T.G. Bright & Co. Limited

FONDÉE EST. 1874

Our Annual Report for 1983

HIGHLIGHTS OF THE REPORT

	This Year	Last Year
Sales to customers (net)	$37,269,782	$30,960,949
Net Income	$ 2,099,518	$ 1,597,161
Per dollar of sales	5.6%	5.2%
Per share	$ 2.08	$ 1.60
Current Assets	$18,411,832	$20,433,442
Current Liabilities	$ 5,975,399	$ 9,527,124
Working Capital	$12,436,433	$10,906,318
Ratio of current assets to current liabilities	3.1 to 1	2.1 to 1
Shareholders' equity	$18,279,391	$16,466,904
Equity per share	$ 18.13	$ 16.47

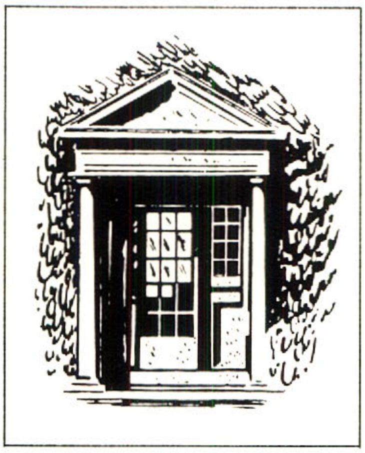
SUBSIDIARIES

Les Vins Brights Ltée, incorporated in 1933, is a wholly-owned subsidiary of T.G. Bright & Co., Limited and carries on production, bottling and marketing operations in the Province of Quebec at Lachine and St. Joseph du Lac.

Les Vins La Salle Inc., incorporated in 1972, is a wholly-owned subsidiary of T.G. Bright & Co., Limited at St. Hyacinthe, Quebec. It carries on production and bottling operations in the Province of Quebec and marketing operations in Quebec and other Provinces in Canada.

Brights Wines Limited, incorporated in 1939, is wholly-owned and a retail subsidiary operating in Ontario. Retail locations include the following:

Toronto	Kitchener	Burlington	Niagara-On-The-Lake	St. Catharines	Belleville
Windsor	Ottawa	Niagara Falls	Cambridge	Sarnia	Chatham
London	Peterborough	Pickering	Kincardine	Guelph	Sudbury



ANNUAL MEETING

The annual meeting of shareholders will be held at
T.G. Bright & Co., Limited, Dorchester Road, Niagara Falls, Ontario,
at 4:00 P.M., Tuesday, June 14, 1983.

REPORT OF DIRECTORS

To the shareholders, employees and friends of T.G. Bright & Co., Limited and Subsidiary Companies for the fiscal year ended March 31, 1983.

Financial Results

We are pleased to present our 1983 operating results as presented in our financial statements as a part of our annual reports.

Net sales have increased by \$6,308,833 or 20.4%. This is a result of increases in selling price to recover the increasing costs of labour, production and materials, as well as a modest increase in volume over the prior year. A major portion of the growth in volume is a result of our operations in British Columbia which is now fully on stream.

The British Columbia winery is progressing well, but it will be some time before it is contributing to overall operating results.

During the latter part of the fiscal year we embarked on a program of expansion and renovation of our retail stores. This expansion included the addition of new stores in cities such as Sarnia, Chatham, Guelph, Kincardine and Belleville, as well as additional stores in cities previously served by Brights. Also as a part of this program, several stores were closed, transferred or renovated. While these changes have had little impact on the results this year because of their late start, it is expected positive results will be generated in the 1983-1984 fiscal year.

Expenses in all divisions continue to grow with the increasing pressures from utilities, taxes, materials and maintenance. Additional funds were expended in advertising to counter pressures of low-priced imported products and recessionary market changes. Interest costs have been reduced substantially from the prior year by a combination of two factors. Firstly, interest rates have fallen to more moderate levels from previous high rates so that the cost of funds outstanding is reduced. Secondly, the level of funds borrowed has been reduced materially from \$7,485,654 to \$3,346,950. This has been achieved by a careful program of selective capital expenditures and inventory and asset management. The inventory levels have been carefully monitored over the past year so that total inventory, including the British Columbia subsidiary is \$15,205,417 compared to \$15,945,192 in the prior year. This has been accomplished despite the past inflationary demands.

