

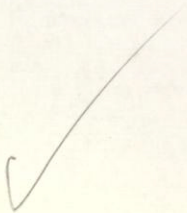
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Berkshire Hathaway INC.

ANNUAL REPORT

TO THE STOCKHOLDERS

1955



Berkshire Hathaway INC.

ANNUAL REPORT

For the Year Ended September 30, 1955

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.

There is presented herewith the annual report for the year ended September 30, 1955. Berkshire Hathaway Inc. is the result of a merger of Berkshire Fine Spinning Associates, Inc. and the Hathaway Manufacturing Company on March 14, 1955. The purpose of the combination of the two Companies was to effect operating economies and greater diversification of products for each. The new Company can now supply the market not only with plain fine combed cotton goods, but also with fancy colored box loom fabrics and with rayon, nylon, dacron and other synthetic fabrics.

The operating figures for the fiscal year shown in this report are for the combined operations of the two Companies for the whole year and the comparative figures for previous years are also a combination of both Companies. All per share figures are based on the Common Stock outstanding (2,294,564 shares) at September 30, 1955.

FINANCIAL The Net Income for the year was \$300,722 on sales of \$65,498,284 compared with \$660,335 on sales of \$66,929,036 in 1954. This income is after Depreciation of \$1,799,447 and Federal and State Income Taxes of \$412,000. Working Capital at the end of the year was \$33,022,161 and Stockholders' Equity was \$51,399,756.

DIVIDENDS The Company paid a Dividend of \$.25 per share each quarter. This included a Dividend on the stock issued to Hathaway stockholders in the last two quarters of the fiscal year.

PLANTS AND EQUIPMENT On August 19, 1955, a very severe flood struck New England, as a result of Hurricane Diane, and our plants at Albion and Lonsdale, Rhode Island, were severely damaged, with water flooding the lower floors in both plants to a depth of several feet. The loss resulting from this flood was substantial, and it required two to three weeks to return these plants to full operation.

Expenditures for improvements and additions to plant facilities were \$1,201,470 and did not reach the amount that was contemplated at the beginning of the year due to the fact that the plants

were closed by strike for three months during which time all work was stopped. The program for the improvement of the efficiency of the plants is now being continued and the amount to be spent in the next fiscal year will exceed by a considerable amount that of the previous year.

**EMPLOYEE
RELATIONS**

Unfortunately, a strike occurred in all of the Company's plants on April 15th, one month after the combination was completed. This strike resulted in a complete shutdown, and lasted for thirteen weeks, ending on July 18, 1955 and was not settled on a basis that was satisfactory to us. However, we did obtain slight concessions that have decreased the difference in labor costs between ourselves and many of our competitors. The increase by Congress of the Federal minimum wage from 75c to one dollar per hour will further narrow this difference and we believe our position will be improved accordingly.

GENERAL

In the past year the textile industry as a whole experienced some improvement from the depressed conditions of the previous year, but it did not enjoy anything like the prosperity that most other industries throughout the country were having.

Until the time of the strike it looked as if this Company might have earnings about the same as last year or a little better. The strike and the floods which followed it were both very costly, and caused the Company to operate at a loss during the last six months of the year, which offset a large part of the profit realized in the first six months.

The rapid increases in imports of cotton fabrics which have occurred recently present a very serious threat to the textile industry and to this Company, and at present, a flood of Japanese fabrics is coming into the United States in ever increasing volume. With wages of less than 15 cents per hour the Japanese can undersell any mill in this country no matter how low its costs may be. We are hoping that there will be some Governmental action to either stop or limit this flow of goods into the country, but as yet have no assurance that there will be.

The Company's plants are now all in operation, and prices have shown some improvement recently. Although market conditions are not entirely satisfactory, and competition is extremely keen, we believe the diversification of our products and reduction in our costs gained from the new consolidation, together with the improvement of our competitive position in relation to other areas in the country, will result in more profitable operations during the coming year.

JOHN H. McMAHON
Chairman of the Board

SEABURY STANTON
Vice Chairman of the Board

M. G. CHACE, JR.
President

November 29, 1955

Berkshire Hathaway INC.

