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ANNUAL REPORT

to the Stockholders

• 1956 •

BERKSHIRE



HATHAWAY INC.

Comery, Davison & Jacobson

BERKSHIRE



HATHAWAY INC.

Annual Report

For the Year Ended September 30, 1956

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.

There is presented herewith the consolidated annual report for the year ended September 30, 1956, of Berkshire Hathaway Inc. and its subsidiaries.

The operating results for the fiscal year shown in this report include the operations of Bourne Mills, acquired in May, 1956, for the last three months of the fiscal year.

FINANCIAL The net income for the year was \$922,548 on sales of \$68,042,770 compared with \$300,722 on sales of \$65,498,284 in 1955. The income in 1956 is after depreciation of \$1,895,806 and Federal and State income taxes of \$867,000. Working capital at the end of the year was \$31,426,569 and stockholders' equity was \$50,369,720.

DIVIDENDS The company paid a dividend of 25c per share each quarter, making a total distribution for the year of \$1.00 per share, aggregating \$2,275,639.

PLANTS AND EQUIPMENT We continued our policy of making improvements and additions to existing plant facilities where the return on the investment seemed adequate. During the fiscal year just ended, a net amount of \$1,334,158 was spent on such improvements.

A program for diversification of products has become increasingly important, and in May, 1956, we purchased the stock of Bourne Mills of Tiverton, Rhode Island, with the exception of a very small minority interest, for \$3,356,955. This mill manufactures carded sateens and has 89,800 spindles, 2,420 looms, and a finishing plant. It has a wide distribu-

tion of finished sateens throughout the United States and in Canada through its subsidiary, Bourne Mills of Canada Limited.

Due to a shortage of employees in North Adams and Adams, Massachusetts, it became increasingly difficult to operate both our Greylock and Berkshire plants in that area on a full three-shift basis. It was decided, therefore, to consolidate these two plants, which are located only a few miles apart. In keeping with this decision, Greylock has been closed down completely and is now in the process of liquidation. A large number of the Greylock employees have been moved to the Berkshire plant, with a substantial increase in production from this plant, which has resulted in decreasing our over-all operating expenses in this area.

EMPLOYEE RELATIONS Our previous labor contract terminated on April 15, 1956, and a new two-year contract was negotiated, providing for a 6½% increase and a wage and fringe reopening on April 15, 1957, on sixty days' notice by either party.

GENERAL During the past year the cotton textile industry has suffered very seriously from increasing importations of low-cost Japanese cotton fabrics and apparel. The Government has recognized the seriousness of this situation and has announced that negotiations now proceeding with the Japanese will result in a satisfactory solution to this problem by January 1, 1957.

Immediately after this announcement, the Southern section of the industry announced a wage increase averaging 10c an hour, effective early in October.

All of the company's plants are now in operation, and our unfilled order position is constantly improving. As a result of the recent increase in wages in the textile industry located in the South, our competitive position has been substantially improved, and we look to the future with confidence.

November 27, 1956

JOHN H. MCMAHON
Chairman of the Board

SEABURY STANTON
Vice Chairman of the Board

M. G. CHACE, JR.
President

BERKSHIRE HATHAWAY INC.

FISCAL YEARS →	1956	1955	1954	1953
Net Sales	\$68,042,770	\$65,498,284	\$66,929,036	\$86,414,388
Total Taxes, including Social Security, Property and Income	2,724,294	1,881,452	2,364,338	5,176,906
Taxes per Share of Common Stock	1.21	.84	1.05	2.30
Net Earnings Available for Dividends	922,548	300,722	660,335	2,921,084
Earnings per Share of Common Stock41	.13	.29	1.30
Cash Dividends Paid per Share of Common Stock	1.00	1.00	1.00	1.13
Net Expenditures for Plant Assets	1,334,158	1,201,470	1,161,742	3,694,344
Working Capital	31,426,569	33,022,161	34,326,925	35,445,474
Total Stockholders' Equity	50,369,720	51,399,756	53,354,318	55,153,170

NOTE: All per share calculations are based upon Common Stock outstanding (2,246,114 shares) at September 30, 1956

Comparative Financial Data

1952	1951	1950	1949	1948	1947
\$68,293,319	\$91,848,891	\$89,624,653	\$73,358,261	\$97,177,412	\$88,982,470
1,553,943	8,523,113	6,763,696	4,200,517	13,065,478	11,577,453
.69	3.79	3.01	1.87	5.82	5.15
99,110	6,175,106	7,008,172	5,031,141	17,722,455	16,193,140
.04	2.75	3.12	2.24	7.89	7.21
1.31	1.79	1.48	2.34	2.26	.86
2,625,001	2,759,792	3,040,214	2,981,092	3,181,343	1,492,009
37,565,010	41,084,781	40,510,238	38,597,705	41,204,632	30,699,435
54,990,361	57,523,574	55,358,568	51,670,472	51,755,861	38,867,679



