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# ANNUAL REPORT

1947

## T. G. BRIGHT & CO., LIMITED

AND SUBSIDIARY COMPANIES

Seventy-Fourth
Year of Operation

Annual Report of

# T. G. BRIGHT & COMPANY, LIMITED

and Subsidiary Companies

▼

For the Year Ended March 31, 1947

# Report of Directors

for the fiscal year ended March 31, 1947

*To the Shareholders of*

T. G. Bright & Co., Limited:

Although the present incorporation dates only from 1933, our Company stems from a partnership that began in 1874 and this is actually the seventy-fourth year of continuous operation of the business, and I am very pleased indeed to present the report for the twelve months ending March 31st, 1947.

It is submitted in greater detail than reports of other years and in the attached supplement provides statistical and other information of interest to shareholders and employees and, I hope, to that large group of grape growers whose financial welfare is also intimately bound with that of this Company. Some growers have been delivering grapes to our Stamford winery for periods ranging from twenty to forty years and a few are the third generation to do so. We have reason to be proud of this long and friendly connection and it is our intention to maintain and strengthen it in the years to come.

We have also this year slightly changed the presentation of accounts by eliminating the cent column. This conforms with modern practice and does, I think, permit easier comparison and discussion.

Comparing 1947 balance sheet with 1946 you will note cash and receivables relatively unchanged. Inventory position is definitely better, although not yet rebuilt to the safety position. Investment account has been reduced by the round sum of $437,000 and the proceeds applied to reduction of secured loans. The overall improvement in current assets account is about $34,000. Refundable portion of excess profits tax is slightly higher.

Fixed asset account before deducting depreciating reserves now stands at $1,936,137, an increase of $423,261, practically all of which was for additional land, buildings and equipment at our Stamford plant.

On the liability side there is a decrease in current liabilities of $288,000 due in the main to reduction in current bank loans. Serial notes of last year amounting to $500,000 have been replaced by an issue of five year Serial Debentures totalling $1,000,000. From the proceeds of this new issue, $500,000 was used to purchase the outstanding Serial Notes and the balance to finance the building programme at Stamford Plant of which about $100,000 was incomplete at March 31st, 1947.

Inventory reserve, in last year's account directly applied against inventory values, has been eliminated, contingency reserves adjusted to $100,000 and the respective amounts transferred to surplus account. Reserve against future depreciation in inventory value is unchanged. With the adjustments mentioned and transfer of net earnings for the year, earned surplus now stands at $1,399,415, an increase of $379,140 over the previous year.

Turning to the operating statement, I am happy to say that volume has been reasonably well maintained although with the easier movement of world shipping we have experienced more intensive competition from imported wines. However, because of lower excess profit taxes, net profits are higher than last year and as this tax is to be eliminated by December 31st, 1947, we should be able to maintain a reasonable level of earnings.

I would be remiss if I failed to mention the two great problems that still confront us. One is the re-building of inventories and the other the increasing competition from imported wines.

The chief obstacle to the re-building of inventories is, of course, the continuing shortage of sugar but the high cost of grapes is also a deterring factor. Last year the price of grapes was $92.50 per ton, 130% higher than in 1939. The larger proportion of imported Empire wines can be produced at a cost which is approximately 50% less than our own and in addition, actually enjoys a tax advantage of approximately 30 cents a gallon over comparable Canadian wines. Representations have been made by the Wine Producers Association to the Dominion Government on this account, not asking for a reduction in the tax on Canadian wines but only that the taxation be equalized.

No annual report is complete without an acknowledgment of the effort and loyalty of the staff. The friendly relations of past years have been strengthened in the year under review. The men and women of our Stamford plant have freely elected to conduct their relations with management by Union Agreement in future, and I am glad to say that agreement has been reached with the Union without discord. We shall exert every effort to maintain this happy condition.

On behalf of the Board of Directors,

E. A. Thomas

President.

# T. G. BRIGHT

## AND SUBSIDIARY

### Consolidated Balance Sheet

### ASSETS

| | | | |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash on hand and in bank | | $ 48,408 | |
| Accounts receivable | | 511,106 | |
| Inventories of wine in storage, cased goods, raw materials and supplies at cost or less, not in excess of market—as determined and certified to by responsible officials of the company | | 2,052,302 | |
| | | $2,611,816 | |
| Investment in marketable securities, (market value—$198,555) | | 146,773 | |
| | | | $2,758,589 |
| **REFUNDABLE PORTION OF EXCESS PROFITS TAX** | | | 61,011 |
| **FIXED ASSETS:** | | | |
| At depreciated values as reported by Canadian Appraisal Company Limited under date of August 16 1933, plus subsequent additions at cost: | | | |
| Land | | $ 111,883 | |
| Buildings, farm properties, machinery and equipment | $1,824,254 | | |
| *Less*—Reserve for depreciation | 733,470 | | |
| | | 1,090,784 | |
| | | | 1,202,667 |
| **GOODWILL.** | | | 1 |
| **DEFERRED CHARGES** | | | 143,786 |
| | | | $ 4,166,054 |

