

BROWN FORMAN



DISTILLERS CORPORATION

1957
Annual
Report



HIGHLIGHTS

Brown-Forman launched a product diversification program with the acquisition of the Jack Daniel Distillery, The Jos. Garneau Co., Inc. and the exclusive production, import and distribution rights for the Erven Lucas Bols liqueurs, fruit brandies, gins and vodka in the United States.

In fiscal 1957, sales rose 25% to a record \$97,387,577. This includes the sales of the two new subsidiaries from the beginning of Brown-Forman's fiscal year.

Net income was \$2,529,664 for the year, the equivalent of \$2.03 per share of common stock outstanding.

A 15% common stock dividend was issued in September 1956, in addition to the regular payment of cash dividends by the Company for the twelfth consecutive year.

During the year under review, the common stockholders' equity per share advanced from \$21.57 to \$22.81.



For outstanding merit

USHER'S "GREEN STRIPE"

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1957
Annual Report

BROWN-FORMAN DISTILLERS CORPORATION



Brown-Forman Distillers Corporation

AT LOUISVILLE IN KENTUCKY

June 28, 1957

To Our Stockholders:

The fiscal year which ended April 30, 1957 was one of the most decisive in the 87-year history of Brown-Forman Distillers Corporation.

It was noteworthy, not so much from the specific operating results of the 12-month period, but in the significant steps taken to insure the future development and security of the Company, an essential responsibility which management owes to the stockholders and employees of the Company.

The acquisition of three excellent product lines which complement the fine Bourbon whiskies of Brown-Forman was of great importance.

The decision to diversify the sales of the Company, within the field of alcoholic beverages, was made about two years ago. It was then decided by your management that this aim could best be achieved by the acquisition of a firm selling a unique type of American whisky, and by acquiring an import company distributing Scotch whiskies and choice wines.

The Jack Daniel Distillery, Lem Motlow Prop., Inc., was purchased in August, 1956. The Lynchburg Distilling Co., a Tennessee corporation, wholly owned by Brown-Forman, purchased all the stock of Jack Daniel for \$18,000,000. Of this amount, \$5,400,000 was paid in cash and the balance of \$12,600,000 was paid by notes maturing over a six-year period beginning May 1, 1958. Brown-Forman has no obligation, contingent or otherwise, with respect to any of these purchase money notes. After the transaction was concluded, the Lynchburg Distilling Co. assumed the original name of the company purchased—Jack Daniel Distillery, Lem Motlow Prop., Inc. The old Jack Daniel company was liquidated and all of its assets and liabilities were transferred to the new company.

The Jos. Garneau Co., Inc., a century-old import house, was purchased in August, 1956, for \$620,000. While its present operation will contribute to Brown-Forman's earnings to a limited degree, its products—Usher's Scotch Whiskies, Clicquot Yellow Label Champagnes, Cruse French Wines, Anheuser & Fehrs Rhine and Moselle Wines, Garvey Sherries and Feuerheerd Ports—are complementary to the fine Bourbons now marketed by Brown-Forman.

In March, 1957, Brown-Forman acquired from Erven Lucas Bols, Incorporated, the exclusive rights, effective June 1, 1957, to produce, import and sell the liqueurs, fruit brandies, gins and vodka of the 400 year old Dutch firm. The domestic Bols products will be produced at your Company's plant in Louisville and the liqueurs and spirits produced by the Bols company abroad will be imported and distributed in the United States by Brown-Forman.

It will take some time before these new operations can be integrated efficiently into the Brown-Forman organization. The ultimate gains to your Company, however, are expected to be substantial.

Your management takes pleasure in reporting that consolidated sales totaled \$97,387,577, the highest ever reported; this includes sales of our new subsidiaries. However, even excluding the sales of those two companies, Brown-Forman's volume of business during this year would still have established a record.

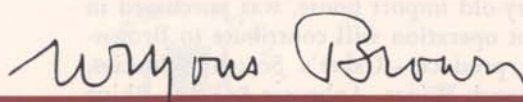
Net income from the sale of Brown-Forman products alone was approximately equal to that of the previous fiscal year; however, on a consolidated basis, there was a slight decline. Necessary write-up to the fair market value of Jack Daniel's assets at the time the assets and liabilities were assumed by the new company resulted in an operating loss reflected in the consolidated net income.

The Board of Directors felt that operations were sufficiently satisfactory during the year to warrant the issuance of a 15% common stock dividend in September, 1956, in addition to the regular cash dividends paid on all stock outstanding.

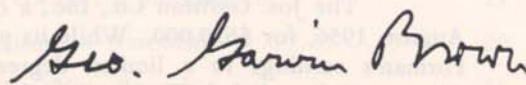
During the year the prominent position enjoyed by your Company's whiskies has been the result of the support and confidence at the employee, trade and consumer levels. We express appreciation for that support and give assurance that your Company's affairs will continue to merit this confidence.

With the addition of the new products to Brown-Forman's outstanding line of whiskies, your management looks to the future with increased assurance.

A cordial invitation is extended to all stockholders to attend the Annual Meeting at the general offices of your Company in Louisville, Kentucky, at 11:00 A.M., Central Standard Time (12 o'clock noon, Louisville Daylight Time) on July 23, 1957.



W. L. LYONS BROWN
Chairman of the Board



GEO. GARVIN BROWN
President

Financial REPORT

Sales

Consolidated net sales for the fiscal year ended April 30, 1957, were \$97,387,577, an increase of 25% over the \$77,719,572 reported for the previous year. Included are the fiscal year sales of Jack Daniel Distillery, amounting to \$10,047,908, and of The Jos. Garneau Co., Inc., of \$1,580,324.

Net sales of Brown-Forman products alone were \$85,759,345, a gain of 10% over the 1956 fiscal year, establishing a record for the second consecutive year.

Income

Consolidated income before taxes totaled \$6,694,976 during the fiscal year under review.

Federal and State taxes on consolidated income for 1957 were \$3,851,000.

The consolidated income after taxes for the year ending April 30, 1957 was \$2,529,664, from which has been excluded \$314,312 income after taxes of the two subsidiaries from May 1 to dates of purchase.



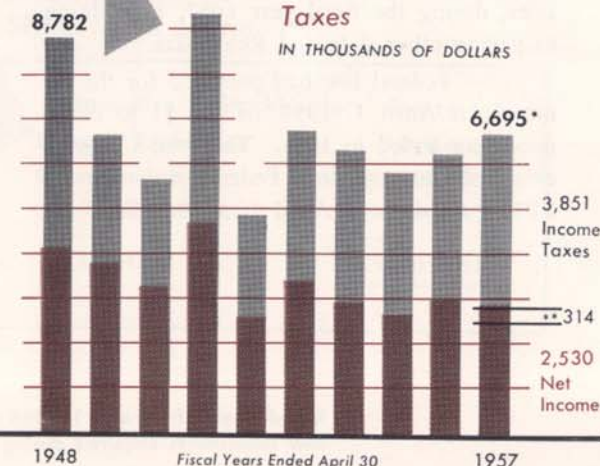
This compares with income of \$2,939,886 before nonrecurring income in fiscal 1956. Non-recurring income of \$1,285,026, from a Federal tax refund, raised the amount credited to retained earnings for fiscal 1956 to \$4,224,912.

Consolidated net income per share of common stock, after provision for preferred dividends, was \$2.03. Net income per share of common stock last year was \$2.43 before nonrecurring income, and \$3.70, including nonrecurring income. These figures have been adjusted to include the 15% stock dividend declared during the fiscal year. Common shares now outstanding are 1,015,599.

When the Jack Daniel Distillery was acquired, the assets of that company were written up to their fair market value as permitted by the 1954 Internal Revenue Code. Of the total write-up of \$8,900,000 to tangible assets, the portion pertaining to barreled whisky inventory was approximately \$8,300,000.

