	1987	1986	1985
OPERATING RESULTS			
Sales (gross)	**$102,161**	$58,294	$57,250
Excise and sales taxes	**26,762**	15,701	14,910
Sales (net)	**75,399**	42,593	42,340
Interest expense	**2,127**	687	670
Income taxes	**1,987**	169	859
Net income	**3,637**	1,046	2,195
Net income before extraordinary item	**2,256**	1,046	2,135
Funds from operations	**6,105**	2,663	3,899
Dividends	**414**	407	416
Capital expenditures	**19,258**	3,353	2,968
FINANCIAL POSITION			
Working Capital	**$ 20,043**	$13,169	$13,680
Fixed assets	**26,751**	10,926	7,213
Total assets	**74,727**	35,149	31,725
Long-term debt	**20,000**	–	–
Shareholders' equity	**25,945**	22,713	21,992
PER-SHARE DATA			
Net income	**$ 3.52**	$ 1.01	$ 2.13
– before extraordinary items	**2.18**	1.01	2.07
Dividends	**0.40**	0.40	0.40
Shareholders' equity	**25.11**	21.99	21.38
Share price range – high	**31.00**	27.50	22.00
– low	**18.25**	17.38	19.13
OTHER DATA			
Return on shareholders' equity	**14.0%**	4.6%	10.0%
Working capital ratio	**1.7**	2.2	2.5
Issued and outstanding Class A and Class B shares	**1,033,267**	1,032,798	1,028,546
Number of employees	**549**	267	274

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of T. G. Bright & Co., Limited and its Subsidiaries and all information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles.

The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management, to meet its responsibility for the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting

1984	1983	1982	1981	1980	1979	1978
$50,381	$48,692	$40,276	$34,468	$27,753	$25,081	$19,659
12,539	11,422	9,315	8,641	5,198	4,800	3,890
37,842	37,270	30,961	25,827	22,555	20,281	15,769
435	705	1,249	974	735	479	395
1,076	1,248	925	598	556	783	440
1,901	2,100	1,597	1,303	1,320	1,359	882
1,901	2,020	1,597	1,303	1,177	1,359	785
3,264	3,482	2,883	2,399	1,778	2,513	1,582
406	402	–	–	–	–	–
2,123	1,748	1,892	1,298	807	1,706	469
$13,385	$12,436	$10,906	$9,916	$8,769	$7,656	$6,849
7,574	6,924	6,471	5,539	5,215	5,263	4,343
30,645	25,336	26,904	24,772	22,286	19,345	16,782
–	–	–	–	–	–	–
19,988	18,279	16,467	14,870	13,567	12,247	10,888
$1.87	$2.08	$1.60	$1.30	$1.32	$1.36	$0.88
1.87	2.00	1.60	1.30	1.18	1.36	0.79
0.40	0.40	–	–	–	–	–
19.63	18.13	16.47	14.87	13.57	12.25	10.89
24.50	23.50	18.50	16.50	16.00	20.00	16.50
17.88	16.25	12.00	10.50	12.00	14.50	7.00
9.5%	11.5%	9.7%	8.8%	9.7%	11.1%	8.1%
2.4	3.1	2.1	2.1	2.1	2.2	2.2
1,018,321	1,008,216	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
263	255	301	322	294	249	242

controls. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this Annual Report principally through its Audit Committee. The Shareholders' auditors have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the Shareholders' auditors, Price Waterhouse, Chartered Accountants, and their report is shown as a part of the financial statements.