FISCAL YEARS →	1955	1954	1953	1952
Net Sales	\$65,498,284	\$66,929,036	\$86,414,388	\$68,293,319
Total Taxes, including Social Security, Property and Income . .	1,881,452	2,364,338	5,176,906	1,553,943
Taxes per Share of Common Stock . .	.82	1.03	2.26	.68
Net Earnings Available for Dividends	300,722	660,335	2,921,084	99,110
Earnings per Share of Common Stock	.13	.29	1.27	.04
Cash Dividends Paid per Share of Common Stock98	.98	1.11	1.28
Net Expenditures for Plant Assets . .	1,201,470	1,161,742	3,694,344	2,625,001
Working Capital	33,022,161	34,326,925	35,445,474	37,565,010
Total Stockholders' Equity	51,399,756	53,354,318	55,153,170	54,990,361

This tabulation combines the figures of Berkshire Fine Spinning Associates, Inc. with those of Hathaway Manufacturing Company to provide a basis for comparison, and gives effect to the notes on the opposite page:

Comparative Financial Data

1951	1950	1949	1948	1947	1946
\$91,848,891	\$89,624,653	\$73,358,261	\$97,177,412	\$88,982,470	\$57,857,999
8,523,113	6,763,696	4,200,517	13,065,478	11,577,453	7,677,134
3.71	2.95	1.83	5.69	5.05	3.35
6,175,106	7,008,172	5,031,141	17,722,455	16,193,140	6,868,290
2.69	3.05	2.19	7.72	6.94	2.85
1.75	1.45	2.29	2.21	.84	.46
2,759,792	3,040,214	2,981,092	3,181,343	1,492,009	999,217
41,084,781	40,510,238	38,597,705	41,204,632	30,699,435	17,702,276
57,523,574	55,358,568	51,670,472	51,755,861	38,867,679	24,877,533

- Notes:**
- 1) The Net Earnings Available for Dividends are stated before any Provisions for the Reserves mentioned in Note 3.
 - 2) The Working Capital has been restated to include Plant Construction, Improvement and Replacement Fund.
 - 3) The Stockholders' Equity has been restated to include Reserves for Decline in Inventory Values, Contingencies and Replacement of Plant.
 - 4) All per share calculations are based upon Common Stock outstanding (2,294,564 shares) at September 30, 1955.

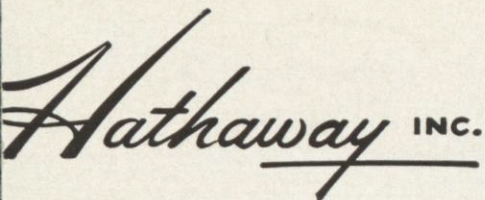
Berkshire

Consolidated

ASSETS

	<u>September 30, 1955</u>	<u>September 30, 1954</u>
CURRENT ASSETS		
Cash	\$ 4,169,412.89	\$ 4,976,546.55
Accounts Receivable (Less Reserve \$371,846.54-1955; \$372,174.86-1954)	5,343,060.23	3,199,897.54
Recoverable Federal Taxes on Income		394,000.00
Marketable Securities (Including U. S. Governments \$4,256,470.96-1955) (Estimated Market Value \$4,268,870.04 at September 30, 1955)	<u>4,332,595.44</u>	<u>2,962,675.13</u>
Inventories (<i>Note A</i>)		
Raw Materials (Cotton Pledged against Notes Payable- \$629,961.72 as per Contra-September 30, 1954)	5,388,665.11	4,194,750.34
Stock in Process	4,118,433.77	3,592,819.82
Cloth	13,211,943.82	19,654,536.60
Waste	258,374.48	227,145.23
Total Inventories	<u>22,977,417.18</u>	<u>27,669,251.99</u>
TOTAL CURRENT ASSETS	<u>36,822,485.74</u>	<u>39,202,371.21</u>
OTHER ASSETS AND DEFERRED CHARGES		
Investment in Correlated Companies	518,580.55	518,580.55
Notes and Other Amounts Receivable	143,498.99	155,594.14
Prepaid Insurance, Taxes and Other Assets	606,202.32	696,575.35
Supplies Inventory, Including Fuel and Returnable Containers	454,046.47	407,448.04
TOTAL OTHER ASSETS AND DEFERRED CHARGES	<u>1,722,328.33</u>	<u>1,778,198.08</u>
PLANT ASSETS (<i>Note C</i>)		
Properties Comprising Land, Buildings, Machinery, Equipment, and Developed Water Power	35,057,964.10	33,388,920.61
Less: Depreciation Reserves	18,402,697.07	16,139,725.70
NET PLANT ASSETS	<u>16,655,267.03</u>	<u>17,249,194.91</u>
TOTAL ASSETS	<u>\$55,200,081.10</u>	<u>\$58,229,764.20</u>