As a result of the value placed on the bulk whisky inventories currently being used for bottling and sale of Jack Daniel's products, and because of the interest payments required on its outstanding notes, Jack Daniel Distillery will operate at a loss through the fiscal year ending April 30, 1958. Thereafter,

INCOME before Income Taxes

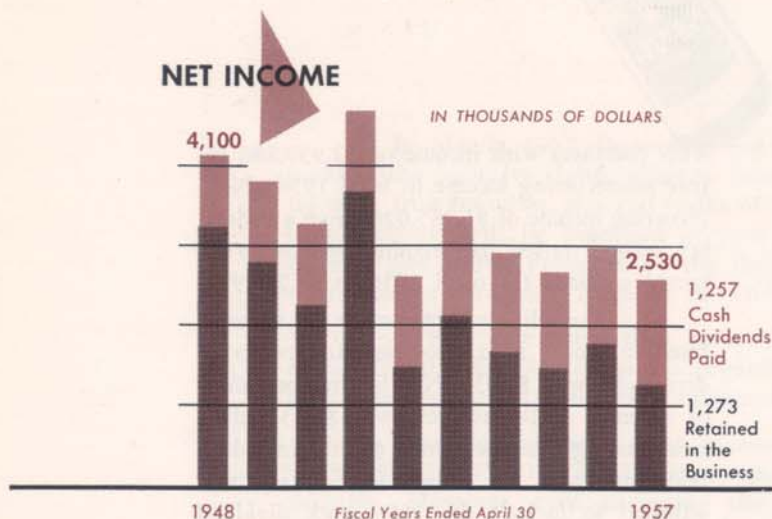


* Includes income from May 1, 1956 of the two new subsidiaries acquired during the year.

** Net income of the two new subsidiaries prior to acquisition.

NET INCOME

IN THOUSANDS OF DOLLARS



this subsidiary is expected to operate at a profit which should increase steadily.

This loss for the two fiscal years will constitute a tax credit which will accrue to the company's benefit later when it is operating under profitable conditions.

It is anticipated that the cash received from the sales of Jack Daniel's products will be sufficient to pay principal and interest on the purchase money notes as they mature, to allow for the previously planned increase in production, and to provide working capital for the operation of the business.

Taxes

Your Company, including its subsidiaries, prepaid \$51,696,026 in Federal excise taxes, representing 53% of consolidated net sales, during the fiscal year 1957, in addition to paying other state and local taxes.

Federal law had provided for the removal on April 1, 1957, of the \$1.50 emergency tax levied in 1951. The 85th Congress extended the existing Federal tax rate of \$10.50 a gallon to April 1, 1958. Thus, the

distilled spirits industry continues to be burdened with an unrealistic tax load.

Dividends

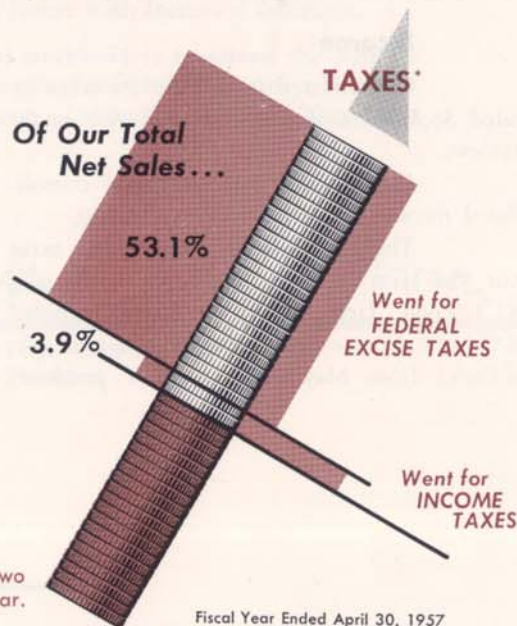
Your Company paid from consolidated net income, \$1,257,222 as dividends on the outstanding common and preferred stock during fiscal 1957. In the previous year, total dividend payments were \$1,177,912.

Common stockholders received cash dividends consisting of four quarterly payments of 20 cents per share. Preferred stockholders received four quarterly dividends of 10 cents per share.

In addition, a 15% stock dividend was paid to common stockholders on September 1, 1956.

This was the 12th consecutive year that Brown-Forman has paid cash dividends to its stockholders.

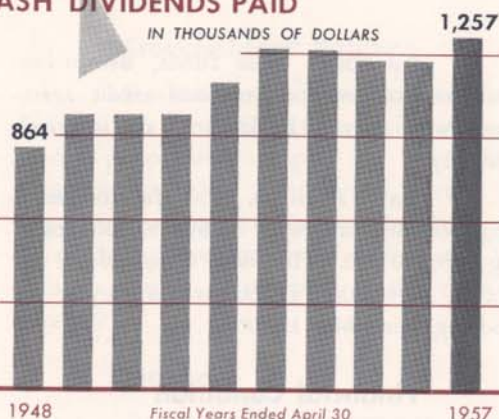
Your Company retained \$1,272,442 of its consolidated net income in the 1957 fiscal year for use in the business. In the prior year, \$1,761,974 of earnings were retained in the business, not including nonrecurring income of \$1,285,026.



* Includes taxes from May 1, 1956 of the two new subsidiaries acquired during the year.

CASH DIVIDENDS PAID

IN THOUSANDS OF DOLLARS



Inventories

Current inventories are considered to be well balanced to meet your Company's future needs. The production and maturing of adequate whisky supplies requires the investment of substantial working capital.

The Company's consolidated inventories on April 30, 1957, were valued at \$46,218,281 of which \$10,892,473 represented inventories of the Jack Daniel Distillery and The Jos. Garneau Co. At the end of the previous fiscal year the Company's inventories were valued at \$33,675,524.

Expansion & Equipment

During the year, a new office building was completed at the Early Times Distillery



in Shively, Kentucky, a further step in the overall modernization of the Early Times plant which began in November, 1955.

A recently acquired building, adjacent to the main office in Louisville, will provide additional needed office space.

The redesign and rebuilding of our bottling house equipment to modernize it and the installation of new bottling machinery was recently begun. These improvements and additions in equipment will reduce production costs throughout the year and will permit greater flexibility during periods of heavy bottling requirements.

CONDENSED BALANCE SHEET —APRIL 30, 1957

Assets		Liabilities & Stockholders' Equity	
Current Assets	\$64,192,327	Current Liabilities	\$ 9,714,603
Fixed Assets	9,256,288	Other Liabilities	32,200,000
All Other Assets	3,454,647	Stockholders' Equity	34,988,659
TOTAL	\$76,903,262	TOTAL	\$76,903,262

The Company's plants and equipment are maintained in excellent condition, assuring the most economical operation.

Capital Requirements

The acquisition by Brown-Forman last August of the Jack Daniel Distillery, Lem Motlow Prop., Inc. and The Jos. Garneau Co., Inc. required additional funds to supply working capital needed to finance this expansion.

The distilling industry in Kentucky made exhaustive but unsuccessful efforts to have eliminated the production and import tax increase enacted during the session of the Kentucky Legislature which ended in February, 1956. The Company is now required to pay a production tax equivalent to \$5.00 on a barrel of whisky instead of \$2.50 a barrel previously paid. Your management believes that stockholders should be aware of this increased tax since additional capital is required to pay it.

To obtain these funds, Brown-Forman renegotiated its long-term credit agreement with eleven banks and an insurance company.

As of April 30, 1957, the Company's long-term debt increased by \$9,650,000, reaching \$19,600,000. This debt is payable at the rate of \$1,400,000 a year over a 14-year period beginning May 1, 1958.