# & CO., LIMITED

## COMPANIES

### March 31, 1947

### LIABILITIES

| | | | |
|---|---|---|---|
| **CURRENT LIABILITIES:** | | | |
| Bank loans (secured as to $148,206) | | $ 423,206 | |
| Sales, excise and property taxes accrued | | 90,686 | |
| Accounts payable and accrued liabilities | | 175,701 | |
| Income and excess profits taxes payable (estimated) | | 96,035 | |
| Serial debentures maturing within one year | | 100,000 | |
| | | | $ 885,628 |
| **FIVE-YEAR SERIAL DEBENTURES** (maturing 1948—1952) | | $1,000,000 | |
| *Less*—Portion maturing within one year, as above | | 100,000 | |
| | | | 900,000 |
| **RESERVES:** | | | |
| For contingencies | | $ 100,000 | |
| Against future depreciation in inventory values | | 320,000 | |
| | | | 420,000 |
| **CAPITAL STOCK AND SURPLUS:** | | | |
| Six per cent. cumulative redeemable preference shares: | | | |
| Authorized— | | | |
| 30,000 shares of a par value of $100 each (of which 10,000 shares were issued and have been redeemed and cancelled) | $3,000,000 | | |
| Common shares without nominal or par value: | | | |
| Authorized— | | | |
| 300,000 shares. | | | |
| Issued— | | | |
| 100,000 shares | | $ 500,000 | |
| Refundable portion of excess profits tax, per contra | | 61,011 | |
| Earned surplus, as per statement attached | | 1,399,415 | |
| | | | 1,960,426 |
| | | | $ 4,166,054 |

To the Shareholders of T. G. BRIGHT & CO., LIMITED:

We have made an examination of the consolidated balance sheet of T. G. Bright & Co., Limited and its subsidiary companies as at March 31 1947 and of the consolidated statement of profit and loss and earned surplus for the year ending on that date. In connection therewith we examined or tested accounting records and other supporting evidence; we also made a general review of the operating and income accounts for the year and a comprehensive test of the detailed transactions. All our requirements as auditors have been complied with, and we report that, in our opinion, based upon the examination indicated, the above consolidated balance sheet and related consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of T. G. Bright & Co., Limited and subsidiary companies as at March 31 1947, and the results of operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

Toronto, May 26 1947.

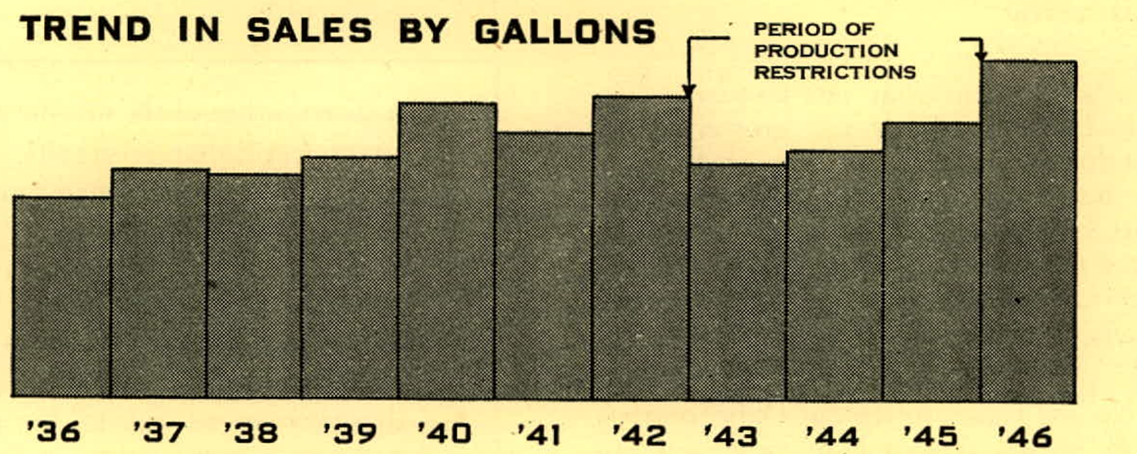
PRICE, WATERHOUSE & CO., Auditors.

# T. G. BRIGHT & CO., LIMITED

## AND SUBSIDIARY COMPANIES

***Consolidated Statement of***
***Profit and Loss and Earned Surplus for the year ending March 31 1947***

| | | |
|---|---|---|
| Combined profit from operations, after charging all manufacturing, selling and administrative expenses but before providing for the undernoted deductions | | $ 544,004 |
| *Deductions:* | | |
| Provision for depreciation | $ 92,411 | |
| Provision for income and excess profits taxes | 213,000 | |
| | | 305,411 |
| *Net Profit for the year* | | $ 238,593 |
| Earned surplus as at April 1 1946 | | 1,020,275 |
| | | $1,258,868 |
| *Add*—Amounts transferred from Contingency and Inventory Reserves no longer required | | 140,547 |
| *Earned surplus as at March 31 1947* | | $1,399,415 |




# FINANCIAL MATTERS

## *SALES*

For the fourth consecutive year, sales have increased both in dollar volume and in gallonage. Our dollar sales increased by slightly more than 36% over last year's sales which is accounted for in part by the higher average price levels. But with unit sales recorded at an increase of 25.6% it is evident that we have both maintained our position in the industry and kept pace with the normal increase and development of the market.

