T.G. Bright & Co. Limited & Subsidiary Companies

Our Annual Report for 1979

HIGHLIGHTS OF THE REPORT

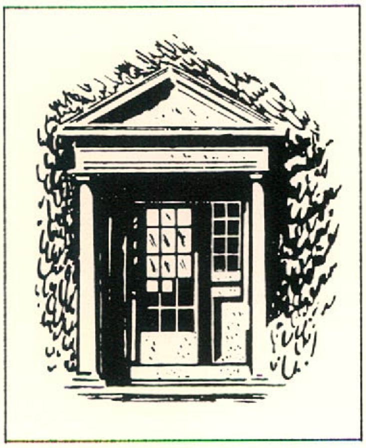
	This Year	Last Year
Sales to customers (net)	$20,280,600	$15,769,013
Net Income	$ 1,358,827	$ 881,593
Net Income before extraordinary gain	$ 1,358,827	$ 785,280
Per dollar of sales	6.7%	5.6%
Per share	$ 1.36	$ .88
Total payroll and benefits	$ 4,462,473	$ 4,354,579
Current Assets	$14,081,972	$12,439,062
Current Liabilities	$ 6,426,111	$ 5,590,143
Working Capital	$ 7,655,861	$ 6,848,919
Ratio of current assets to current liabilities	2.2 to 1	2.2 to 1
Shareholders' equity	$12,247,255	$10,888,428
Equity per share	$ 12.25	$ 10.89

SUBSIDIARIES

T.G. Bright (Quebec) Limited, 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 also wholly-owned and a retail subsidiary operating in Ontario.



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 19, 1979

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, 1979.

Financial Review

We are pleased to record a major increase in the net return of the Company over the prior year. This has been the result of a concentration on costs of production as well as excellent growth in the sale of wines in both Ontario and Quebec. Much of the growth in sales value has been as a result of gallonage sales and not general price increases. Price increases will be necessary in the coming year to offset the continuing pressure of inflationary costs.

The rapid rise in interest rates has had a detrimental effect on interest costs and the Company is making major attempts to ensure loans are maintained at minimum levels. However, as indicated in the past, major capital programs are necessary to continue the modernization of our wineries as well as ensure adequate production facilities for future growth.

Advertising has returned to the higher levels of prior years and it is anticipated that we will continue to spend larger amounts in this area to meet the changing demands and awareness of today's consumers.

The net result of the current year's transactions has created a 28% increase in sales, while costs rose 23%. As a result, the net profit from operations has increased by 54% or $477,234. There were no capital gains earned during the year compared to $96,313 in the prior year.

Thus, the earnings per share for the year were $1.36 and $.88 per share in the prior year.

New Products

During the year we continued our program of reviewing product presentation and updating product lines to complete our participation in Canada's growing awareness of wine.

In this regard, we introduced a number of new products in the light sparkling category and continued our program of introducing new quality table wines that will be appreciated by those whose tastes are changing to this class of wines.

Of particular note in our new products is the introduction of a Brandy, made from Ontario grapes. We are very proud of this fine quality aged Brandy which is likely to be available only in limited quantities.

Employees

The Company's contribution to social plans continues to grow since their inception in 1939. Contributions for the year amount to $549,974. and total $6,236,522. since the inception.

During the year our "Quarter Century Club" grew substantially with the addition of eight new members. Welcomed to the Club were: Mr. Earl Bateman, Farm Division; Mr. William Brytwak, Cellar Division; Mr. Romolo Casucci, Shipping

Division; Mr. Lloyd J. Corlis, Trucking Supervisor; Mr. Howard D. Ferguson, Trucking Division; Mr. John L. MacDonnell, Shipping Division; Mr. Silvano V. Martin, Shipping Division and Mr. William A. Recchia, Cellar Supervisor.

This group of active employees which represents a large portion of our staff continues to be one of the major strengths of the Company.

During the year Mr. Charles Hodgkinson retired after 12 years' service with the Company.

We regret to inform you that during the year, Mr. Earl Boland, Sales Representative with the Company for 9 years passed away.

Executive Changes

On June 13, 1978 Mr. W.D. Hatch was elected Chairman of the Company, and Mr. E.S. Arnold was elected President at a meeting of the Board of Directors.