Financial Condition

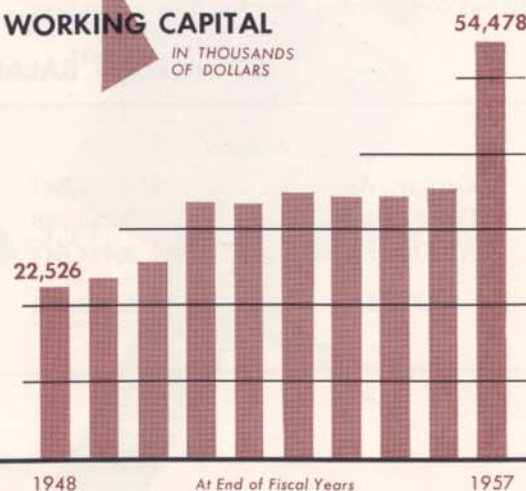
Working capital amounted to \$54,477,724 at the end of this fiscal year, a gain of 54% over the \$35,325,799 reported at the end of the previous year.

On April 30, 1957, current assets were \$64,192,327 and current liabilities were \$9,714,603. Twelve months before, current assets were \$45,506,466 and current liabilities were \$10,180,667.

Increasing sales of your Company's products require a larger portion of earnings to be retained in the business each year. Ample working capital is necessary to meet materials, labor and manufacturing costs occurring at least four years prior to sale of the product and to prepay Federal excise and other taxes.

WORKING CAPITAL

IN THOUSANDS OF DOLLARS



The revamping and rebuilding of bottling house equipment included the installation of new modern machinery.

Stockholders' Equity

Stockholders' equity increased from \$33,722,146 to \$34,988,659 during the 12-month period ended April 30, 1957. This amounted to \$22.81 per common share at the close of this year, compared with \$21.57 per share the previous year, based on the 1,015,599 common shares outstanding at the close of fiscal 1957.

General

Brown-Forman was fortunate in adding to its Board of Directors during the past year Mr. Jos. Garneau Ringwalt, Sr., Chairman of the Board of The Jos. Garneau Co., Inc., and Mr. Reagor Motlow, President of the Jack Daniel Distillery, Lem Motlow Prop., Inc.

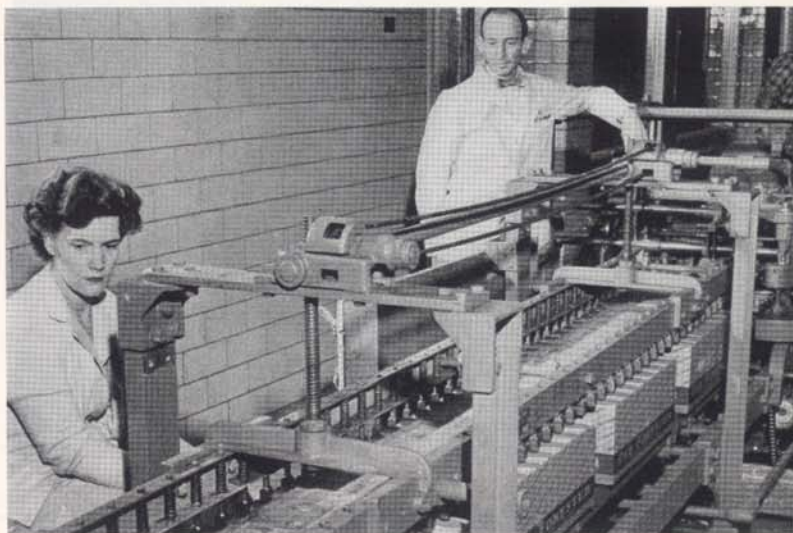
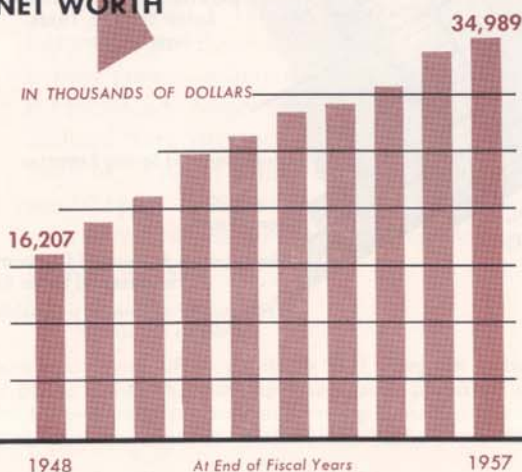
These prominent leaders of the industry, through their long experience and ability, will render valuable assistance in the operation of your Company.

Production

During the past fiscal year all four of your Company's distilleries have been in operation with production efficiency at the highest level in the history of Brown-Forman.

NET WORTH

IN THOUSANDS OF DOLLARS



Modern equipment, such as this automatic case sealer, gives our bottling plant a capacity of over 3,000,000 cases per year.

Although the cost of materials and labor has increased, the cost of producing barreled whisky has been controlled at a reasonable figure.

On March 8, 1957, Brown-Forman acquired the right to produce and sell, in this country, on an exclusive basis, Bols liqueurs, gin and vodka. Brown-Forman will purchase all of the equipment formerly used by the domestic Bols Company which will be installed in the Louisville plant. During July, 1957, production of all the domestic Bols products will begin at this location. A representative from the Bols parent company in Holland will reside in Louisville to assist in the supervision of the production of the Bols products.

Research

During the year, a separate Materials Quality Control Laboratory was installed. This new facility will supervise quality standards for packaging materials and for the finished packaged whisky.



During the past year, the new office building at the Early Times Distillery was completed, a further step in the plant's improvement program begun in November 1955.

Continuous research is still being carried on to study raw materials and improve methods of controlling their selection.

Export

Since the Company's initial entry into the export market immediately following World War II, sales to the Armed Forces have represented a major portion of Brown-Forman's total export business. However, in fiscal 1957, for the first time, export sales to civilian customers represented a larger proportion of the total volume than sales to the military. Brown-Forman's foreign sales have increased to a point where, in the current fiscal year, they will approximately equal last year's volume even though military purchases are expected to decline.

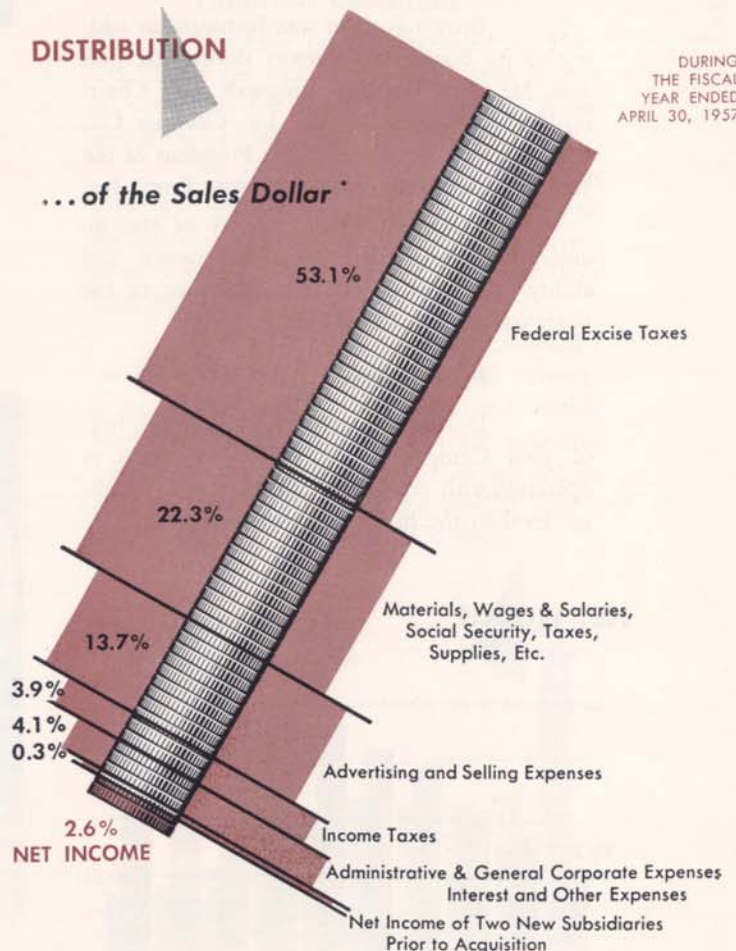
It is encouraging to note that in several foreign markets there has been a sufficient volume of sales and further potential, to warrant and support advertising on a local level.