Our operations, as a result of the above activities, have increased income from operations to \$2,019,983 from \$1,597,161 in the previous year. This increase of 26.5% represents an increase from \$1.60 per share to \$2.00 per share.

In addition to income from operations a gain on the sale of property excess to our needs resulted in a capital gain of \$79,535 net of tax.

On October 1, 1982, the Company paid its first dividend since 1975 of \$.20 per share.

This dividend was paid in cash to all Class A shareholders and was paid in Class B shares to all Class B shareholders. As a result of the Class B dividend, 8,216 shares of the Company were issued.

Product Development

As in prior years, much has been done to meet the changing demands of the consumer in new products as well as in the area of new grape and wine technology.

Your Company, in conjunction with the Federal and Ontario governments, is carrying out extensive research programs in wine technology and viticultural research. Through the Federal New Crop Development Fund and the Ontario Ministry of Agriculture & Food, we are presently engaged in a study of new varieties that may be suitable for the developing area of Southwestern Ontario. This area, one of Canada's original grape-growing areas, is reestablishing grapes as a domestic crop and our research on a small Company-owned section of land, combined with our work with local growers is giving us insight into future developments. Southwestern Ontario may have excellent potential as a source of premium grapes and we are on the forefront of this development.

In co-operation with the Federal Department of Agriculture, we have been working on several projects of wine technology, primary amongst these being the vinification of white wine from red grapes. As a result of rapidly changing consumer preferences, there is an imbalance in the supply of red and white grapes. Through our research and development we are developing methods of utilizing red and blue grapes for white wines. One of the first of these products utilizing such wines is our Dry White House wine released in the past year.

As a leader in grape and wine research programs in Canada, we are benefiting from these efforts and through the public reports of the government research programs, the entire industry will continue to benefit from our efforts.

E.S. ARNOLD
President

In line with market changes and consumer preferences, we have also presented several new products in the market.

Baron Ludwig is a German style, light, white wine which has received excellent consumer acceptance. Other recent additions of white wines include Dry White House wine, as mentioned previously, an addition to our family of House Wines: Papa Carlo, a dry, Italian style wine: L'Entre-Côte White, a fine companion to L'Entre-Côte Red which has achieved such excellent results in the Province of Quebec and also Mon Village, a French style white wine.

In red table wines we have introduced Papa Carlo, a dry, Italian style, red wine and Mon Village, a dry, French style wine.

Our Club Spritz, a light, refreshing wine of sparkling wine and pure spring water at 5% alcohol has received excellent reception to date. Its entry has created an entirely new concept in wine and its position as a refreshment drink will continue to develop. We are quite satisfied with its progress to date.

Along with our research program and new products, we continue to evaluate our product line and update packaging and products as thought beneficial. We expect these efforts to keep us in the forefront of wine development and wine sales in Canada.

Employees

During the year we welcomed five new members to our Quarter Century Club. Joining this select group of employees were Leslie Nagy: Adam Rosenberger and Eugene Vegh of the Niagara Falls winery: Philip Zakoor, Ontario Sales: Gilles Baillargeon of Quebec Sales. The tradition and strength of this group is a major factor in the strength and growth of your Company.

During the year, Stephen Wodynski retired after 45 years' service: Denton (Denny) Parks retired after 38 years' service: Harold (Bucky) Waters retired after 38 years' service: Margaret Gratton retired after 26 years' service.

We regret to inform you that Roland Lord of our Quebec Sales and retired employee Ernest Martin passed away during the year.

Outlook

1982 was a difficult year for the Canadian economy. High interest rates, inflation and record unemployment have had a detrimental effect on consumers and businesses. Despite these poor economic conditions, your Company delivered a very acceptable performance.

We enter our 1983-84 fiscal year with some confidence in the general process of economic recovery. Lower interest rates, in particular, are beneficial to most businesses and especially to the wine and grape industry.

The two areas of continuing concern to our business are aggressive taxation and foreign wine pricing. A number of provinces increased their taxation rate on wine and have also added surcharges to each bottle sold. These steps will adversely affect our growth.