This sales position, however, has not been maintained without having to face new problems and conditions that have made an appearance in the market within these past twelve months. In addition to having to meet the competition from imported wines, we have been confronted with rising prices and costs all up and down the line.

### *Competition From Imports*

The pressure and increased sales competition from imported wines are clearly indicated in a review of the volume of such imports. Net imports for the five year pre-war period of 1935-1939 averaged in excess of 495,000 imperial gallons per year. During the next five years, 1940-1944, these imports dropped to an average of some 423,000 gallons per year.

But note the sudden shift that occurred last year. For the twelve months ending December 31, 1946, the Dominion Bureau of Statistics reports that net imports totalled 937,000 gallons—almost twice the pre-war average and more than double the imports for the period 1940-1944.

It is significant that the greater proportion of these imports is from Australia and South Africa. True, the volume has not yet reached a point where it affects the sales volume of Canadian wines to any serious extent, but because of a more favourable tax treatment and lower production costs, these bulk wines can be laid down in Canada at a price *below the present cost of production of Canadian wines.*

If such conditions continue to exist even the better quality of our wines cannot hope to offset entirely the price advantage held by these imports, and the fifteen years of effort by the Canadian wine producers in winning the Canadian market by virtue of the quality of their wines stands in danger of being nullified to a great extent.

It also means that our co-partners in this business—the grape growers—cannot longer hope for the top prices they are now receiving for their wine grapes. Last year we paid an average of $92.50 a ton for grapes. The Australian grower received an average of around $30 (Canadian) per ton.

No one wants to see our Ontario grape crop, which is second in value only to apples among Ontario fruit crops, devaluated to the extent that is threatened, but the Canadian wine industry cannot be expected to put down wine, in inventory, the raw cost of which is over 200% higher than the Australian raw cost.

As stated before, a brief, outlining these disadvantages in detail, has been submitted to the proper Dominion authorities.

The distribution of the income and the investment dollar is graphically illustrated in the accompanying charts.

Chart No. 2 shows the distribution of net income over the period 1937-1947 while chart No. 3 portrays the distribution of gross income for the year just ended. Chart No. 4 depicts the distribution of the investment dollar.