In addition to overseas distribution, Brown-Forman products continue to be sold on the ships of the principal steamship lines.

The development of export sales during the past fiscal year continued to stress the establishment of permanent marketing areas. During the past year, distribution and representation were obtained in the following countries previously not included in Brown-Forman's export operations: Germany (local economy), Union of South Africa, Denmark, Kingdom of Jordan, Greece and Libya. Negotiations are underway for representation in Peru and Brazil.

DISTRIBUTION

... of the Sales Dollar *

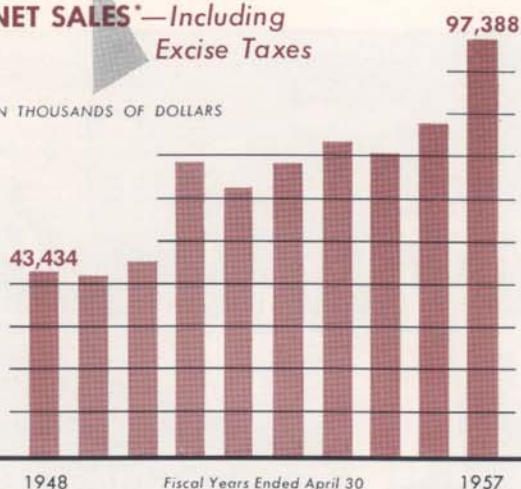


During the year, four dividends of 10 cents each were paid on the Preferred Stock, and quarterly dividends of 20 cents each on the outstanding Common Stock, aggregating \$1,257,222. In addition, a 15% Common Stock dividend was paid on September 1, 1956.

* Includes sales from May 1, 1956 of the two new subsidiaries acquired during the year.

NET SALES*—Including Excise Taxes

IN THOUSANDS OF DOLLARS



* Includes net sales from May 1, 1956 of the two new subsidiaries acquired during the year.



This life-size stacker for Old Forester is typical of the Company's aggressive point-of-sale materials.

Marketing & ADVERTISING

Although industry-wide sales of all distilled spirits were higher during the year, sales of whisky alone increased only slightly. Intense competition between different types and brands of whisky has continued unabated. Consequently, these conditions have resulted in increased marketing expenses for Brown-Forman's brands.

EARLY TIMES, the Company's Kentucky Straight Bourbon Whisky, continued a healthy growth, ending the year with peak sales for the brand. Shipments of OLD FORESTER declined very slightly, following the general trend of premium bottled-in-bond whiskies for several years. KING sales decreased moderately coincident with the downward movement of all blended whisky.

Due to rising operating costs, heretofore absorbed by the Company, it was necessary to increase the prices of EARLY TIMES and KING during the last half of the year to compensate for the higher expenses, a step taken by other distillers during the year.

Your Company met the challenge of current competitive conditions with intensified advertising campaigns for OLD FORESTER and EARLY TIMES in national magazines and in local newspapers throughout the country. Many full-color advertisements in magazines, read by millions of consumers, featured each brand. An increased number of full-color advertisements supported comprehensive newspaper schedules in metropolitan markets.

Outdoor advertising was increased to supplement local coverage and add to the cumulative impact of other media.

Promotion materials, integrated with other advertising, completed the final marketing link with the public, by providing provocative display advertising for retail outlets.

During the year, your Company, concerned with maintaining interest in the art of preparing and the enjoyment of mixed drinks, expanded the Early Times National Mixed Drink Competition. Professional bartenders, rarely approached directly, enthusiastically participated in the Competition by demonstrating their creativeness as originators of Bourbon mixed drinks.

Award winners were presented with Certificates of Merit and were invited to join the American Society of Bar Masters.

The national award-winning drinks of this Competition were successfully promoted in a complete merchandising and advertising campaign this Spring. This promotion was enthusiastically supported by bartenders, tavern owners, restaurateurs, hotel and club managers. It was endorsed by leading bartender unions across the country and the National Licensed Beverage Association.

The Tennessee whiskies of the Jack Daniel Distillery—JACK DANIEL'S OLD NO. 7 BLACK LABEL TENNESSEE WHISKEY, JACK DANIEL'S NO. 7 GREEN LABEL TENNESSEE WHISKEY and LEM MOTLOW'S TENNESSEE SOUR MASH



Brown-Forman maintains an active training and development program for its sales staff.

WHISKEY—continued to be in short supply. These products were distributed as equitably as possible based on historical sales throughout the country. Increased popularity of these whiskies has emphasized the limited supply.

Plans for additional production facilities within this small distillery, which were inaugurated early last year, have continued in effect after Brown-Forman's acquisition. Because of the years necessary for proper maturing, it will be some time before additional Jack Daniel whiskies will be available to the buying public.

The Jack Daniel Distillery has continued last year's volume of advertising in all media. The advertising themes were characteristic of the distinctive whiskies and explain and emphasize the "drop by drop" charcoal mellowing which gives the whiskies their unique flavor.

The home of famous Old Forester in Louisville is readily recognized by the giant bottle, complete with registered label, towering 220 feet in the air.

These advertisements also informed consumers that increasing demand has made the shortage of these whiskies more critical. For more than a year trade publication advertising has emphasized efforts to obtain equitable distribution of the limited output and that additional capacity is being provided within the present distillery.

The exclusive brands imported by The Jos. Garneau Co., Inc. had a successful year. The Garneau Company was able to increase substantially the limited allotment of USHER'S "GREEN STRIPE" and "EXTRA" Scotch whiskies, which was quickly absorbed in trade channels.

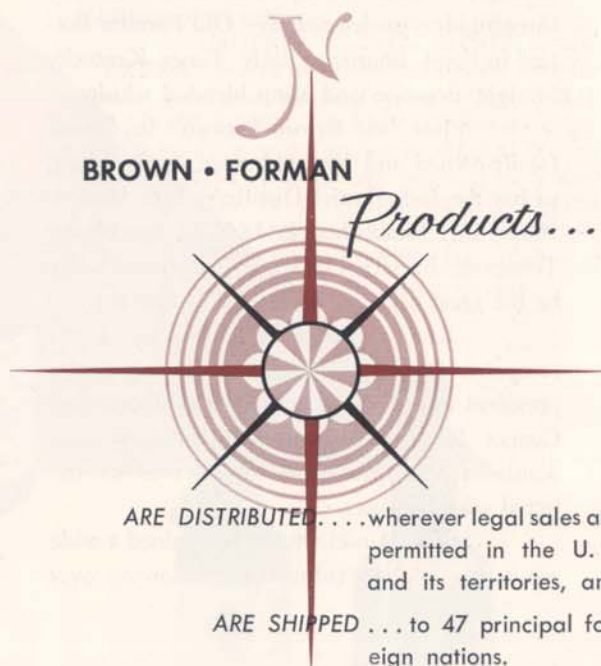
Wider distribution and sales were achieved for CLICQUOT YELLOW LABEL CHAMPAGNE, CRUSE FRENCH WINES, ANHEUSER & FEHRS GERMAN WINES, GARVEY SHERRIES AND FEUERHEERD PORTS.

The Garneau Company has maintained regular advertising schedules for USHER'S GREEN STRIPE SCOTCH whisky in the leading publications reaching the areas of greatest Scotch consumption in this country. CLICQUOT YELLOW LABEL CHAMPAGNE and CRUSE WINES were advertised in magazines featuring luxurious living and gracious hospitality.



BROWN • FORMAN

Products....



