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BOWEN
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REPORT
of
Brown-Forman Distillery Company
April 30, 1934

BROWN-FORMAN DISTILLERY COMPANY

LOUISVILLE, KY., July 12, 1934.

To the Stockholders:

There is submitted herewith the report of your company covering the initial six months' period of operation. The report includes the balance sheet as at April 30, 1934 and a statement of income and earned surplus accounts for the six months ended April 30, 1934, as certified by Lybrand, Ross Bros. & Montgomery.

You will note that profit, after allowance for federal income tax, but before non-recurring charges of \$33,614.09, incident to shipping whiskey between Louisville and the now discontinued bottling plant at Peoria, Illinois, was \$206,614.40. This profit remained after absorbing during the period under review, charges approximating \$240,000.00, incident to the sudden expansion of the business resulting from the repeal of prohibition and the confusion arising from label and other regulations and uncertain credits, all of which tended to bring about returns of merchandise which had to be rehandled. The management felt that the extraordinary conditions, above referred to, necessitated a liberal policy in dealing with its customers. However, the management feels that this policy has now served its purpose and has maintained and materially enhanced the company's goodwill and reputation for fair dealing and it should result in substantial future benefits. As a result of more stable conditions now existing in the industry, the necessity for similar costs and expenditures has terminated.

The balance sheet shows current assets of \$2,638,366.00, and total current liabilities of \$926,939.12. The reserve of \$40,000.00 set up for doubtful notes and accounts receivable appears adequate.

Physical properties have been maintained in good condition.

The company is arranging a sales campaign featuring its brands of younger straight whiskey of potable age. This whiskey is made with the greatest care and skill under the same formula as the company's well known brand "OLD FOR-ESTER" Bottled-In-Bond and has been naturally aged in wood. I am confident of wide spread popular acceptance of these brands by reason of their exceptional quality.

The management wishes to express its appreciation of the constant and loyal efforts of the employees of the company in behalf of the business.

Respectfully submitted,

(signed) OWSLEY BROWN,
President.

BROWN-FORMAN DISTILLERY COMPANY
(A Delaware corporation)

BALANCE SHEET as at April 30, 1934

Current:	ASSETS:	
Cash in banks and on hand.....		\$ 78,867.36
Notes and accounts receivable, trade:		
Notes receivable	\$ 1,349.00	
Accounts receivable	264,550.81	
	265,899.81	
Less, allowance for doubtful notes and ac- counts	40,000.00	225,899.81
 Inventories:		
Finished stock; number of barrels and cases verified but contents not regauged. Valu- ations not in excess of estimated net real- izable values based upon current price lists:		
Barreled whiskey consists of 26,343 bbls. in bond and subject to withdrawal tax payments upon withdrawal and 156 bbls. tax paid. Bases of valuations (in- cluding carrying charges) are: 3,624 bbls. at acquisition cost at date of or- ganization; 193 bbls. at purchase cost; 22,682 bbls. at production cost. (Ware- house certificates covering 9,950 bbls. pledged on notes payable, <i>contra</i>).....	1,526,951.84	
Cased goods, at the lower of cost or market	575,094.80	
Dried grain	558.45	
	2,102,605.09	
In process, at cost.....	25,227.55	
Raw materials and supplies, at lower of cost or market	87,871.41	
Merchandise in transit.....	1,312.50	
	2,217,016.55	
Deposit on purchase contract.....		91,322.56
Miscellaneous accounts receivable.....		14,129.99
Accrued storage		10,823.73
Advances to employees.....		306.00
		2,638,366.00
Investments, net of allowance for possible loss.....		350.00
Deposit in closed bank.....		640.45
Plant and property at cost at date of organization, with subsequent additions at cost. Land in- cludes an appraisal value of \$106,100 as at or- ganization as reported by Sanderson & Porter, Engineers.		
Land	\$ 123,688.87	
Buildings and equipment.....	\$470,256.50	
Less, allowance for depreciation 19,270.90	450,985.60	
		574,674.47
Prepaid expenses:		
Prepaid insurance	77,311.15	
Taxes and licenses.....	8,044.02	
Miscellaneous	8,811.60	
		94,166.77
Brands and trade-marks.....		6,154.00
		\$3,314,351.69