Low-priced foreign wines continue to threaten the future of the Canadian grape and wine industry. Last year we indicated that we were working with the Canadian Wine Institute investigating the pricing practices of foreign-bottled wines. On August 27th, 1982, the Deputy Minister of National Revenue for Customs and Excise initiated an investigation into the subsidization of Italian table wines imported into Canada. This action was taken because of a formal complaint by the Canadian Wine Institute. In March of 1983, we were informed that the Countervailing Duty investigation had been terminated. This news was extremely disappointing and surprising to the grape and wine industry. We were not given the opportunity to have our case heard before an independent, objective body - The Anti-Dumping Tribunal. We believe that subsidized foreign wine imports are a threat to the viability of the Canadian grape and wine industry.

W.D. HATCH
Chairman

In Ontario it is expected that the temporary special handling charge per bottle imposed on non-Ontario wines in 1981 will be discontinued. Your Company is participating actively in the Industry-Government task force established by the Government of Ontario and designed to maintain the continued well-being and expansion of the Ontario grape and wine industry.

In 1980 we were pleased to announce that the Canada-France Trade Agreement of 1933 and 1935 was repealed by Parliament. This action solved some legal problems facing Canadian wineries desiring to use certain established generic indications of origin. As we are the largest producer of Canadian Champagne in Canada, we were pleased with the federal legislation. We also reported in 1980 that ongoing Champagne litigation was proceeding in the courts in Quebec and Ontario. The Champagne litigation in Quebec has been resolved in our favour. Similar litigation in Ontario is being vigorously defended and should come to trial in 1984.

We expect gallonage sales to increase in Quebec in the latter part of 1983 when extra grocery store listings are granted to Quebec wineries.

Sales projections for our new British Columbia winery are encouraging. We are planning for improved financial results this year over 1982-83.

Last year we predicted that our quality leadership would gain market share for us in Canada. We were right. Our sales increased 12.6% against an industry average of 6.6%.

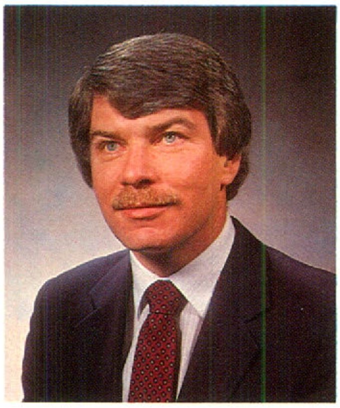
Our plans call for continued financial growth. The positive support we are receiving from employees and suppliers helps convince us that our objectives will be met.

E.S. Arnold
President

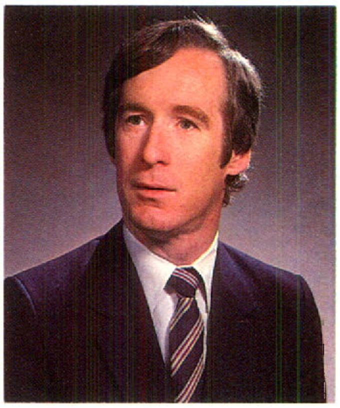
W.D. Hatch
Chairman

D.G. DISTON
Vice-President,General Manager
Ontario

J.G. LORD
Vice-President, General Manager
Quebec



R. DOMVILLE
Vice-President, General Manager
British Columbia



WM.C. THOMPSON, C.A.
Secretary - Treasurer

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 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.