ARE DISTRIBUTED... wherever legal sales are permitted in the U. S. and its territories, and

ARE SHIPPED... to 47 principal foreign nations.



BROWN • FORMAN

Three Honored Traditions



Brown-Forman, traditionally famous for Kentucky Bourbon whiskies, is proud to welcome two respected members of the industry.

The Jos. Garneau Co., Inc. has earned its high reputation deservedly as an exclusive importer of choice wines and fine Scotch whiskies for 101 years. Brown-Forman is happy to join with them in uniting their internationally known brands with ours.

THE JOS. GARNEAU CO., INC.

The Jos. Garneau Co., Inc.



JOS. GARNEAU RINGWALT, SR.
Chairman of the Board



JOS. GARNEAU RINGWALT, JR.
President

The imported products distributed by the Garneau Company include many old and distinguished names.

USHER'S "GREEN STRIPE" and "EXTRA" Scotch whiskies have been sold for more than one hundred years. CLICQUOT YELLOW LABEL CHAMPAGNE was originated in 1772 and CRUSE BORDEAUX and BURGANDY WINES are products of a firm established in 1819. ANHEUSER & FEHRS GERMAN WINES, GARVEY SHERRIES, and FEUERHEERD PORTS are additional Garneau imports of outstanding quality.



Three Honored **BROWN • FORMAN DIST**

Brown-Forman, the Jack Daniel Distillery and The Jos. Garneau Company have long been respected for traditionally fine products.

In 1870, George Garvin Brown, motivated by the desire to produce and sell whisky according to a standard of constant uniformity and quality, founded the Company. Today, the Company under the leadership of the founder's grandsons, W. L. Lyons Brown, Chairman of the Board, and Geo. Garvin Brown, President, carries on that same ideal. Its management has always built for the future, never sacrificing potential progress for immediate gains. Guided by this policy, Brown-Forman has grown steadily over the years. Today, as the largest independent distillery in the nation, it markets nationally three highly regarded brands—Old Forester Bottled-in-Bond Bourbon, Early Times Kentucky Straight Bourbon and King blended whisky.

Just as Brown-Forman has been family-owned and operated since its founding, so has the Jack Daniel Distillery, Lem Motlow Prop., Inc. Established in 1866 in Lynchburg, Tennessee, by Jack Daniel, it is operated today by the great-nephews of the firm's founder.

Reagor Motlow is president of the company, D. Evans Motlow is executive vice president and director of sales and Robert and Conner Motlow are vice presidents. Winton Smith, a vice president, also serves as national sales manager.

Jack Daniel whisky has gained a wide reputation and an enthusiastic following over



W. L. LYONS BROWN
Chairman of the Board



B F S C *and Traditions Are Joined....* STILLERS CORPORATION



GEO. GARVIN BROWN
President



the years. The whisky, produced from ingredients similar to those used in Bourbon, departs from the standard American practice in that it is mellowed "drop by drop" through hard maple charcoal prior to maturing, giving it an unique and distinctive flavor.

The Motlows, sons of Lem Motlow who built the business into a national concern, have carried on the family tradition of whisky making. Today Jack Daniel whisky is still produced at Distillery Hollow near Lynchburg where the original Jack Daniel whiskies were made nearly a century ago. The same formula,

including the charcoal mellowing process, as originated by the founder, is still followed.

The century-old import house, The Jos. Garneau Co., Inc., is under the leadership of Joseph Garneau Ringwalt, Sr., nephew of the founder, and his son Joseph Garneau Ringwalt, Jr. Through the direction of these two men, The Garneau Company has become prominent in its field, earning a reputation for uniform high standards of quality and the integrity of its products.

Garneau, like Brown-Forman, has been in continuous operation since its founding, operating during Prohibition under a medicinal license. Since December, 1946, the company has been the sole United States importer of Usher's Scotch whiskies, produced by J. & G. Stewart Ltd., a distillery established in 1779. One of the oldest champagne firms in existence, Maison Veuve Clicquot-Ponsardin, has been associated with Garneau for the past seven years. For 76 years, the company has been importing from one of the leading wine houses in Bordeaux, Cruse & Fils Freres.

The acquisition of the Jack Daniel Distillery and The Garneau Company by Brown-Forman united three of the oldest and most respected family businesses in the distilled spirits industry. The insistence on quality by the three companies and the leading position of their brands is a consequence of identical business ideals. Their mutual efforts should result in still greater public endorsement.



Jack Daniel Distillery

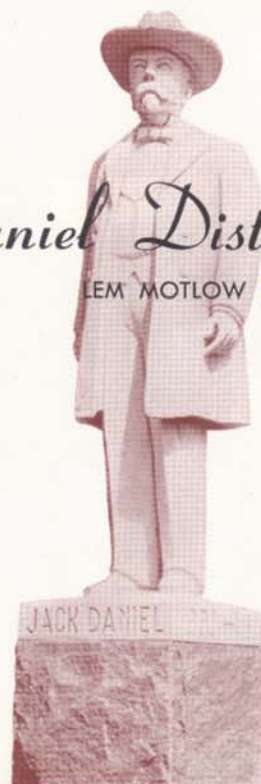
LEM MOTLOW PROP., INC.



REAGOR MOTLOW
President

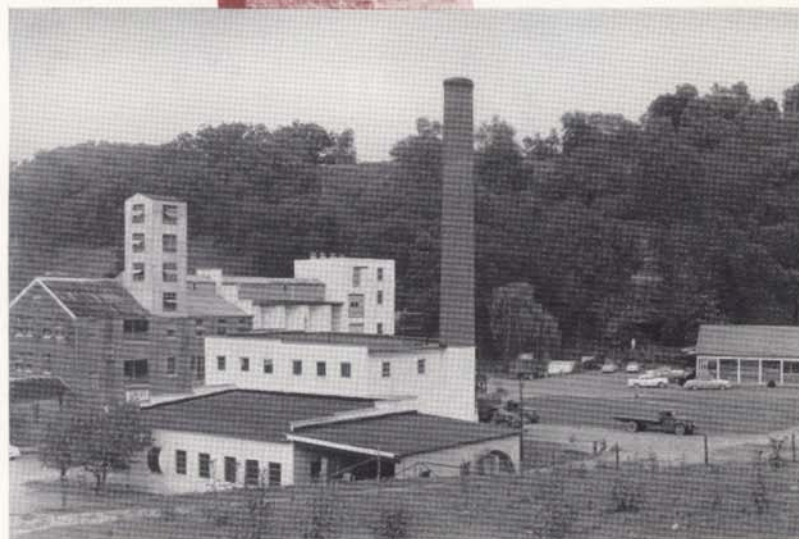


D. EVANS MOTLOW
Executive Vice President



The famed Jack Daniel whisky is produced at Lynchburg, Tennessee, the only whisky produced in that state. It is marketed nationally under two labels, JACK DANIEL'S OLD NO. 7 BLACK LABEL TENNESSEE WHISKEY and JACK DANIEL'S NO. 7 GREEN LABEL TENNESSEE WHISKEY.

Jack Daniel is the only whisky that is charcoal-mellowed "drop by drop" before aging, a process that gives this product its distinctively smooth flavor and unique taste.



ROBERT MOTLOW
Vice President



CONNOR MOTLOW
Vice President

DISTILLERS CORPORATION

Are Joined....



Jack Daniel is one of the most widely known brand names in the United States, long having been a favorite whisky throughout the country.

The Jack Daniel Distillery, established in 1866, is the oldest registered distillery in America and is renowned for the distinctive flavor of its whisky. Brown-Forman is pleased to have these distinguished whiskies allied with ours.

JACK DANIEL
DISTILLERY
LEM MOTLOW PROP. INC.