On June 1, 1978, Mr. David G. Diston joined the Company as Vice President, Operations. Mr. Diston, with over 21 years' experience in the wine business brings valuable experience in the production management of winemaking operations.

Sale of Wine in Grocery Stores

During the year, the Province of Quebec allowed the sale of wine for Quebec based companies in independent grocery stores. This strong, large organization of approximately 7,500 independently owned stores has created a much greater market for locally produced wines, particularly in the non urban areas that could not be as easily reached through conventional distribution means.

Your Company, through its subsidiaries, has been established in Quebec since 1933 and was well placed with excellent quality products to participate in this new venture.

However, to ensure that sufficient, modern production facilities would be available for this expanded market, the Company purchased the assets of a cider company in the Province of Quebec. This new plant, with its production and bottling capacity, will ensure proper facilities are available over the next few years.

As well, in the Province of Ontario, the licencing of retail stores was amended to allow the establishment of mini stores owned by the wineries which could be located within other stores such as grocery stores. While the regulations only allowed the retailing of wine within the entrances to these larger stores, the position of wine with food has created a new concept to its marketing.

The Company has been participating in the growth of these mini stores and a number of new outlets are presently operating. It is still too early to properly evaluate the effect of this new system.

Awards

The Company has entered its products in a limited number of world competitions, but we are extremely pleased with the results in those prestige competitions in which it has participated.

Our new white House Wine received a Gold Medal in a wine competition in the U.S.A. for all Eastern Wineries in North America. This award, along with others for our Champagne, and Baco Noir indicates the Company's continuing concern with quality and its appreciation in its peer group in North America.

We also selectively entered our quality varietal wines in two major competitions in Brussels, Belgium and Great Britain and were pleased to have our product recognized with awards of a similar high recognition in both competitions.

Outlook

We are optimistic that the foundation of grape and wine research created in the past years will continue to help us in our plans to meet the challenges of the future.

While continuing growth of the Quebec wine market is as yet undetermined, we are confident that our growth there, as a company, will continue to be strong.

The major increase in markup by the Ontario government recently announced in the Budget is not yet reflected in the market and we are uncertain of its effect. Also, while there are expected to be major increases in the prices of foreign wines sold in Ontario and Canada as a result of world markets, they do not generally affect the few products which influence a very major portion of the market.

However, in spite of these uncertainties and challenges, we believe we are in an excellent position to continue to grow through the resources and efforts by our staff, the contribution by our growers and the strong foundation on which the Company has been built throughout its history.

On behalf of the Board of Directors.

President


Vins
Brights
Wines
Vins
Brights
Wines
Brights
Vin Rosé
NOS VASTES CAVES A VIN NOUS
QUI FERONT VOS DÉLICES
FROM OUR VAST CELLARS WE HAVE
MARRIED OUR OWN SPECIAL BLEND OF
SELECTED RED QUALITY WINES
FOR YOUR ENJOYMENT
T.G. BRIGHT & CO LIMITED NIAGARA FALLS CANADA
Brights
Vin Rouge · Red
NOS VASTES CAVES A VIN
QUI FERONT VOS DÉLICES
FOR YOUR ENJOYMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31

	1979	1978
Cash	$ 143,141	$ 122,242
Accounts receivable	1,813,623	2,182,582
Inventories (Notes 1 and 2)	11,588,232	9,748,663
Expenses paid in advance	536,976	385,575
Current Assets	$14,081,972	$12,439,062
Bank indebtedness	$ 4,992,000	$ 4,310,500
Accounts payable and accrued liabilities	942,499	575,555
Taxes payable	491,612	704,088
Current Liabilities	$ 6,426,111	$ 5,590,143
Working Capital	$ 7,655,861	$ 6,848,919
Fixed assets less depreciation 1979 - $8,787,979 1978 - $8,099,199 (Notes 1 and 3)	$ 5,263,194	$ 4,343,309
Working Capital and Other Assets	$12,919,055	$11,192,228
DEDUCT:		
Deferred income tax	671,800	303,800
Excess of Assets over Liabilities	$12,247,255	$10,888,428
Represented by Shareholders' equity:		
Capital Stock (Note 4)	$ 2,500,000	$ 500,000
Retained earnings	9,747,255	10,388,428
Shareholders' equity	$12,247,255	$10,888,428