See Accompanying Note



Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>September 30, 1955</u>	<u>September 30, 1954</u>
CURRENT LIABILITIES		
Demand Notes Payable — Bank (Partially Secured as per Contra — September 30, 1954)	\$	\$ 878,081.80
Accounts Payable	2,334,371.56	2,295,602.85
Accrued Wages and Salaries	638,079.95	731,201.29
Accrued State and Local Taxes	189,053.31	352,628.54
Social Security and Withholding Taxes Payable	638,820.07	617,931.85
Provision for Federal Taxes on Income (Note D)	247,780.66	1,160,560.55
Less: U. S. Government Securities	247,780.66	1,160,560.55
Net Provision for Federal Taxes on Income	— 0 —	— 0 —
TOTAL CURRENT LIABILITIES	<u><u>3,800,324.89</u></u>	<u><u>4,875,446.33</u></u>
STOCKHOLDERS' EQUITY		
Common Stock (\$5.00 Par Value)		
Authorized 3,000,000 Shares — Issued 2,294,564 Shares at September 30, 1955; (Issued 2,295,204 Shares on a Pro Forma Basis at September 30, 1954)	11,472,820.00	11,476,020.00
Assets Received from Stockholders in Excess of Par Value of Common Stock Issued — Net (Capital Surplus)	1,849,610.71	1,856,810.71
Earnings Retained in the Business (Earned Surplus)	38,077,325.50	40,021,487.16
TOTAL STOCKHOLDERS' EQUITY	<u><u>51,399,756.21</u></u>	<u><u>53,354,317.87</u></u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$55,200,081.10</u></u>	<u><u>\$58,229,764.20</u></u>

Berkshire Hathaway INC.

Notes to Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 1955

Basis of Consolidation — The Consolidated Financial Statements include the accounts of all Subsidiary Companies.

Corporate Changes — During the current fiscal year, Berkshire Fine Spinning Associates, Inc. and Hathaway Manufacturing Company combined and operations continued under the corporate name, Berkshire Hathaway Inc. As a result, the Earned Surpluses of the constituent Companies were carried forward, and the Consolidated Balance Sheets and the Condensed Consolidated Income Statements present the financial positions and the operations of the combined interests for the current fiscal year and the preceding fiscal year.

Note (A) — Inventories

Raw Materials are priced at the "lower of Cost or Market"; the material content of Stock in Process of Berkshire Divisions at a standard established in 1933, which is substantially less than current market and at the "lower of Cost or Market" for the Hathaway Division. The standard cost basis is used in valuing Labor and Manufacturing Burden in Stock in Process, as well as cloth. Cloth is priced at the "lower of Cost or Market". Waste is valued at a conservative market. The verification of the Raw Materials, Stock in Process, and Cloth included a review of the Inventory records and procedures, physical examination of Raw Materials and Cloth and test of Stock in Process quantities, at the end of the fiscal year, at all Plants, and confirmation by direct correspondence of merchandise quantities in the possession of outside Finishers.

**Note (B) — Plant Construction, Improvement and Replacement Fund
Reserve for Decline in Inventory Values and Other Contingencies
Reserve for Replacement of Plant**

By appropriate vote of the Board of Directors, the Plant Construction, Improvement and Replacement Fund was eliminated, and the assets therein were reclassified as Current Assets; the "Reserve for Decline in Inventory Values" and "Reserve for Replacement of Plant" were transferred to Earnings Retained in the Business. For basis of comparison, these changes have been so classified on the September 30, 1954 Balance Sheet.

Note (C) — Plant Assets

The Plant Assets at September 30, 1955 and September 30, 1954 are stated at net book values of \$16,655,267.03 and \$17,249,194.91, respectively. The net values used for Federal Income Tax purposes were \$18,144,289.14 and \$18,712,671.73, respectively. Depreciation has been charged to operations on the basis used for tax purposes.

Note (D) — Provision for Federal Taxes On Income

The Company's Tax Returns have been inspected by the Audit Division of the Income Tax Unit through September 30, 1953. The Hathaway Manufacturing Company has been inspected through September 30, 1952. Subsequent years of the Companies have not been examined or reviewed, but it is our opinion that the outstanding Reserve, at September 30, 1955, is sufficient to provide for tax liabilities to that date.

Note (E) — Purchase Commitments

The Company has outstanding Plant Improvements and Material Commitments amounting to \$2,675,000.00. The materials are at prices approximating market.

Berkshire Hathaway INC.