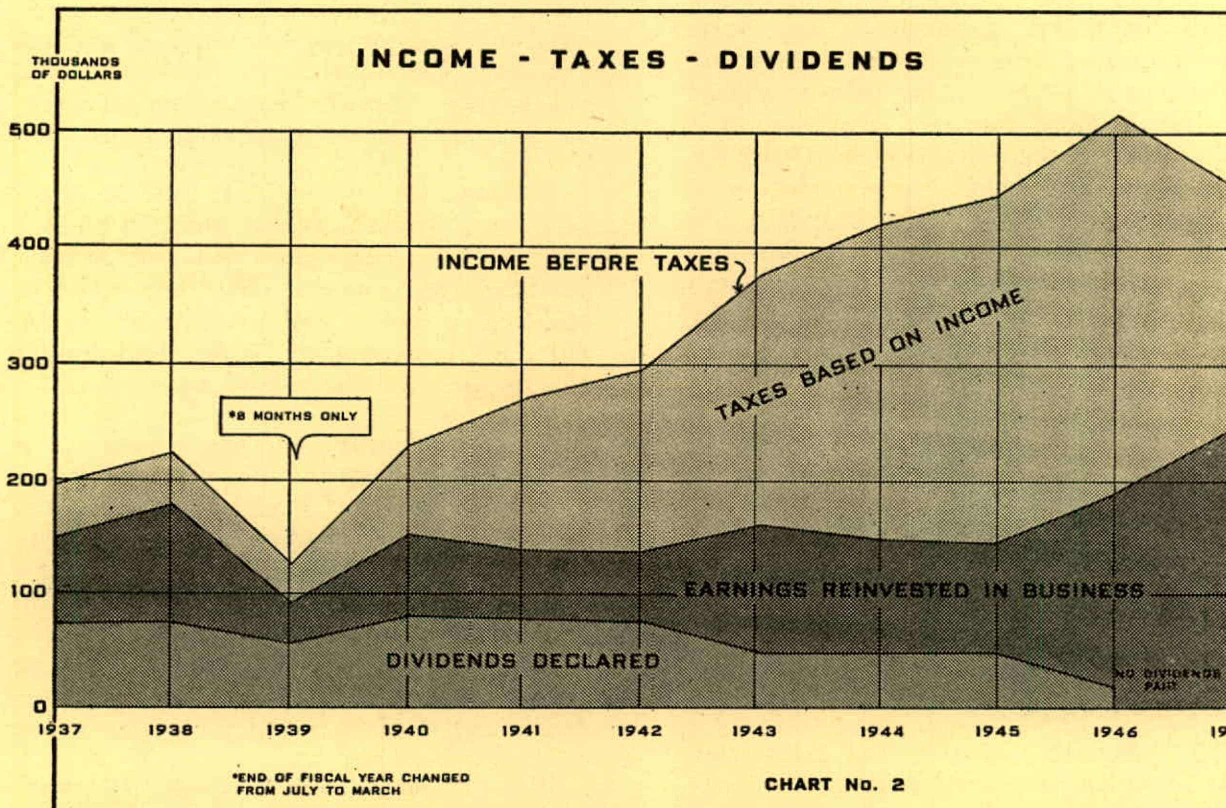
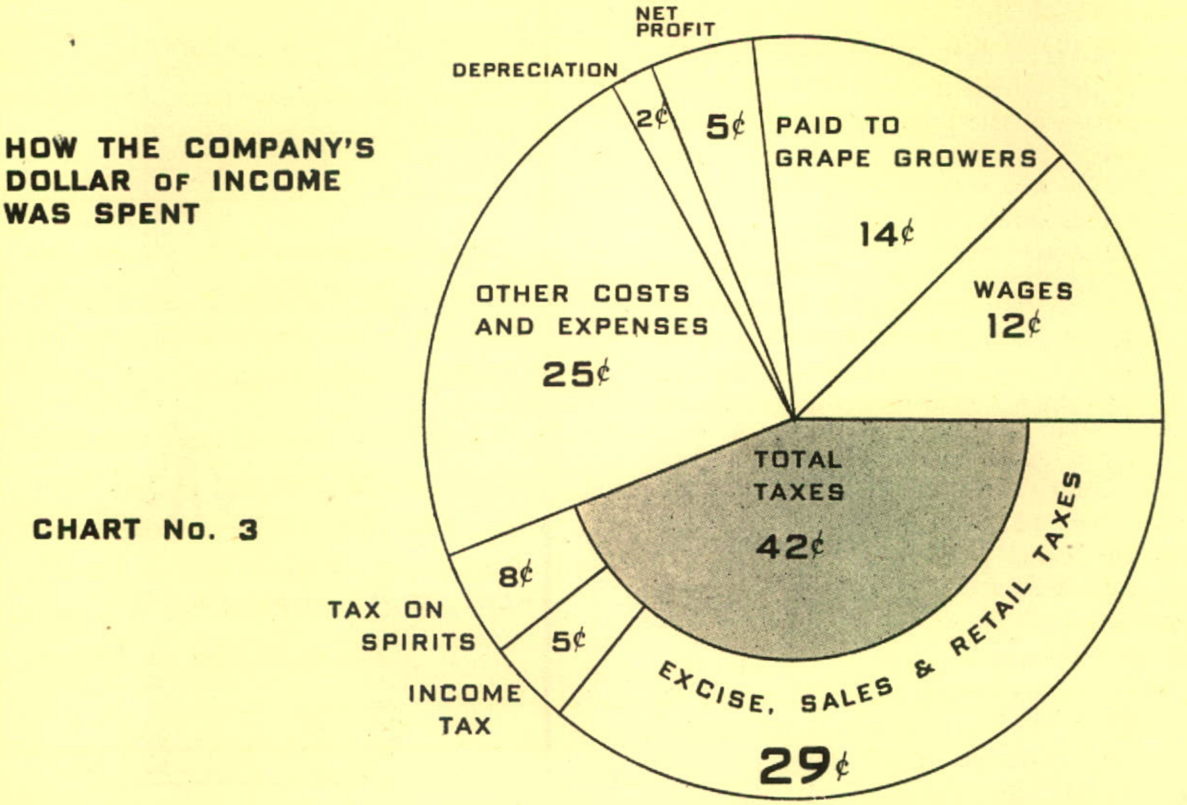
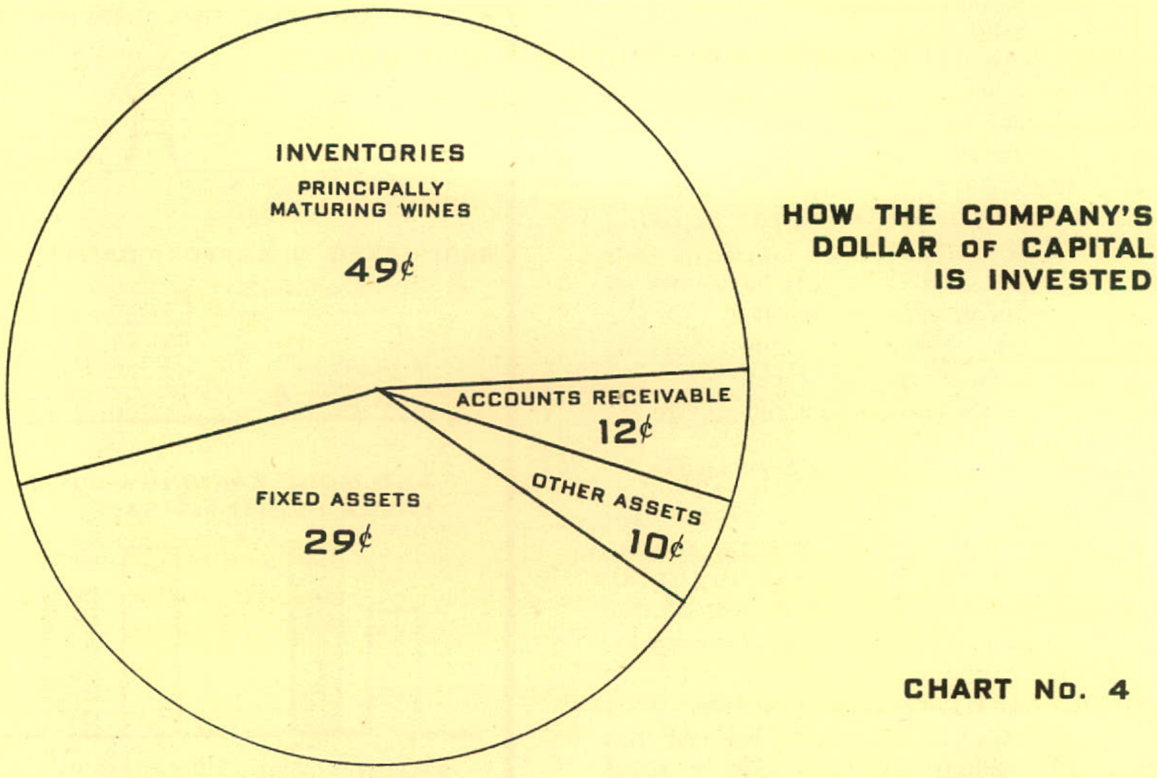