Other ACTIVITIES

Blue Grass Cooperage

During the last nine months of the fiscal year under review, the Blue Grass Cooperage Division operated at full capacity to meet Brown-Forman barrel requirements and customer orders. The earnings of the Division were gratifying and the continuing demand for its barrels is excellent.

Blue Grass barrels demonstrate their superior quality in the maturing of whisky to exacting standards and by providing savings in "outage" losses.

Feed Division

Brown-Forman feed products were in demand throughout the year, with a high degree of acceptance in feeds for milk production.

New outlets for Brown-Forman solubles have been created by further recognition of

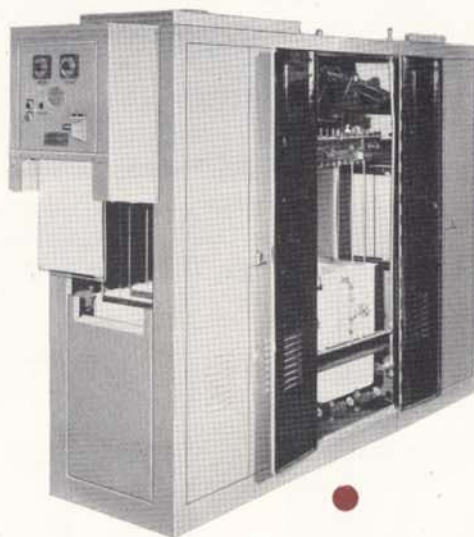
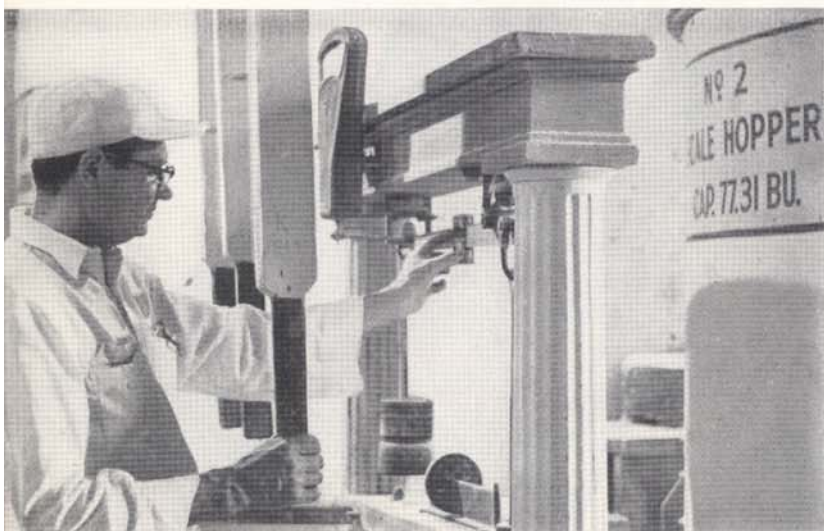


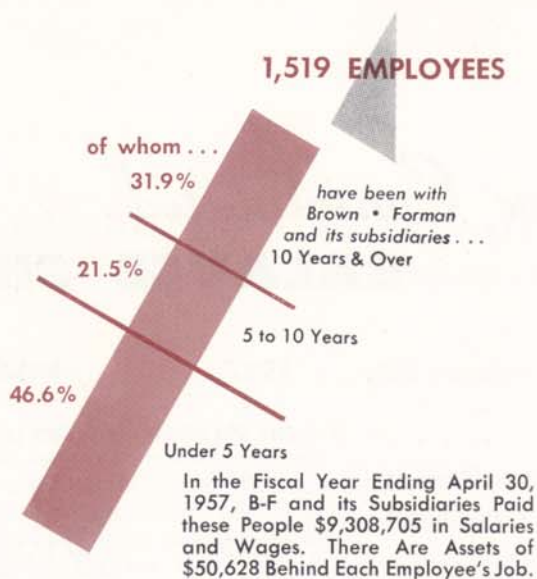
the value of unidentified growth factors in formula feeds for young animals.

Brown-Forman Industries

In fiscal 1957, "BFI" continued to build sales of its standard and high-energy photographic chemicals.

During the year, "BFI" completed the development and testing of its Automatic X-Ray Processor and Isothermal Dryer for all types of X-ray films in all sizes up to 14 x 17 inches. The time required to process and dry film is 8 minutes for medical film and 14 minutes for industrial film, about one-third the times normally required for such processing. A complete line of high-energy X-ray chemicals for use in the Processor is being introduced with the Processor-Dryer unit.





Personnel & **STOCKHOLDERS**

Your Company is proud of its wholesome employee-management relations program, evident in part by the large number of employees with ten years or more of service. This group now constitutes 32% of the employee roster of Brown-Forman and its Subsidiaries.

The Company successfully negotiated and concluded five union contracts, during fiscal 1957, which affect not only Brown-Forman, but its divisions and subsidiaries.

Greater emphasis was placed on training and development of Company personnel during the year. A formal apprentice training schedule has been established in the distillery maintenance department, in addition to the supervisory training program started in 1950. This project combines on-the-job training with correspondence courses specifically designed to fit Brown-Forman's needs.



Residing in 43 states of the nation, the District of Columbia, Hawaii, Panama and 2 foreign countries, your Company's stockholders number 3,248, of whom 1,335 own common stock and 1,913 own preferred stock.

Approximately 48% of the total number of common and preferred stockholders own 100 shares or less.

In 1956, Brown-Forman's Annual Report to stockholders was judged the best in the distilled spirits industry, for the fifth successive year, and was awarded an "Oscar of Industry" in the yearly competition sponsored by the "Financial World" magazine to improve informational content and clarity.

The Board of Directors and the management thank the Company's stockholders for their continued support. We again pledge our efforts to advance the interests of the stockholders of the Company and to further the welfare of the men and women working for Brown-Forman who make success possible.

Comparative Consolidated

BALANCE SHEET

Assets	<i>April 30th,</i>	1957	1956
Cash on hand and demand deposits	\$	9,687,491.05	\$ 4,662,565.67
U. S. Government securities, at cost plus accrued interest		99,577.45	
Accounts receivable, trade, less allowance for doubtful accounts (\$42,194.40)		7,647,456.12	6,857,376.88
Inventories:			
Barreled whisky and spirits, at average cost, including carrying charges (subject to withdrawal taxes)		39,780,396.56	29,553,973.47
Cased goods, at lower of average cost or market ...		1,197,792.42	691,179.49
In process, at average cost		682,899.84	586,193.29
Raw materials, supplies, etc., at lower of average cost or market		4,557,192.45	2,844,178.01
		46,218,281.27	33,675,524.26
Accounts receivable, officers and employees		15,487.76	13,119.65
Pension trust fund payments recoverable from employees		117,118.82	87,468.82
Other current assets		406,914.18	210,411.25
TOTAL CURRENT ASSETS		64,192,326.65	45,506,466.53
Buildings and equipment, at cost		13,785,936.37	11,762,676.83
Less allowance for depreciation		4,864,697.70	4,387,777.12
		8,921,238.67	7,374,899.71
Land, at cost		335,049.61	329,899.66
TOTAL FIXED ASSETS		9,256,288.28	7,704,799.37
Prepaid expenses		584,918.79	606,012.14
Standing timber, at cost less depletion		89,928.69	35,533.92
Goodwill, brands and trade-marks		2,779,799.30	1.00
		<u>\$76,903,261.71</u>	<u>\$53,852,812.96</u>

BROWN-FORMAN DISTILLERS CORPORATION

and its Wholly Owned Subsidiaries (Incorporated in Delaware)