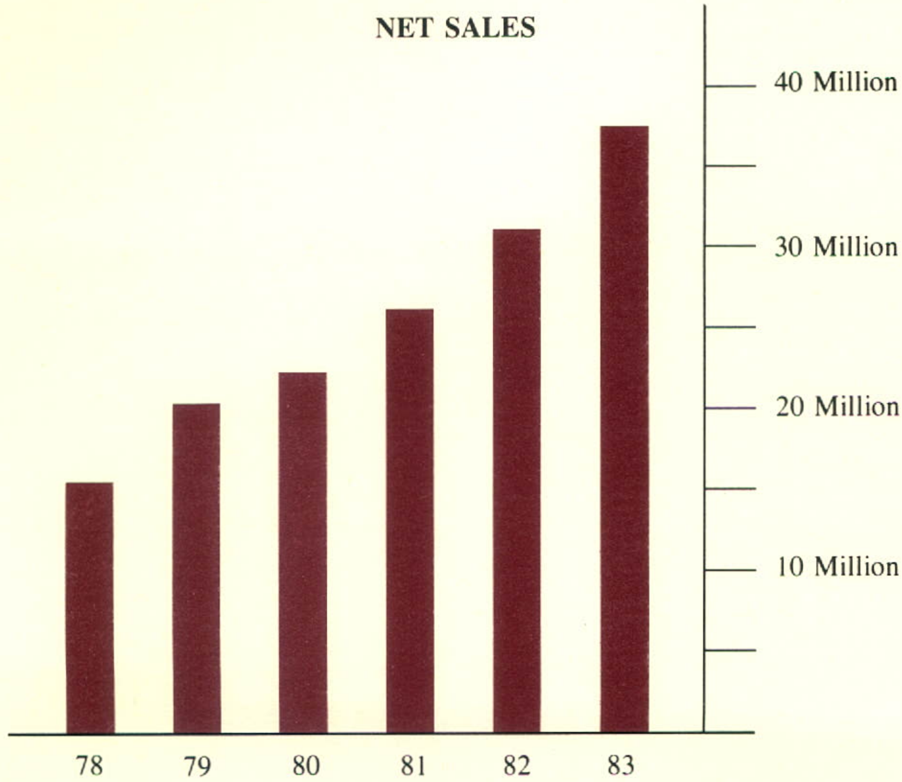
The Board of Directors carries out its responsibility for the financial statements in this Annual Report principally through its Audit Committee. The Shareholders' auditors have full access to the Audit Committee, with and without management being present.

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.

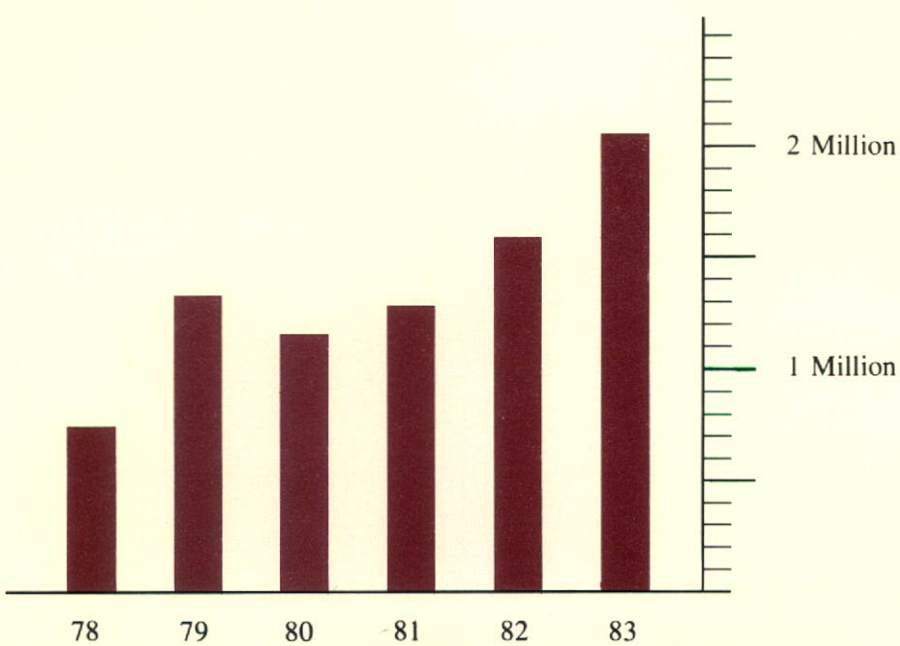
E.S. Arnold
President

Wm.C. Thompson, C.A.
Secretary-Treasurer

NET SALES



NET OPERATING PROFIT



CONSOLIDATED BALANCE SHEET

	March 31 1983	March 31 1982
ASSETS		
Current assets:		
Cash	$ 65,936	$ 132,995
Accounts receivable	2,786,904	3,971,284
Inventories (Notes 1 and 2)	15,205,417	15,945,192
Prepaid expenses	353,575	383,971
Total current assets	18,411,832	20,433,442
Fixed assets less accumulated depreciation (Notes 1 and 3)	6,924,197	6,470,825
	$25,336,029	$26,904,267
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	$ 3,346,950	$ 7,485,654
Accounts payable and accrued liabilities	1,226,755	1,070,769
Taxes payable	1,200,050	970,701
Dividends payable	201,644	—
Total current liabilities	5,975,399	9,527,124
Deferred income taxes	1,081,239	910,239
Shareholders' equity:		
Capital stock (Note 4)	2,614,613	2,500,000
Retained earnings	15,664,778	13,966,904
	18,279,391	16,466,904
	$ 25,336,029	$ 26,904,267