CHART No. 2


HOW THE COMPANY'S DOLLAR OF INCOME WAS SPENT
NET PROFIT
5¢
DEPRECIATION
2¢
PAID TO GRAPE GROWERS
14¢
WAGES
12¢
OTHER COSTS AND EXPENSES
25¢
TOTAL TAXES
42¢
EXCISE, SALES & RETAIL TAXES
29¢
TAX ON SPIRITS
8¢
INCOME TAX
5¢
CHART No. 3


HOW THE COMPANY'S DOLLAR OF CAPITAL IS INVESTED
INVENTORIES
PRINCIPALLY MATURING WINES
49¢
ACCOUNTS RECEIVABLE
12¢
OTHER ASSETS
10¢
FIXED ASSETS
29¢
CHART No. 4

# REVIEW OF OPERATIONS

The progress of your company and the manner in which it has discharged its obligations to the grower, the public, the employees and the stockholders is portrayed best in a review of operations over the past decade. The company's welfare is directly and indirectly an influence on the welfare of many others.

*More Money for More Growers*

For instance, in 1946, we paid out the largest sums of money to the greatest number of grape growers in the history of any company in the wine business. In dollars it amounted to an increase of 931% over the total payments made in 1936, and the number of growers from whom we bought showed a 40% increase over the same period.

*More Money for More Employees*

In ten years the number of our full-time employees has increased by 87%. Their average pay checks since 1936 have increased from $935.58 to $1,745.25 per annum. Now in force for our employees' benefit and security are: (a) a pension plan, which began in 1939, with 91 employees participating at present; (b) a group life insurance plan, also started in 1939, with 113 of our people participating at this date; and (c) an accident-and-sickness plan started in July last year in which 152 employees are enrolled. Of the total of $143,586.04 in contributions involved in these employee benefits, the company assumed an amount of $70,792.06.

*Taxes Get Forty-Two Cents Out of Every Dollar*

This past year we paid the wine industry's greatest tax bill. A total of one million three hundred and eighteen thousand dollars—or 42 cents out of our income dollar — went into Dominion, Provincial and Civic treasuries to help maintain our Canadian way of life. This is in contrast to our tax bill of ten years ago when we paid out in total taxes some $179,000.