Liabilities	April 30th,	1957	1956
Note payable on demand	\$	300,000.00	
Serial notes due within one year			\$1,450,000.00
Accounts payable, trade and miscellaneous		1,484,258.24	1,275,620.59
Accrued compensation, commissions, taxes, interest, etc.		1,760,893.10	866,049.29
Federal and State taxes on income		2,679,200.39	3,172,746.01
Provision for tax contingencies and related interest (Note 1)		3,490,251.46	3,416,251.46
TOTAL CURRENT LIABILITIES		9,714,603.19	10,180,667.35
Long-term debt:			
4 ⁵ / ₈ % serial notes, \$1,400,000 due on each May 1 from 1958 to 1964		9,800,000.00	
4 ⁷ / ₈ % serial notes, \$1,400,000 due on each May 1 from 1965 to 1971		9,800,000.00	
4% serial notes, \$2,100,000 due on each May 1 from 1958 to 1963 (Note 2)		12,600,000.00	
3% and 3 ¹ / ₂ % serial notes			9,950,000.00
		32,200,000.00	9,950,000.00
Capital			
Contributed capital:			
Capital stock:			
Preferred 40¢ cumulative, \$10 par value, redeemable after July 1, 1957 at \$10.25 plus unpaid accrued dividends, liquidating value \$10 per share plus unpaid accrued dividends, authorized and outstanding 1,177,948 shares		11,779,480.00	11,779,480.00
Common, \$1 par value, authorized 1,500,000 shares, outstanding 1,015,599 shares		1,015,599.00	883,416.00
Capital in excess of par value of common stock		2,247,111.00	
		15,042,190.00	12,662,896.00
Earnings retained in the business (Notes 1, 3, and 4)		19,946,468.52	21,059,249.61
		34,988,658.52	33,722,145.61
		\$76,903,261.71	\$53,852,812.96

* The appended notes are an integral part of the financial statements.

Comparative Consolidated

STATEMENTS . . .

Years Ended April 30th,

Income	1957	1956
Sales, less returns, allowances, and freight out	\$97,387,577.00	\$77,719,571.92
Cost of sales	73,400,714.01	57,597,590.59
	23,986,862.99	20,121,981.33
Other operating income	140,541.36	115,601.01
	24,127,404.35	20,237,582.34
Selling and advertising expenses	13,326,310.52	11,113,121.08
Administrative and general expenses	2,992,282.61	2,368,205.96
	16,318,593.13	13,481,327.04
Operating Profit	7,808,811.22	6,756,255.30
Other income, net	47,579.08	2,578.27
	7,856,390.30	6,758,833.57
Interest expense	1,161,414.37	494,947.40
	6,694,975.93	6,263,886.17
Taxes on income, before special provision:		
Federal (Note 1)	3,588,000.00	3,202,000.00
State	189,000.00	48,000.00
	3,777,000.00	3,250,000.00
	2,917,975.93	3,013,886.17
Special provision for tax contingencies and related interest (Note 1)	74,000.00	74,000.00
	2,843,975.93	2,939,886.17
Elimination of net income of new subsidiaries prior to dates of acquisition	314,312.02	
Net Income	2,529,663.91	2,939,886.17
Nonrecurring item		1,285,025.70
Net Income and nonrecurring item	\$ 2,529,663.91	\$ 4,224,911.87

The provisions applicable to the fiscal year ended April 30, 1957, for depreciation and depletion amounted to \$625,459.03 and \$155,677.30, respectively, and for the year ended April 30, 1956, \$444,735.63 and \$163,289.50, respectively.

* The appended notes are an integral part of the financial statements.

BROWN-FORMAN DISTILLERS CORPORATION

and its Wholly Owned Subsidiaries

Years Ended April 30th,

Earnings Retained in the Business

	1957	1956
Balance, beginning of year	\$21,059,249.61	\$18,012,249.74
Net Income and, for 1956, nonrecurring item	2,529,663.91	4,224,911.87
	<u>23,588,913.52</u>	<u>22,237,161.61</u>
Dividends:		
Paid in cash:		
On preferred 40¢ cumulative stock, 40¢ per share	471,179.20	471,179.20
On common stock, 80¢ per share	786,042.60	706,732.80
Amounts paid in lieu of the issuance of fractional shares in connection with common stock dividend	5,929.20	
Paid in common stock, 15% on common stock:		
Transferred to Common Stock, \$1 per share—par value thereof	132,183.00	
Transferred to Capital in Excess of Par Value of Common Stock, \$17 per share—excess of market value thereof over its par value	2,247,111.00	
	<u>3,642,445.00</u>	<u>1,177,912.00</u>
Balance, end of year	<u>\$19,946,468.52</u>	<u>\$21,059,249.61</u>

* The appended notes are an integral part of the financial statements.

Cases travel over nearly two miles of conveyors on route from bottling line to loading docks in the shipping department.



Notes to

FINANCIAL STATEMENTS

1. During 1953, the Company received statutory notices of deficiencies in excess profits taxes for the fiscal years 1942 through 1946 in the aggregate amount, including interest, of \$3,951,718.29 arising from the denial of the Company's Section 722 relief claims. These deficiencies, exclusive of the interest, principally represent amounts previously withheld (33%) on tax payments as permitted by the relief sections of the Internal Revenue Code. The Company has filed petitions in the Tax Court of the United States seeking a redetermination of these deficiencies for the years 1942 through 1946.

The liability for tax contingencies and related interest as of April 30, 1957 represents amounts provided in prior years covering the excess profits tax payments withheld in connection with the Company's Section 722 relief claims, and related interest to April 30, 1957, less anticipated tax savings on such interest. The Special Provision for Tax Contingencies and Related Interest has been charged during the current year in the amount of \$74,000.00 for interest arising from this matter less anticipated tax savings on such interest.

Because of the uncertainties of interpretation of the provision of the Internal Rev-

enue Code, tax counsel for the Company is unable to predict the ultimate result of the Company's petitions in the Tax Court or the resultant amount, if any, which may eventually be credited to Earnings Retained in the Business.

The Company's Federal tax returns have been examined through the fiscal year ended April 30, 1954, and all taxes through that year, except the deficiencies in excess profits taxes explained herein, have been paid.

2. The 4% long term serial notes aggregating \$12,600,000, payable to the former stockholders of a predecessor company, are obligations of the Company's wholly owned subsidiary, Jack Daniel Distillery, Lem Motlow, Prop., Inc., and have as collateral the shares of stock owned by the Company representing all of the outstanding stock of such wholly owned subsidiary. The parent Company is not obligated, contingently or otherwise, in connection with these notes.

Jack Daniel Distillery, Lem Motlow, Prop., Inc., is also indebted to the parent Company for \$3,500,000 represented by a 5% note (eliminated in consolidation), which note is

BROWN-FORMAN DISTILLERS CORPORATION

and its Wholly Owned Subsidiaries

subordinate to the 4% long-term serial notes aggregating \$12,600,000.

3. Certain provisions of the agreement pertaining to the parent Company's long-term debt restrict payments of cash dividends without consent of parties to the agreement. Of the \$20,321,987.74 Earnings Retained in the Business of the parent Company as of April 30, 1957, approximately \$17,400,000 was so restricted.

4. The Company has been named defendant in two suits alleging violations of various Federal trade laws. These suits also name many other members of the domestic distilling industry and claim damages against the various members of the industry in indeterminable amounts. It is the opinion of counsel for the Company that its ultimate liability, if any, from the two suits will not materially affect its financial position, and no provision therefor has been made in the financial statements.