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

	1979	1978
Gross Sales	$25,080,275	$19,659,026
LESS: Consumer excise and sales taxes	4,799,675	3,890,013
Net Sales	$20,280,600	$15,769,013
DEDUCT:		
Cost of goods sold	12,656,709	10,342,127
Selling, general and administrative expenses	4,217,190	3,089,827
Interest	479,337	395,449
Provision for depreciation	786,537	716,830
Provision for income taxes (Note 5)	782,000	439,500
	$18,921,773	$14,983,733
Net Income before extraordinary gain	1,358,827	785,280
Gain on disposal of land	—	96,313
NET INCOME	$ 1,358,827	$ 881,593
Retained Earnings:		
Beginning of year	10,388,428	9,506,835
	11,747,255	10,388,428
Less Retained earnings capitalized (Note 4)	2,000,000	—
End of Year	$ 9,747,255	$10,388,428
Net Income per share before extraordinary gain	$ 1.36	$ .79
Extraordinary gain	$ —	$ .09
Net Income per share	$ 1.36	$ .88

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31

	1979	1978
Financial resources were provided by:		
Net income for year before extraordinary gain	$1,358,827	$ 785,280
Items not involving current funds:		
Provision for depreciation	786,537	716,830
Deferred income taxes	368,000	80,200
Funds provided from operations	2,513,364	1,582,310
Gain on disposal of land	—	96,313
	$ 2,513,364	$1,678,623
Financial resources were used for:		
Additions to fixed assets (net)	1,706,422	469,078
Increase in working capital	806,942	1,209,545
Working capital at beginning of year	6,848,919	5,639,374
Working capital at end of year	$7,655,861	$6,848,919

AUDITORS' REPORT

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

We have examined the consolidated statement of financial position of T.G. Bright & Co., Limited as at March 31, 1979 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, 1979 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.

HAMILTON, MAY 9, 1979

Price Waterhouse & Co.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 1979

1. SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of all 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.

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, the Company's unfunded past service obligation for pension benefits is estimated to be approximately $1,037,000 and is being amortized by annual payments not to exceed fourteen years.

2. INVENTORIES

	March 31 1979	March 31 1978
Raw materials and supplies	$ 1,863,644	$ 1,436,398
Bulk wine	7,001,089	5,816,888
Finished goods	2,723,499	2,495,377
	$11,588,232	$ 9,748,663

3. FIXED ASSETS

	March 31, 1979 Additions	March 31, 1979 Investment Gross	March 31, 1979 Investment Net	March 31, 1978 Net Investments
Land and buildings	$ 595,688	$ 3,705,428	$1,728,627	$1,254,324
Storage tanks, machinery and equipment	756,126	7,514,089	2,433,850	2,123,907
Retail property and equipment	151,186	499,783	359,544	233,940
Automobiles and trucks	176,665	812,468	339,703	308,300
Farm property and equipment	26,757	1,519,405	401,470	422,838
	$1,706,422	$14,051,173	$5,263,194	$4,343,309

4. CAPITAL STOCK

The Class A and Class B shares are inter-convertible on a share-for-share basis and the rights of each class are identical. Both classes of shares rank equally as to dividends.
Changes in the share capital of the Company during the year were as follows:

Authorized number of shares without nominal or par value -

	March 31 1979	1978
Common	1,000	1,000
Class "A"	3,000,000	3,000,000
Class "B"	1,999,000	1,999,000
	5,000,000	5,000,000

Issued and outstanding -

	1979	1978
Common	—	—
Class "A"	426,969	425,044
Class "B"	573,031	574,956
	1,000,000	1,000,000

During the year the Company reduced its retained earnings by $2,000,000 and transferred that amount to capital. As a result, a deemed dividend of $2,000,000 occurred, which served to reduce tax paid surplus on hand. Thus at March 31, 1979 the 1,000,000 issued and outstanding shares had an assigned value of $2,500,000.

5. INCOME TAXES

As at March 31, 1979, one subsidiary company has tax losses of $120,000 which expire $81,000 in 1983 and $39,000 in 1984. The tax effect of these losses has not been recorded in the statements of the subsidiary.

6. REMUNERATION OF DIRECTORS AND OFFICERS

Total remuneration of directors and senior officers for the year ended March 31, 1979 amounted to $370,900 (1978 - $237,601).

7. CONTINGENT LIABILITIES

Subsequent to the year-end, legal actions commenced in prior years pertaining to the marketing of certain products were resolved to the satisfaction of the Company.