E S Arnold

E. S. Arnold
President

F. J. Karner

F. J. Karner
Vice-President, Finance

Corporate Directory

Officers and Executives

Edward S. Arnold
President

Fred J. Karner
Vice-President, Finance and Secretary

David G. Diston
Vice-President, General Manager Central Division

Roland Bergeron
Vice-President, General Manager Eastern Division

Rob Domville
Vice-President, General Manager Western Division

Directors

Edward S. Arnold
Beamsville, Ontario

W. Douglas H. Gardiner
Vancouver, British Columbia

H. Clifford Hatch
Windsor, Ontario

Carr Hatch*
Toronto, Ontario

Meredith F. Jones
Cambridge, Ontario

David I. Matheson, Q.C.*
Toronto, Ontario

Bernard Panet-Raymond
Montreal, Quebec

Charles Rathgeb*
Toronto, Ontario

William M. Sobey
New Glasgow, Nova Scotia

Robert S. Welch, Q.C.
Niagara-on-the-Lake, Ontario

*Audit and Compensation Committee

Directors Emeriti

Victor Mollison
Port Colborne, Ontario

Earl K. Raham
Niagara Falls, Ontario

Legal Counsel

McMillan Binch, Toronto, Ontario

Auditors

Price Waterhouse,
Hamilton, Ontario

Bank

Toronto-Dominion Bank,
Niagara Falls, Ontario

Transfer Agent

Canada Trust Company,
Toronto, Ontario

T. G. Bright & Co., Limited shares are listed on the Toronto and Montreal Stock Exchanges. The trading symbol is BRT.

Rapport des administrateurs

Au nom du conseil d'administration et de la direction de T.G. Brights & Co. Limited, il nous fait plaisir de vous présenter notre rapport annuel 1988.

Les ventes de l'année se sont élevées à 84 827 000 $, soit une augmentation de 12,5% par rapport au chiffre de vente de 75 399 000 $ en 1987. Nous avons déclaré des dividendes semi-annuels totalisant 0,125 $ par action au cours de l'année et les bénéfices non répartis sont passés de 22 801 000 $ à 25 160 000 $. Notre bénéfice d'exploitation a été moins élevé que celui de l'année précédente. Cette diminution est presque complètement attribuable aux ventes moins élevées que prévues en Ontario au cours du dernier trimestre et aux coûts de rationalisation des installations de production de nos usines d'Ontario.

Nous avons maintenu notre part du marché canadien des vins au cours de l'année et nous sommes demeurés le plus important producteur de vin et de cidre au pays. Nous nous sommes aussi classés comme l'un des plus importants producteurs de vin d'Amérique du Nord.

Le litige concernant le champagne canadien, dont il a été fait mention dans les rapports précédents, est passé en jugement en 1987. Nous sommes heureux des résultats. La cour a statué que le champagne canadien a développé sa propre réputation en tant que produit distinct et a rejeté l'argumentation des plaignants français selon laquelle les fabricants de vins canadiens trompaient les consommateurs. Les plaigants en ont appelé de la décision auprès de la Cour d'appel d'Ontario.

Nouvel environnement d'affaires

Cette année, nous avons fait un effort important pour amener la compagnie à être en mesure d'aborder efficacement les nouvelles situations de commerce national; particulièrement l'accord commercial bilatéral Canada/U.S. et une récente décision d'un comité du General Agreement of Tariffs and Trade (GATT). Le GATT a publié un rapport déclarant que certaines politiques et pratiques canadiennes en matière de boissons alcoolisées importées au Canada n'étaient pas conformes aux règles du GATT.

L'industrie du vin au Canada est structurée pour de petits marchés fragmentés soumis à des réglementations provinciales différentes. Les accords bilatéraux de même que d'autres faits en matière de commerce international permettront bientôt aux producteurs des États-Unis et d'Europe d'accéder plus librement au Canada. Cependant, pour être en mesure de concurrencer dans cet environnement plus libre, nous devons être libérés des contrôles et des réglements restrictifs, particuliérement ceux qui nous forcent à payer des prix plus élevés pour les matières premières canadiennes, pour tenir compte des coûts plus élevés de la culture de la vigne dans ce pays. Cette situation contraste avec les prix mondiaux plus bas des matières premières et avec les politiques et les pratiques en vigueur dans les pays d'Europe qui accordent des subventions importantes à leurs producteurs de vin.

Nous travaillons activement avec le gouvernement fédéral et divers gouvernements provinciaux à la mise sur pied d'un programme de transition méthodique qui composera justement et raisonnablement avec les accords commerciaux et apportera une réponse aux règlements du GATT.