Approved by the Board:

W.D. Hatch, Director
E.S. Arnold, Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	For the year ended March 31 1983	1982
Sales	$48,691,541	$40,275,679
Less: Excise and sales taxes	11,421,759	9,314,730
	37,269,782	30,960,949
Cost and expenses:		
Cost of goods sold	23,715,562	19,526,766
Selling, general and administrative expenses	8,286,221	6,703,022
Interest	704,555	1,248,872
Depreciation	1,295,461	960,028
	34,001,799	28,438,688
Income before income taxes and extraordinary item	3,267,983	2,522,261
Provision for income taxes:		
Current	1,081,000	599,600
Deferred	167,000	325,500
	1,248,000	925,100
Income before extraordinary item	2,019,983	1,597,161
Gain on sale of property less related income taxes of $6,000	79,535	–
Net income	2,099,518	1,597,161
Retained earnings:		
Beginning of year	13,966,904	12,369,743
	16,066,422	13,966,904
Dividends paid and payable ($.40 per share) -		
Class A	180,819	–
Class B	220,825	–
	401,644	–
End of year	$15,664,778	$13,966,904
Income per share before extraordinary item	$ 2.00	$ 1.60
Extraordinary item	.08	–
Net income per share	$ 2.08	$ 1.60

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	For the year ended March 31 1983	1982
Financial resources were provided by:		
Income before extraordinary item	$ 2,019,983	$ 1,597,161
Items not involving current funds-		
Depreciation	1,295,461	960,028
Deferred income taxes	167,000	325,500
Funds provided from operations	3,482,444	2,882,689
Funds provided from extraordinary item	83,535	–
Issue of capital stock	114,613	–
	3,680,592	2,882,689
Financial resources were used for:		
Additions to fixed assets (net)	1,748,833	1,892,150
Dividends	401,644	–
	2,150,477	1,892,150
Increase in working capital	1,530,115	990,539
Working capital at beginning of year	10,906,318	9,915,779
Working capital at end of year	$12,436,433	$10,906,318

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, 1983 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 Corporation as at March 31, 1983 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

HAMILTON, MAY 6, 1983

Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 1983

1. SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries.

Inventories

Inventories are valued at the lower of cost and net realizable value; cost of finished and bulk wine being at average direct cost, raw material and supplies at average laid down cost.

Fixed Assets

Land, buildings and equipment are valued at cost. Depreciation provisions are computed generally using the diminishing balance method at rates which vary from 4% to 30% per annum. All costs for repairs and maintenance are expensed as incurred.

Income Taxes

Deferred income taxes are provided for all significant timing differences in reporting income and expenses for financial statement and tax purposes. The timing differences arise substantially from differences in accounting and tax depreciation. Investment tax credits are accounted for by a reduction in the current tax provision in the year claimed.

Pension Plans

Pension costs are funded as they accrue. Based on the most recent actuarial study, there is no unfunded liability.

2. INVENTORIES

	March 31 1983	March 31 1982
Raw materials and supplies	$ 1,731,142	$ 2,503,316
Bulk wine	8,264,475	9,212,263
Finished goods	5,209,800	4,229,613
	$ 15,205,417	$ 15,945,192

3. FIXED ASSETS

	March 31 1983	March 31 1982
Land and buildings	$ 6,236,239	$ 5,869,873
Storage tanks, machinery and equipment	11,261,304	10,188,528
Automobiles and trucks	1,129,644	1,103,376
	18,627,187	17,161,777
Less: Accumulated depreciation	11,702,990	10,690,952
	$ 6,924,197	$ 6,470,825

4. CAPITAL STOCK

The Class A, Class B and common shares shall 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 indentical. 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 1983	1982
Class A	473,129	432,665
Class B	535,087	567,335
	1,008,216	1,000,000

During the year the Corporation issued 8,216 Class B shares as a stock dividend with a value of $114,613.

5. LEASE COMMITMENT

Pursuant to lease arrangements expiring not later than December 2004 the Corporation is committed to annual rental payments of approximately $200,000.