TEN YEAR REVIEW

OPERATIONS	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Gross Income	$25,080,275	$19,659,026	$17,307,930	$17,578,939	$16,508,596	$14,965,234	$14,953,618	$14,850,765	$13,999,427	$12,533,742
Excise and sales taxes	4,799,675	3,890,013	3,483,597	3,698,991	3,971,726	3,559,551	3,739,972	3,766,145	3,525,157	3,178,332
Net Sales	20,280,600	15,769,013	13,824,333	13,879,948	12,536,870	11,405,683	11,213,646	11,084,620	10,474,270	9,355,410
Cost of goods sold	12,655,941	10,342,127	9,524,367	9,185,446	7,446,926	6,699,984	6,225,301	6,032,449	5,438,024	4,753,349
Selling and other expenses	4,696,713	3,388,963	3,637,798	3,532,430	3,306,227	2,966,264	2,871,003	2,517,539	2,482,843	2,355,844
Provision for depreciation	786,537	716,830	753,755	714,419	742,987	558,313	526,468	409,150	409,450	410,266
Profit (loss) before income taxes	2,141,409	1,321,093	(91,587)	447,653	1,040,730	1,181,122	1,590,874	2,125,482	2,143,953	1,835,951
Provision for income taxes	782,582	439,500	(4,500)	227,300	519,300	542,000	785,000	1,035,200	1,161,000	1,000,300
Net Profit (Loss)	$ 1,358,827	$ 881,593	$ (87,087)	$ 220,353	$ 521,430	$ 639,122	$ 805,874	$ 1,090,282	$ 982,953	$ 835,651
Profit per dollar of net sales	6.7%	5.6%	(.6%)	1.6%	4.2%	5.6%	7.2%	9.8%	9.4%	8.9%
Distribution of net profit										
Tax paid on undistributed income	$ —	$ —	$ —	$ —	$ 10,862	$ 19,278	$ —	$ —	$ —	$ —
Dividends paid	—	—	—	—	181,289	371,071	400,000	400,000	400,000	200,000
Retained in business	1,358,827	881,593	(87,087)	220,353	329,279	248,773	405,874	690,282	582,953	635,651
*Net profit per share	$ 1.36	$ .88	$ (.09)	$ .22	$ .52	$ .64	$ .81	$ 1.09	$ .98	$ .84
FINANCIAL STATUS										
Current assets	$14,081,972	$12,439,062	$11,820,483	$12,676,188	$12,064,528	$11,636,468	$ 9,795,838	$ 8,942,160	$ 7,656,204	$ 7,633,887
Current liabilities	6,426,111	5,590,143	6,181,109	6,693,520	6,093,331	6,244,148	4,102,234	2,172,399	1,218,053	1,582,644
Working capital	7,655,861	6,848,919	5,639,374	5,982,668	5,971,197	5,392,320	5,693,604	6,769,761	6,438,151	6,051,243
Property, plant and equipment (net)	5,263,194	4,343,309	4,591,061	4,474,854	4,574,472	4,929,970	4,430,013	3,080,982	2,918,710	2,925,665
Special refundable tax	—	—	—	—	—	—	—	—	—	—
Investment	—	—	—	—	—	—	—	—	3,000	3,000
Less: First mortgage bonds	—	—	—	175,000	350,000	525,000	700,000	875,000	1,050,000	1,225,000
Deferred income taxes	671,800	303,800	223,600	188,600	322,100	253,000	128,100	86,100	110,500	138,500
Shareholders' equity	12,247,255	10,888,428	10,006,835	10,093,922	9,873,569	9,544,290	9,295,517	8,889,643	8,199,361	7,616,408
Total assets	$19,345,166	$16,782,371	$16,586,544	$17,151,042	$16,639,000	$16,566,438	$14,225,851	$12,023,142	$10,577,914	$10,562,552
Ratio current assets to current liabilities	2.2 to 1	2.2 to 1	1.9 to 1	1.9 to 1	1.9 to 1	1.9 to 1	2.4 to 1	4.1 to 1	6.3 to 1	4.8 to 1
*Equity per share	$ 12.25	$ 10.89	$ 10.01	$ 10.09	$ 9.87	$ 9.54	$ 9.30	$ 8.89	$ 8.20	$ 7.62
EMPLOYEES										
Number of employees at year end	249	242	242	257	253	265	265	272	259	255
Total payroll and benefits	$ 4,462,473	$ 4,354,579	$ 4,056,218	$ 3,812,591	$ 3,328,964	$ 3,174,955	$ 3,083,131	$ 2,895,375	$ 2,626,519	$ 2,390,941
Investment per employee	$ 77,691	$ 68,522	$ 67,816	$ 67,736	$ 65,767	$ 62,515	$ 53,682	$ 44,203	$ 40,841	$ 41,422