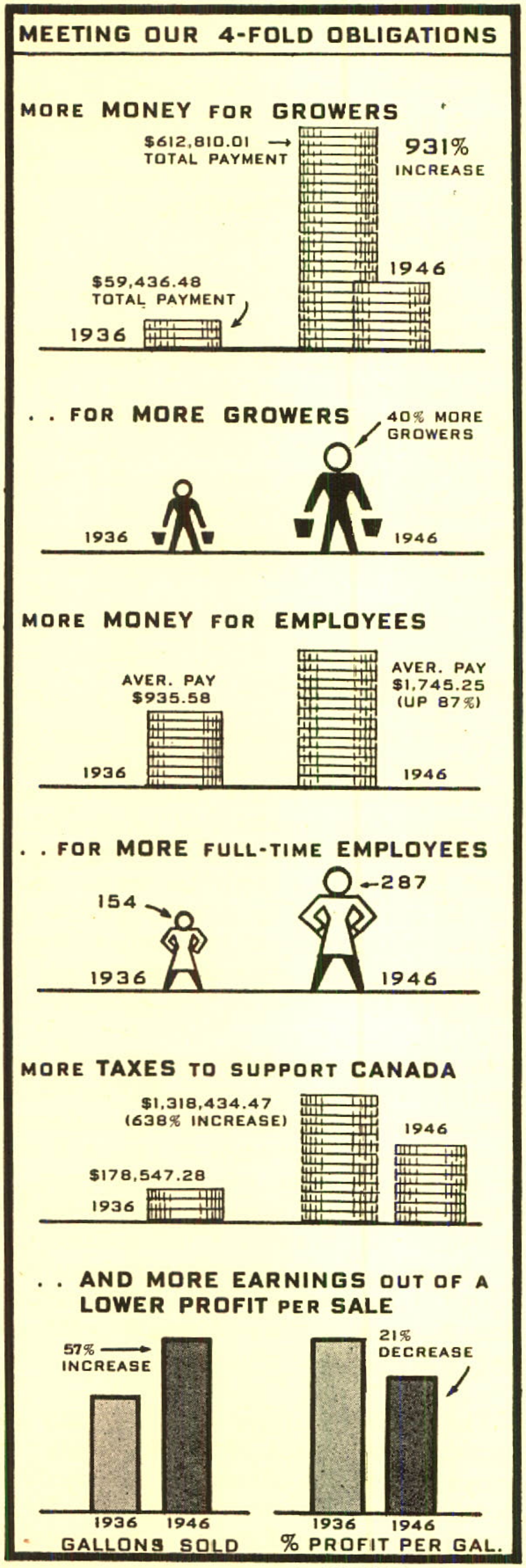



CHART No. 5

*Lower Percentage of Profit*

Compared with sales of 1936, our sales last year had increased by 56% in relation to number of gallons sold, but, due to rising costs of production, our percentage of profit per gallon sold has been reduced by a considerable margin.

For every dollar of profit we received in 1936, today we are realizing but 79 cents in terms of gallons sold. We have steadfastly refused to lower the quality of our wines or to take any steps, in seeking economies, that might affect that quality. That is a debt we owe the public, for by their continued and ready acceptance of our wines we have been able to maintain a reasonable dollar volume of net profit through increased unit sales.

## PRODUCTION

Unlike other industries, we have no continuous operation of production. We produce wine but once a year—during our vintage season in the Fall of the year. The conditions that exist during these short few weeks govern our major costs for the entire twelve months' period no matter what over-all economic changes might take place after the grapes are in and pressed.

In addition, to fully understand our concern over the tremendously increased production costs, it must be remembered that the wine we produce in 1947 will not be marketed on the average until 1950—three years from now. What will the market be like in 1950? What of economic conditions? Those are unknown quantities which we cannot allow to influence our decisions and actions of the moment to any great degree.

The answer will be found in our increased winery capacity; our budgets for increased research efforts and new product development; and our plans for educational and sales promotion. This forward step is being taken in spite of the fact that our costs for raw material to produce a gallon of wine—excluding labour and other costs—have risen 290% since 1940. During the same period our total costs of processing a ton of grapes into wine have increased from between 164% to 178% depending upon the type of wine.

To those who might wonder if the increased cost of wine to the consumer might have compensated for the increased production costs, consider this fact. The increase in that margin between raw material costs and our net sale price is but 49%. Out of that margin we must pay for labour, depreciation and allow for our profits. This 49% increase barely covers the increased cost of labour and handling, and leaves us with a considerably reduced margin of profit.

## RESEARCH

One thing a balance sheet cannot disclose is the value and importance of the use of research to a company such as ours. Believing that a company's "foresight" is closely linked with research, we have invested more than one hundred thousand dollars in this scientific tool over the past ten years. This amount has been spent entirely in vineyard and product research, the bulk going into our experimental vineyards.

During the next twelve months we intend to spend a greater amount than ever before in similar research—almost a third of the total spent over the entire past decade, and we are considering adding to that budget to provide for market and consumer research.

Years ago most of our research was centered around the analysis of wine and the improvement of wine-making techniques. We found that there was a limit to that line of endeavour and came to the conclusion that Canadian wines could only be improved by producing better wine grapes.