LIABILITIES:

Current:

Notes payable:

Banks, (warehouse certificates pledged as collateral, <i>contra</i>)	\$ 375,000.00	
For purchase of property secured by mortgage and purchase money lien on property purchased	17,500.00	
Officer, unsecured	125,000.00	
		\$ 517,500.00
Accounts payable, vendors		202,281.01
Accounts payable, officer		22,198.75
Accounts payable, customers		59,855.11
Unclaimed wages		41.95
Accrued items:		
Commissions	7,265.83	
Salaries and wages	2,588.35	
Freight and drayage	4,480.71	
Federal income taxes, estimated	83,669.13	
Federal capital stock tax, estimated	2,279.00	
Other taxes	24,779.28	
		125,062.30

Total current liabilities

926,939.12

Purchase money lien notes on property purchased due subsequent to May 1, 1935

7,500.00

Reserves, non-operating:

Federal income taxes, residual amount of accrual at reorganization date, not reportable until sale of acquired whiskey	123,803.53
For organization expenses	1,939.88

125,743.41

CAPITAL:

Preferred stock, no par value, \$6 cumulative, authorized and issued 15,000 shares at stated value of \$100 each	1,500,000.00	
Common stock \$1 par value authorized 300,000 shares, issued 200,000 shares (98,000 shares registered under the securities act of 1933)	200,000.00	
Capital surplus, paid-in	418,668.85	
Earned surplus, as annexed	135,500.31	
		2,254,169.16
		\$3,314,351.69

CERTIFICATE

*The Board of Directors,
Brown-Forman Distillery Company,
Louisville, Kentucky.*

We have examined the accounts of
BROWN-FORMAN DISTILLERY COMPANY (DELAWARE)

as at April 30, 1934.

Our examination consisted of a verification of all assets and liabilities and a substantial test of recorded detailed operating accounts sufficient to satisfy us as to their correctness. The provision for doubtful notes and accounts receivable was estimated by the management. After investigation we are of the opinion that the provision is adequate.

We certify that in our opinion the annexed balance sheet and related income and surplus accounts, upon the bases stated therein, set forth the financial condition of the company at April 30, 1934 and the result of its operations for the period then ended.

LYBRAND, ROSS BROS. & MONTGOMERY.

Louisville, Kentucky,
July 11, 1934.

INCOME ACCOUNT
For the six months ended April 30, 1934

Net sales, less freight out and freight on returned sales.....		\$2,177,027.40
Cost of sales.....		1,597,568.95
		579,458.45
Gross profit on sales.....		
Other operating income:		
Storage and handling.....	\$ 16,760.88	
Bottling for others.....	1,385.03	
		18,145.91
Gross profit		
		597,604.36
Selling expenses	259,493.41	
Administrative expenses	112,880.85	
		372,374.26
Operating profit		
		225,230.10
Income credits:		
Discounts earned	5,725.96	
Interest income, net.....	126.89	
Dwelling income, net.....	276.95	
Sundry, net	1,204.14	
		7,333.94
Profit before federal income taxes and non-recurring charges		
		232,564.04
Federal income taxes, estimated.....		25,949.64
		206,614.40
Profit before non-recurring charges.....		
		206,614.40
Non-recurring charges:		
Expenses incurred in connection with removal of whiskey between Louisville and Peoria plants. Peoria plant discontinued		33,614.09
		33,614.09
Net profit for period.....		
		\$ 173,000.31

EARNED SURPLUS ACCOUNT
For the six months ended April 30, 1934

Net profit for period.....		\$ 173,000.31
Less:		
Dividends on preferred stock (cash).....		37,500.00
		37,500.00
Earned surplus, April 30, 1934.....		
		\$ 135,500.31