Combined Condensed Consolidated Statement of Income

	YEARS ENDED	
	<u>September 30, 1955</u>	<u>September 30, 1954</u>
SALES (NET)	\$65,498,284.38	\$66,929,035.90
Cost of Goods Sold, Administrative and Selling Expenses		
(Combined Depreciation — 1955 — \$1,799,447.24)	65,169,317.88	65,370,405.55
OPERATING PROFIT	328,966.50	1,558,630.35
Other Income	592,791.50	492,542.31
	<u>921,758.00</u>	<u>2,051,172.66</u>
Other Charges	209,035.66	664,837.56
NET INCOME BEFORE PROVISION FOR TAXES ON INCOME	712,722.34	1,386,335.10
Provision for Taxes on Income	412,000.00	726,000.00
NET INCOME	<u>\$ 300,722.34</u>	<u>\$ 660,335.10</u>

Combined Statement of Earnings Retained in the Business

EARNINGS RETAINED IN THE BUSINESS AT BEGINNING OF YEAR		
Berkshire (Includes Reserves for Decline in Inventory Values and Replacement of Plant)	\$31,724,283.70	\$32,590,734.64
Hathaway	8,297,203.46	8,774,540.74
TOTALS	40,021,487.16	41,365,275.38
Net Income for the Year	300,722.34	660,335.10
Refund of Excess Profits Taxes under Relief Claims — Prior Years		245,624.43
	<u>40,322,209.50</u>	<u>42,271,234.91</u>
Dividends Paid		
Berkshire	2,094,884.00	1,899,747.75
Hathaway	150,000.00	350,000.00
Total Dividends Paid	<u>2,244,884.00</u>	<u>2,249,747.75</u>
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u>\$38,077,325.50</u>	<u>\$40,021,487.16</u>

Certificate of Auditors

We have examined the Consolidated Balance Sheet of Berkshire Hathaway Inc. and its subsidiaries as of September 30, 1955 and the related 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 accompanying Consolidated Balance Sheet and related Statements of Income and Earnings Retained in the Business, with the notations thereto, fairly present the Company's consolidated financial position at September 30, 1955 and the consolidated results of its operations for the year then ended (including the period prior to the combination), in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 26, 1955

Berkshire Hathaway INC.

DIRECTORS

JAMES C. BRADY
JONATHAN CHACE
MALCOLM G. CHACE, JR.
LINSLEY V. DODGE
BRADFORD R. FROST
MANLIO FROVA
ARTHUR INGRAHAM, JR.
THOMAS J. KENNEDY
W. R. L. MCBEE
JOHN H. McMAHON
IRWIN L. MOORE
HENRY S. NEWCOMBE
WILLIAM A. O'HEARN
EDMUND RIGBY
GIBBS W. SHERRILL
OTIS C. STANTON
SEABURY STANTON
THOMAS F. TANSEY
A. N. WINSLOW, JR.

OWNERS

The Company had 13,485 stockholders on
September 30, 1955

★

OFFICERS

Chairman of the Board	JOHN H. McMAHON
Vice Chairman of the Board	SEABURY STANTON
President and Treasurer	MALCOLM G. CHACE, JR.
Vice President	LINSLEY V. DODGE
Vice President	MANLIO FROVA
Vice President	THOMAS J. KENNEDY
Vice President	BERTRAND D. MANLEY
Vice President	HENRY S. NEWCOMBE
Vice President	EDMUND RIGBY
Vice President and Clerk	GIBBS W. SHERRILL
Vice President	OTIS C. STANTON
Vice President	THOMAS F. TANSEY
Vice President	AVERY K. WHITE
Assistant Treasurer	EDWARD H. ARNOLD
Assistant to President and Assistant Secretary	JOHN J. McMAHON

★

EXECUTIVE COMMITTEE

SEABURY STANTON, Chairman

JAMES C. BRADY	JOHN H. McMAHON
MALCOLM G. CHACE, JR.	IRWIN L. MOORE
W. R. L. MCBEE	GIBBS W. SHERRILL

A. N. WINSLOW, JR.

Berkshire Hathaway INC.

EXECUTIVE OFFICES

704 HOSPITAL TRUST BUILDING, PROVIDENCE, R. I.

SALES OFFICES

1430 BROADWAY, NEW YORK, N. Y.

261 FIFTH AVENUE, NEW YORK, N. Y.

PLANT LOCATIONS

MASSACHUSETTS

ADAMS • NORTH ADAMS • HOLYOKE • FALL RIVER
NEW BEDFORD

RHODE ISLAND

ALBION • ANTHONY • WARREN

VERMONT

BRATTLEBORO

BLEACHERY & DYE WORKS

LONSDALE, R. I.

CURTAIN FACTORIES

WARREN, R. I.

FALL RIVER, MASS.

LABORATORY AND MACHINE SHOP

WARREN, R. I.

Berkshire Hathaway INC.