In those days, there were no true table wines produced in Canada. We hadn't

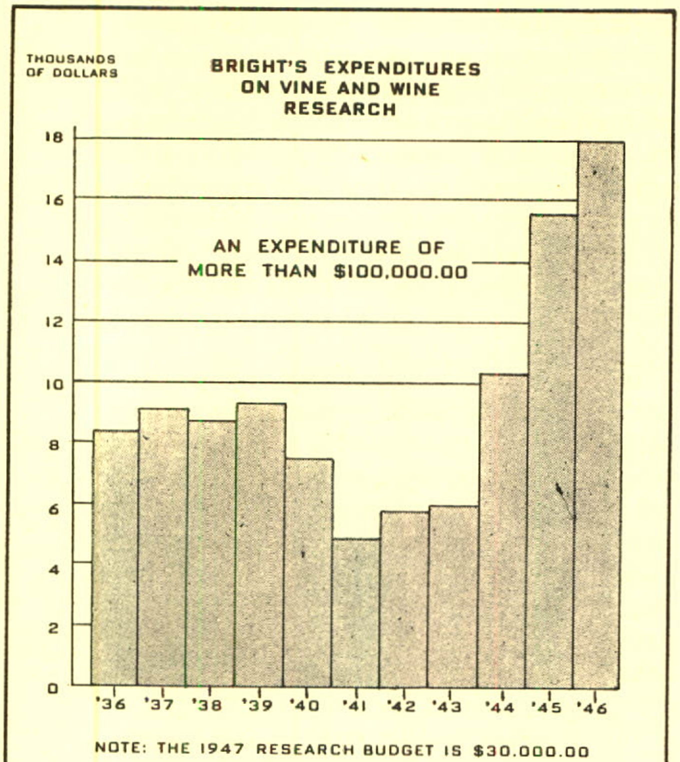


CHART No. 6

the right kind of grapes. Our sparkling wines were of passable quality but couldn't compete with imported sparkling wines—we didn't have the right kind of grapes. The quality of all our wines could be improved, if only we had better wine grape varieties.

So beginning more than fifteen years ago our researchers turned their main activities to the development of new grape varieties that could be grown in a profitable and commercial way in Canada. They worked in co-operation with government and university scientists engaged in similar projects both in Canada and in other countries.

The search took them through a study of literally thousands of grape varieties which had been developed over the past sixty or seventy years. Out of this study they selected several hundred types as being worth further investigation.

Today, after years of trial and retrial, our experimental work has resulted in the successful propagation of over thirty-five improved wine grape varieties new to Canada. This is not to say that our researchers evolved new varieties, but it has been through their efforts and skills that these vines are now established in Canadian soil and being grown commercially. Nowhere else in Canada or the adjacent vineyards in the United States has any company or any grower attempted to develop these varieties in the same broad commercial way.

## *NEW PRODUCTS and OLD*

As the result of research started fourteen years ago, your company expects to introduce in the Fall of this year a new line of wines carrying the name "President". The "President" wines include a port, a white table wine and a champagne which is fermented in the bottle.

Connoisseurs and experts who have sampled them claim there are no other Canadian wines which can approach the "President" wines, and many of them have said they believe these wines to be superior to many imported wines.

It is unfortunate that we will be unable, for some time, to produce a sufficient quantity of these wines to meet the indicated demand, but with the aid of selected growers who are now planting the new grape varieties from which this wine is made, we hope to bring up our production volume more quickly.

Nor is our research work completed on the "President" line. As we are able to bring other new grape varieties we are growing experimentally into commercial production we will add more types of wines until the "President" line is complete.

Success has also met our efforts in the introduction of the Manor St. Davids table wines a few years ago. These delicate wines were also the result of our insistent research and bringing into commercial production the special types of wine grapes necessary for such wines. The public demand for Manor St. Davids has increased at a very satisfying rate and it is certain that this line is replacing many of the more expensive imported wines at Canadian tables.

All other brands are found in increased demand with the possible exception of our top-quality ports and sherries. Here the progress and increase in sales has been halted—a temporary condition, we believe, which will be corrected as soon as the inequalities in taxation between Canadian and the Australian and South African wines are adjusted by the Government.

## *VINEYARDS*

The company owns and operates some 1,500 acres of vineyards. These have a triple purpose— (a) to carry on our research into the development of new wine grape varieties; (b) to put into commercial production as quickly as possible those new varieties which have become established and which are needed for the improvement of our wine qualities; and (c) to propagate the new varieties in quantities and at a cost that will enable us to distribute them to the grape growers of Canada with the least delay.

In our vineyards today we are growing the 35 special varieties previously mentioned—some still in the experimental stages with a few vines and others covering half an acre. As quickly as we can propagate in quantity we are uprooting and replacing the acreage still planted in Niagara and Concord—the type of grapes most commonly grown in Canada. We expect the time will come shortly when our entire acreage will be devoted to the production of special wine grapes and the propagation of those grapes for distribution to the independent growers.

It must be understood that a vine does not begin to produce profitably until its fifth year. In ten to twelve years it reaches its full maturity and maximum production. We have reasoned, and we think quite rightly, that the independent grower cannot be expected to make the investment of time and money to develop new varieties, and the company has shouldered that responsibility instead.

The wisdom of this policy, and a good demonstration of the almost insurmountable obstacles the independent grower would have to face, is illustrated in the case of the development of the grapes from which our new "President" wines are made. Fourteen years ago our researchers scoured the world market for one of the varieties of grapes we are now using in the production of "President" wines, but all that could be found were some 150 vines.