Auditors'

CERTIFICATE

*Brown-Forman Distillers Corporation,
Louisville, Kentucky.*

LYBRAND, ROSS BROS. & MONTGOMERY

CERTIFIED PUBLIC ACCOUNTANTS

HEYBURN BUILDING
LOUISVILLE 2

We have examined the consolidated balance sheet of Brown-Forman Distillers Corporation and its wholly owned subsidiaries as of April 30, 1957, and the related consolidated statements of income and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the said financial statements present fairly the consolidated financial position of Brown-Forman Distillers Corporation and its wholly owned subsidiaries at April 30, 1957, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

June 4, 1957—Louisville, Kentucky

Lybrand, Ross Bros. & Montgomery



Brown • Forman's

Fiscal Years Ended April 30th,

Operations—FOR THE FISCAL YEAR

	1957	1956	1955
Net Sales*	\$97,387,577	77,719,572	70,780,854
Federal Excise Taxes	\$51,696,026	42,825,063	38,705,209
Income Before Income Taxes	\$ 6,694,976	6,263,886	5,840,717
Income Taxes	\$ 3,851,000 ¹	3,324,000 ¹	3,195,000 ²
Net Income of Two New Subsidiaries Prior to Acquisition	\$ 314,312		
Net Income	\$ 2,529,664	2,939,886	2,645,717
Cash Dividends Paid	\$ 1,257,222	1,177,912	1,177,912
Earnings Retained in the Business	\$ 1,272,442	3,047,000 [†]	1,467,805
Earnings Per Share of Common Stock**	\$ 2.03	2.43	2.14

Financial Condition—AT END OF FISCAL YEAR

Total Assets	\$76,903,262	53,852,813	50,319,096
Current Assets	\$64,192,327	45,506,466	42,736,687
Total Liabilities	\$41,914,603	20,130,667	19,643,950
Current Liabilities	\$ 9,714,603	10,180,667	8,243,950
Net Worth	\$34,988,659	33,722,146	30,675,146
Working Capital	\$54,477,724	35,325,799	34,492,737

Employees

Number of Employees	1,519	1,334	1,234
Total Payroll	\$ 9,308,705	7,553,408	7,303,587
Investment Per Employee	\$ 50,628	40,369	40,777

Note: There is included above in 1957, the Net Sales, Federal Excise Taxes, Income Before Income Taxes and Income Taxes from May 1, 1956 of the two new subsidiaries acquired during the year.

* Excise taxes included in net sales. Changes in tax rates per proof gallon: July 1, 1940, \$3.00; October 1, 1941, \$4.00; November 1, 1942, \$6.00; April 1, 1944, \$9.00; November 1, 1951, \$10.50 (present rate).

** Earnings for all years shown on equivalent basis with current year.

† Includes \$1,285,026 nonrecurring income item.

1. Includes special provision of \$74,000.
2. Includes special provision of \$122,000.
3. Includes special provision of \$118,000.
4. Includes special provision of (\$37,000).
5. Includes special provision of \$97,000.

6. Includes special provision of \$85,000.
7. Includes special provision of \$165,000.
8. Includes special provision of \$207,700.
9. Includes special provision of \$1,200,000.

() denotes cr. balance.

TEN YEAR RECORD

1954	1953	1952	1951	1950	1949	1948
73,570,139	68,581,050	62,783,055	68,890,113	45,725,403	42,539,914	43,433,854
40,388,441	37,861,369	32,890,971	34,241,967	23,125,441	15,997,427	21,001,493
6,319,045	6,752,787	4,860,760	9,324,514	5,620,612	6,621,863	8,782,335
3,430,000 ^s	3,416,000 ^t	2,278,000 ^s	4,650,000 ⁶	2,378,000 ⁷	2,836,700 ⁸	4,682,000 ⁹
2,889,045	3,336,787	2,582,760	4,674,514	3,242,612	3,785,163	4,100,335
1,211,545	1,217,289	1,099,512	981,735	981,735	981,735	863,940
1,677,500	2,119,498	1,483,248	3,692,779	2,260,877	2,803,428	3,236,395
2.35	2.78	2.04	4.10	2.69	3.34	4.00
50,451,865	51,050,997	53,236,167	50,268,883	41,805,202	39,481,313	37,751,586
42,822,284	43,139,157	44,665,930	41,740,498	33,880,591	31,684,062	31,570,597
21,244,525	22,536,736	26,841,405	25,356,637	20,585,736	20,490,164	21,544,408
8,394,525	8,236,736	11,091,405	8,156,637	8,085,736	7,990,164	9,044,408
29,207,340	28,514,261	26,394,762	24,912,246	21,219,467	18,991,149	16,207,178
34,427,759	34,902,421	33,574,525	33,583,861	25,794,855	23,693,898	22,526,189
1,209	1,081	1,072	1,266	1,038	1,120	1,129
7,132,035	5,766,346	5,595,284	6,543,896	4,469,728	4,311,778	4,709,903
41,730	47,226	49,661	39,707	40,275	35,251	33,438

Brown - Forman whiskies are carefully quality controlled to maintain highest standards and uniformity of product.



BROWN-FORMAN DISTILLERS CORPORATION
and its Wholly Owned Subsidiaries



Directors

W. L. LYONS BROWN
Chairman of the Board of Directors

GEO. GARVIN BROWN
President

J. GORDON BAQUIE
Executive Vice President

D. L. STREET
Executive Vice President

ROBINSON S. BROWN, JR.
Vice President

WILLIAM F. LUCAS
Vice President

RODMAN W. MOORHEAD, JR.
Vice President

DR. FRANK M. SHIPMAN
Vice President

GEORGE R. WRIGHT
Vice President

ARCHIBALD P. COCHRAN
*President, Cochran Foil Company
Louisville, Kentucky*

THOMAS O. HELM
*President, Blue Grass Cooperage Co.
Louisville, Kentucky*

SAUNDERS P. JONES
*President, Saunders P. Jones Co.
Louisville, Kentucky*

JUDGE JOHN MARSHALL, JR.
*Chairman of the Board, Puritan Cord-
age Mills, Louisville, Kentucky,
Attorney, Peter, Heyburn & Mar-
shall, Louisville, Kentucky*

REAGOR MOTLOW
*President, Jack Daniel Distillery
Lynchburg, Tennessee*

JOS. GARNEAU RINGWALT, SR.
*Chairman of the Board, The Jos. Gar-
neau Co., Inc., New York, New York*

OFFICERS

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Chairman of the Board of Directors

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Executive Vice President

D. L. STREET
Executive Vice President

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Vice President

WILLIAM F. LUCAS
Vice President

RODMAN W. MOORHEAD, JR.
Vice President

EDWARD F. O'BRIEN
Vice President

DR. FRANK M. SHIPMAN
Vice President

GEORGE R. WRIGHT
Vice President

JOHN B. COPENHEFER
Asst. Vice President

EARL A. DORSEY
Secretary and Controller

MARION M. JOHNSON
Treasurer

PHILLIP B. NEWMAN
Asst. Secretary

GRADDY C. RICHARD
Asst. Secretary

General Counsel..... OGDEN, GALPHIN & ABELL, Louisville, Ky.

Auditors..... LYBRAND, ROSS BROS. & MONTGOMERY, Louisville, Ky.

Listed..... AMERICAN STOCK EXCHANGE

Registrar & Transfer Agent..... KENTUCKY TRUST COMPANY, Louisville, Ky.



GREETINGS FROM "THE HOLLOW"—Fashions in bottles may change, but not our quiet, unhurried way of celebrating the holidays and making our whiskey—Jack Daniel's. There'll probably never be enough of this fine sippin' whiskey for everyone—but for those special friends on your gift list we'd like to suggest this very, very special Tennessee whiskey...Jack Daniel's in the old-fashioned square bottle with the famous black label... a perfect expression of your best holiday wishes.

"CHARCOAL MELLOWED"
DROP BY DROP BEFORE AGING

JACK DANIEL DISTILLERY, LEM MOTLOW, PROP., INC., LYNCHBURG (POP. 399), TENNESSEE
• A SUBSIDIARY OF BROWN-FORMAN DISTILLERS CORPORATION •





DAY'S END...GOOD FRIENDS...AND

EARLY TIMES

This remarkably good whisky is affectionately regarded all over the country. As a matter of fact, in Kentucky, where the world's finest whiskies are made, Kentuckians themselves overwhelmingly choose Early Times over all other straight whiskies.

Do you know of any other bourbon with a recommendation this good?