Nouvelle stratégie

Consciente du fait qu'elle sera inévitablement propulsée sur l'arène internationale, la compagnie Brights a adopté une stratégie en sept points qui lui permettra de s'adapter à ce nouvel environnement et d'en tirer parti. Nous sommes donc en train de:

1. developper un programme global destiné à nous procurer d'autres sources d'approvisionnement de matières premières;
2. continuer à être plus compétitifs au niveau des coûts de production;
3. créer des emballages et des produits nouveaux et différents;
4. renforcer nos activités de recherche et de développement au niveau des vins de table de qualité supérieure;
5. continuer à développer le marché du cidre au Canada et dans d'autres pays;
6. pénétrer le marché de l'exportation avec de nouveaux produits "pour exportation";
7. maximiser le rendement de notre immobilier au Canada.

Notre effort marketing au Canada sera concentré sur les marques établies qui jouissent d'un fort soutien auprès des consommateurs. Pour attirer de nouveaux consommateurs, nous continuerons à lancer de nouvelles marques adaptées aux gôuts et aux modes de vie en évolution.

Dans ce but, nous avons lancé cinq vins de style Schnapps à saveur de fruits sous le nom de P.J. Shooters. L'accueil qui leur a été réservé est très encourageant. Nous avons aussi ajouté quatre nouveaux cidres pétillants à saveur de fruits à notre gamme de produits au cours de la dernière année et nous prévoyons ajouter d'autres saveurs.

Du côte du conditionnement, nous avons lancé avec succès un emballage unique de deux litres de vin de table blanc et rouge pour distribution dans les épiceries du Québec.

Expansion de la division de l'Est

Notre division de l'Est a connu un bon rendement pendant l'anée, et le Québec est toujours l'une de nos opérations les plus efficaces.

Durant l'année, les ventes du Québec ont atteint un nouveau record, les expéditions s'étant chiffrées à 11 millions de litres de vin dans la province. Nous embouteillons aussi conjointement avec plusieurs enterprises importantes qui vendent dans le marché du Québec.

Nos marques les plus populaires au Québec sont Notre Vin Maison blanc et Notre Vin Maison rouge qui sont les deux vins les plus vendus de leur catégorie respective dans cette province.

Nous avons terminé le projet d'expansion de 1,6 million de nos installations au Québec. Nous avons augmenté notre tonnellerie à St-Hyacinthe et à St-Joseph du Lac pour répondre à l'augmentation du volume de ventes et pour faire la place pour la croissance future.

Nous avons également ajouté 7 000 pieds carrés pour des laboratoires, des bureaux et une zone de réception du vin en vrac. Plus à l'est, notre usine de Dartmouth tourne maintenant à plein rendement et notre présence se fait sentir dans le marché. Nous prévoyons une augmentation continue des ventes dans les provinces Maritimes en 1989.

La division de l'Ouest se concentre sur le cidre

L'èconomie de l'Ouest du Canada a été lente toute l'année dernière. De plus, les taxes sur le vin ont été augmentées, particulièrement dans les Prairies, ce qui a entrainé la décroissance ou la stagnation du marché des vins.

Le marché des cidres et des coolers, cependant, a continué à enregistrer des augmentations impressionnantes.

La Compagnie a rationalisé le nombre des vins offerts et s'est concentrée avec succès sur les marques les plus vendues. De nouvelles campagnes publicitaires ont été développées pour Toscano, Maria Christina et Entre-Lacs et la promotion et la distribution de la Cuvée du Berceau ont été intensifiées. Cela s'est traduit par une augmentation des ventes et des gains de part de marché partout dans l'Ouest.

Nos programmes de recherche et de développement ont continúe à donner des résultats encourageants: plusieurs vins découlant de ces programmes ont été référencés pour la vente au public dans toutes les provinces de l'Ouest et en Ontario.

L'année dernière, nous nous sommes surtout concentrés à tirer parti de notre succès à titre de premier producteur nord-américain de cidre alcoolisé. Nous avons modifié nos emballages, mis au point de nouvelles saveurs et lancé de nouvelles campagnes publicitaires radio et télévision pour notre marque de cidre Growers.

Nous avons commercialisé les cidres énergiquement auprès des magasins indépendants de Colombie-Britannique qui sont au nombre d'environ 200 et représentent quelque 15% des ventes de l'industrie.

Nous croyons que nous sommes devenus le plus important fournisseur de ces magasins et nous sommes en bonne position pour tirer parti de l'intention du gouvernement de Colombie-Britannique de continuer la privatisation des points de vente.