We soon found out why this particular variety was scarce. A normal vine, in that quantity, should produce hundreds of cuttings after the first year—and thou-

MONEY INVESTED IN EXPERIMENTAL FARMS

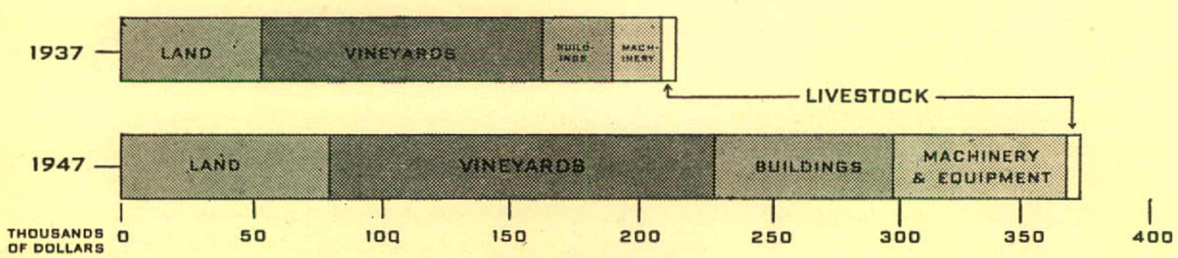



CHART No. 7

sands in the succeeding years. Our researchers found they were fortunate if they succeeded in getting ten vines out of several hundred cuttings planted, but today, fourteen years after we first started, we are beginning the distribution of two-year old vines of this variety to growers. They are being sold for a few cents per vine although we have invested thousands of dollars in them. Every vine we distribute will develop into a hardy producer fully broken into our Canadian soils and climate. They will produce a type of grape for which the grower will receive top prices for years to come.

In this matter, your company is doing a great deal to develop an individual character for Canadian wines. It should be remembered that the wine of any country is to be judged on its own merits —never compared. Canadian wines are as distinctive in character as are French wines, or Spanish. This individual character is imparted by our special Canadian wine grapes—the soil they come from, the climatic conditions under which they grow.

Your company, too, is accepting the responsibility for the development of new grape varieties and taking the capital risks in order that the Canadian grape grower may retain his undisputed top position for income among the grape growers of the world.

## *FUTURE OUTLOOK*

Success in the wine industry, more than any other, requires the complete confidence and co-operation of a "team"—and a more complex "team" than is usually found in most businesses. At no time have we ever felt more certain of the harmony and perfect understanding that exists between our growers on the one hand, and the experimental plant researchers, the product researchers, the vintners, the sales staff and the executive of the company on the other hand.

We are never working for the year just ahead. By its very nature, our business requires men of vision and policies that are long term policies. As far as sales are concerned we are constantly working a minimum of three years ahead. As to future improvement of our products we are working from five to ten years ahead. We have had many long years' experience in this method of operation—all of us on the team. We have no fear that this company will not be able to maintain its standing as the leader of the Canadian wine industry, enjoying an equitable share of a profitable market.

# T. G. BRIGHT & CO., LIMITED

## AND SUBSIDIARY COMPANIES

### DIRECTORS

| | |
|---|---|
| Earl A. Thomas | Niagara Falls, Canada |
| Meredith F. Jones | Niagara Falls, Canada |
| Victor H. Mollison | Niagara Falls, Canada |
| Thomas H. Gibbons | Walkerville, Ontario |
| Leigh M. McCarthy | Toronto, Ontario |
| Hon. Elie Beauregard, K.C. | Montreal, P.Q. |
| H. Clifford Hatch | Walkerville, Ontario |

### OFFICERS

| | |
|---|---|
| *President* | Earl A. Thomas |
| *Vice-President in Charge of Sales and Treasurer* | Meredith F. Jones |
| *Vice-President in Charge of Production and Secretary* | Victor H. Mollison |

### LEGAL COUNSEL

McMillan, Binch, Wilkinson, Berry & Wright
Toronto, Ontario

### AUDITORS

Price, Waterhouse & Co.
Toronto, Ontario

### STOCK TRANSFER AGENTS

Chartered Trust & Executor Company
Toronto, Ontario

### EXPORT AGENTS

Czarnikow (Canada) Limited
Montreal, P.Q.

### OFFICES

| | |
|---|---|
| Head Office and Wine Cellars | Dorchester Road,<br>Niagara Falls, Canada |
| Branch Plant | Lachine, Quebec |
| Retail Branches | Toronto—4 stores<br>Hamilton<br>Ottawa<br>Sudbury<br>London<br>Windsor |

# BRIGHT'S WINES

**Du Barry**

Canadian Champagne
Canadian Sparkling Burgundy

**Manor St. Davids**

Canadian Red Table Wine
Canadian White Table Wines

**Bright's**

Wine
Cocktail

French Type Vermouth
Italian Type Vermouth

Angelica
Dry Sherry

**"74"**

Sherry
Port

**Napoleon**

Sherry
Port

**Hermit**

Sherry
Port

**Other Wines**

St. Regis Mass Wine
Bright's Sacramental Wine

St. Georges

Bright's Concord

Vin Blanc

Vin Rouge

Bright's Catawba

EST'D 1874

BRIGHT'S

WINES