* Years prior to 1971 restated to reflect 10 for 1 stock split in June, 1970

Brights Wines

Sparkling
Pinot Champagne
President Champagne
President Champagne (Pink)
Cold Duck
Cold Duckling
Winette
Cresta Blanca
Little White Duck
Pussycat
Light Cold Duck
DuBarry Spumante
Sangria

White Table
Pinot Chardonnay
President Extra Dry
President Sauterne
Manor St. Davids Sauterne
Verdelet
Aurore
Gewurztraminer
White House Wine
Seyval Blanc
Vino di Casa
White Table Wine

Sherries
Cream
President
Dry
Hermit
St. Georges Vin Blanc
"74"
Napoleon
"67"

Appetizer
Dry Vermouth
Red Vermouth
Cocktail
Loganvale

Rosé
DuBarry Sparkling
DuBarry Still
Manor St. Davids Crackling
Still Cold Duck
Rosé House Wine

Red Table
President Burgundy
Manor St. Davids Claret
Cresta Roja
Blue Seibel
Chelois
de Chaunac
Baco Noir
Marechal Foch
Villard Noir
Red House Wine
Vino di Casa
Red Table Wine

Ports
President
"74"
Napoleon
Hermit
"67"
St. Georges Vin Rouge

Other
President Muscatel
Mazel Tov
Sacramental

Les Vins LaSalle

White Table
Sève D'Or
Griffon Blanc
Notre Vin Maison

Sherries and Ports
Mont Joli
LaSalle

Red Table
Griffon Rouge
Notre Vin Maison
de Chaunac

Sparkling
Cresta Blanca
Petit Cadet

Rosé
Rosé Petillant
Rosé Nature

T.G. Bright & Co. Limited & Subsidiary Companies

DIRECTORS

Edward S. Arnold	Beamsville, Ontario
H. Clifford Hatch*	Walkerville, Ontario
W. Douglas Hatch*	St. Catharines, Ontario
Meredith F. Jones	Queenston, Ontario
George H. Mowers	Niagara Falls, Ontario
David I. Matheson	Toronto, Ontario
Charles Rathgeb*	Toronto, Ontario

(*Audit Committee)

Directors Emeriti

Harry J. Carmichael, C.M.G., D.Sc.	Toronto, Ontario
Victor Mollison	Port Colborne, Ontario
Earl K. Raham	Niagara Falls, Ontario

OFFICERS AND EXECUTIVES

W. Douglas Hatch	Chairman
Edward S. Arnold B.Sc.A.	President
David G. Diston	Vice-President - Operations
Donald H. Lovell	Vice-President - Marketing
William C. Thompson, C.A.	Secretary-Treasurer
G. Clifford Biggar, R.I.A.	Comptroller
Cyril T. Benson, B.Sc.	Director of Research
George B. Hostetter, B.S.A., P. Ag.	Chief Viticulturist
Leopold Lamarche	Quebec Sales Manager

LEGAL COUNSEL

McMillan, Binch .... Toronto, Ontario

AUDITORS

Price Waterhouse & Co. .... Hamilton, Ontario

BANK

Toronto Dominion Bank .... Niagara Falls, Ontario

STOCK TRANSFER AGENTS

Canada Permanent Trust Company .... Toronto, Ontario

OFFICES

Head Office and Wine Cellars	Dorchester Road, Niagara Falls, Ontario
Subsidiary Plants and Wine Cellars	St. Hyacinthe, Lachine, and St. Joseph Du Lac, Quebec

RETAIL BRANCHES

Toronto (12)	London	Peterborough
Ottawa (2)	Sudbury	Windsor (2)
Hamilton	Kitchener	St. Catharines
Niagara Falls		

Stock Listed: Toronto Stock Exchange and Montreal Stock Exchange

EST'D 1874

Brights Wines