La recherche de marchés d'exportation pour les cidres continue. Nous avons mis au point un système de distribution en Europe et en Asie et nous espérons vendre bientôt du cidre aux États-Unis. Quant au Canada, nous croyons qu'il existe un énorme potentiel pour la vente de cidre.

L'Ontario rationalise ses opérations

En Ontario, le marché des vins est demeuré stagnant au cours de l'année; on a enregistré une faible diminution des ventes de vin de table compensée par une augmentation des ventes de coolers.

La concurrence pour la part de marché en Ontario est intense sur tous les points. Récemment, les ventes de coolers à base d'alcool ont dépassé celles des coolers à base de vin.

Sur le plan du vin, la concurrence entre les producteurs canadiens s'est également intensifiée. On compte maintenant 24 producteurs ontariens luttant pour l'espace de tablettes des magasins qui ne sont en général pas plus gros qu'ils l'étaient il y a six ans, quand les producteurs de vins étaient au nombre de six.

La proposition de libre-échange a eu pour effet d'accélérer la rationalisation des usines de productin de vins de Brights en Ontario après l'achat de Jordan & Ste-Michelle Cellars. Toutes les opérations de conditionnement de l'usine de St-Catharines ont été arrêtées à la fin de 1987. Tout notre raisin d'Ontario était écrasé à l'usine de Niagara Falls et les installations de St-Catharines étaient utilisées pour l'entreposage des vins emballés et comme centre de distribution pour nos magasins de détail.

Même si les détails et le calendrier d'exécution ne sont pas fixés, il est clair maintenant que le gouvernement de l'Ontario va égaliser ses marges de prix, ses possibilités de référencement et ses politiques de distribution des marques pour les vins importés et les vins canadiens.

Ces changements nous obligent à réduire encore nos coûts et à améliorer l'efficacité de notre production. Pour ce faire, nous devons être libérés de la réglementation et des contrôles gouvernementaux qui augmentent nos coûts de matières premières et d'autres aspects de notre exploitation.

Les gens de Brights

Cette année, nous avons accueilli huit employés à notre Club de quart de siècle – Julius Csikasz, George Nelson, John Astels, Gary Reece, James DeCaire, Richard Hall, Johan Laufenberg and Hans Nikisch.

Dernièrement, G. Clifford Biggar et Leendert den Bak ont pris leur retraite après 47 ans et 32 ans de service respectivement. Nous avons le regret d'annoncer que Lorne Kline, James Galvin, John Henry George et Edward Doyle sont décédés au cours de l'année.

En l'honneur de feu Russell Peacock, le Comité de la santé et de la sécurité de Brights a ajouté un prix commémoratif au programme de sécurité en Ontario. Ce prix contribuera à renforcer notre conscience de la sécurité au travail et notre travail d'équipe pour atteindre notre but qui est d'avoir un environnement de travail sans accident.

Les gens de Brights ont démontré leur engagement envers la Compagnie tout au long de cette année de changements et de questions sur l'avenir de nos opérations. C'est le calibre de ses employés qui a permis à Brights de se fixer les normes les plus élevées.

Je tiens à remercier personnellement tous nos employés pour leur volonté de relever ces défis et à témoigner ma reconnaissance à nos clients, nos actionnaires et nos fournisseurs pour le précieux soutien dont ils ont fait preuve à notre égard.

Au nom du Conseil
d'administration,

E S Arnold

Edward S. Arnold
Président

Principal Operating Divisions and Subsidiaries

Wineries

Niagara Falls, *Ontario*
St. Catharines, *Ontario*

Oliver, *British Columbia*
Surrey, *British Columbia*

Winnipeg, *Manitoba*

Dartmouth, *Nova Scotia*

Wholly-owned Subsidiaries

Les Vins Brights Ltee,
Lachine, *Quebec*
St. Joseph du Lac, *Quebec*
Incorporated in 1933, it carries on production, bottling and marketing operations in Quebec.

Les Vins La Salle Inc.,
St. Hyacinthe, *Quebec*
Incorporated in 1972, it carries out production and bottling operations in Quebec and other provinces in Canada.

Bright's Wines Limited,
Niagara Falls, *Ontario*
Incorporated in 1939, it operates retail outlets in more than 60 Ontario centres.