These annual rentals are subject to revision in 1986 and 1991.

L'Entre-Côte is currently sold in the Province of Quebec and is the ninth largest Canadian red wine sold in Canada. It is expected that it will be produced and marketed by the Ontario and British Columbia wineries during 1983.

SIX YEAR REVIEW

OPERATIONS	1983	1982	1981	1980	1979	1978
Gross Income	$48,691,541	$40,275,679	$34,467,542	$27,752,370	$25,080,275	$19,659,026
Excise and sales taxes	11,421,759	9,314,730	8,640,851	5,197,813	4,799,675	3,890,013
Net Sales	37,269,782	30,960,949	25,826,691	22,554,557	20,280,600	15,769,013
Cost of goods sold	23,715,562	19,526,766	15,750,786	13,628,927	12,655,941	10,342,127
Selling and other expenses	8,911,241	7,951,894	7,247,878	6,193,523	4,696,713	3,388,963
Provision for depreciation	1,295,461	960,028	927,359	856,065	786,537	716,830
Profit (loss) before income taxes	3,347,518	2,522,261	1,900,668	1,876,042	2,141,409	1,321,093
Provision for income taxes	1,248,000	925,100	597,912	556,310	782,582	439,500
Net Profit (Loss)	$ 2,099,518	$ 1,597,161	$ 1,302,756	$ 1,319,732	$ 1,358,827	$ 881,593
Profit per dollar of net sales	5.6%	5.2%	5.0%	5.2%	6.7%	5.6%
Distribution of net profit						
Stock dividend payable	$ 106,213	$ —	$ —	$ —	$ —	$ —
Cash dividends paid and payable	180,818	—	—	—	—	—
Retained in business	1,812,487	1,597,161	1,302,756	1,319,732	1,358,827	881,593
Net profit per share	$ 2.08	$ 1.60	$ 1.30	$ 1.32	$ 1.36	$ .88

FINANCIAL STATUS	1983	1982	1981	1980	1979	1978
Current assets	$18,411,832	$20,433,442	$19,233,152	$17,071,683	$14,081,972	$12,439,062
Current liabilities	5,975,399	9,527,124	9,317,373	8,302,995	6,426,111	5,590,143
Working capital	12,436,433	10,906,318	9,915,779	8,768,688	7,655,861	6,848,919
Property, plant and equipment (net)	6,924,197	6,470,825	5,538,703	5,214,599	5,263,194	4,343,309
Deferred income taxes	1,081,239	910,239	584,739	416,300	671,800	303,800
Shareholders' equity	18,279,391	16,466,904	14,869,743	13,566,987	12,247,255	10,888,428
Total assets	$25,336,029	$26,904,267	$24,771,855	$22,286,282	$19,345,166	$16,782,371
Ratio current assets to current liabilities	3.1 to 1	2.1 to 1	2.1 to 1	2.1 to 1	2.2 to 1	2.2 to 1
Equity per share	$ 18.13	$ 16.47	$ 14.87	$ 13.57	$ 12.25	$ 10.89

T.G. Bright & Co. Limited

DIRECTORS

Edward S. Arnold ......Beamsville, Ontario
H. Clifford Hatch* .....Walkerville, Ontario
W. Douglas Hatch* ....St. Catharines, Ontario
Meredith F. Jones ......Queenston, Ontario
Jean-Guy Lord ....Montreal, Quebec
David I. Matheson......Toronto, Ontario
Charles Rathgeb*.......Toronto, Ontario

(*Audit Committee)

OFFICERS AND EXECUTIVES

W. Douglas Hatch................Chairman
Edward S. Arnold B.Sc.A. ......President
David G. Diston ....Vice-President, General-Manager - Ontario Operations
Jean-Guy Lord ....Vice-President, General-Manager - Quebec Operations
Robbie Domville............... Vice-President, General Manager - British Columbia Operations
William C. Thompson, C.A.....Secretary-Treasurer

Directors Emeriti

Victor Mollison ....Port Colborne, Ontario
George H. Mowers ....Niagara Falls, 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

STOCK TRANSFER AGENTS Canada Permanent Trust Company.......... Toronto, Ontario

Stock Listed: Toronto Stock Exchange and Montreal Stock Exchange

Brights

FONDÉE EST. 1874

Printed in Canada