— ASSETS —

	<u>September 30, 1956</u>	<u>September 30, 1955</u>
CURRENT ASSETS		
Cash	\$ 2,554,457.15	\$ 4,169,412.89
Accounts Receivable (Less Reserve \$364,811.68-1956; \$371,846.54-1955)	7,136,304.50	5,343,060.23
Marketable Securities (Estimated Market Value \$480,740.00 at September 30, 1956)	<u>482,288.37</u>	<u>4,332,595.44</u>
Inventories (Note A)		
Raw Materials	3,337,399.61	5,388,665.11
Stock in Process	4,273,243.22	4,118,433.77
Cloth	23,049,230.38	13,211,943.82
Waste	182,357.16	258,374.48
Total Inventories	<u>30,842,230.37</u>	<u>22,977,417.18</u>
TOTAL CURRENT ASSETS	<u><u>41,015,280.39</u></u>	<u><u>36,822,485.74</u></u>
OTHER ASSETS AND DEFERRED CHARGES		
Other Investments	518,793.00	528,580.55
Notes and Other Amounts Receivable	158,369.24	143,498.99
Prepaid Insurance, Taxes and Other Assets	732,404.60	596,202.32
Supplies Inventory, Including Fuel and Returnable Containers	402,548.88	454,046.47
TOTAL OTHER ASSETS AND DEFERRED CHARGES	<u><u>1,812,115.72</u></u>	<u><u>1,722,328.33</u></u>
PLANT ASSETS (Note B)		
Properties Comprising Land, Buildings, Machinery, Equipment and Developed Water Power	38,955,952.87	35,057,964.10
Less: Depreciation Reserves	21,824,917.19	18,402,697.07
NET PLANT ASSETS	<u><u>17,131,035.68</u></u>	<u><u>16,655,267.03</u></u>
TOTAL ASSETS	<u><u>\$59,958,431.79</u></u>	<u><u>\$55,200,081.10</u></u>



HATHAWAY INC.

Balance Sheets

— LIABILITIES AND STOCKHOLDERS' EQUITY —

	<u>September 30, 1956</u>	<u>September 30, 1955</u>
CURRENT LIABILITIES		
Notes Payable — Bank	\$ 4,300,000.00	\$ — 0 —
Accounts Payable	2,184,993.38	2,334,371.56
Accrued Wages and Salaries	786,925.23	638,079.95
Accrued State and Local Taxes	640,261.47	189,053.31
Social Security and Withholding Taxes Payable	631,942.41	638,820.07
Provision for Federal Taxes on Income (Note C)	1,044,589.18	247,780.66
Less: U. S. Government Securities	— 0 —	247,780.66
Net Provision for Federal Taxes on Income	<u>1,044,589.18</u>	<u>— 0 —</u>
TOTAL CURRENT LIABILITIES	<u><u>9,588,711.67</u></u>	<u><u>3,800,324.89</u></u>
STOCKHOLDERS' EQUITY		
Common Stock (\$5.00 Par Value)		
Authorized 3,000,000 Shares—Issued 2,294,564 Shares	11,472,820.00	11,472,820.00
Excess of Net Assets Received over Common Stock Issued or Cost of Subsidiary Acquisition (Capital Surplus)	2,736,510.07	1,849,610.71
Earnings Retained in the Business (Earned Surplus)	36,739,562.28	38,077,325.50
Totals	<u>50,948,892.35</u>	<u>51,399,756.21</u>
Less: Common Stock in Treasury — 48,450 Shares at Cost	579,172.23	— 0 —
NET STOCKHOLDERS' EQUITY	<u><u>50,369,720.12</u></u>	<u><u>51,399,756.21</u></u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$59,958,431.79</u></u>	<u><u>\$55,200,081.10</u></u>

BERKSHIRE  HATHAWAY INC.

Notes to Financial Statements
For the Year Ended September 30, 1956

Basis of Consolidation — The consolidated financial statements include the accounts of all subsidiary companies including a Canadian subsidiary whose net assets are not significant. In the consolidation of the accounts, the net assets received from the Bourne Mills acquisition over the cost of the investment has been added to capital surplus. This excess amounted to \$886,899.36. The small minority interest has been included in the accounts payable. The operating results of Bourne Mills for the last quarter of the fiscal year are included in the consolidated income statement.

Corporate Changes — During the current fiscal year the King Philip Finishing Co. was liquidated into the parent company and is now operating as a division. During the latter part of the year Berkshire Hathaway Inc. purchased the outstanding 59,000 shares of Bourne Mills capital stock with the exception of a small minority interest.

Note (A) — Inventories

BERKSHIRE HATHAWAY INC. — Raw materials are priced at the "lower of cost or market"; the cotton 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.

BOURNE MILLS — The cotton content of merchandise inventory at Bourne Mills is priced on the basis of "last-in-first-out" except for goods purchased from Berkshire Hathaway Inc. which are stated at cost. This inventory is less than market. The inventories of its subsidiaries are priced at the "lower of cost or market".

The verification of the raw materials, stock in process, and cloth included a review of the inventory records and procedures, physical examination at all plants during the fiscal year of raw materials and cloth, test of stock in process quantities, and confirmation by direct correspondence of merchandise quantities in the possession of outside finishers.

Note (B) — Plant Assets

The plant assets at September 30, 1956 and September 30, 1955 are stated at net book values of \$17,131,035.68 and \$16,655,267.03, respectively. The net values used for Federal income tax purposes were \$19,086,730.43 and \$18,144,289.14, respectively. Depreciation has been charged to operations on the basis used for tax purposes.

Note (C) — Provision for Federal Taxes on Income

The Federal income tax returns of the Company for the fiscal years 1954 and 1955 are presently in the process of examination by the Internal Revenue Service, and on the basis of this examination it is our opinion that the outstanding reserve at September 30, 1956 amply provides for tax liabilities to that date.

Note (D) — Pension Plans and Retirement Separation Benefits

For the current fiscal year the Company made contributions to the trustees for the pension plans amounting to \$361,567.00.

The Company is contingently liable for retirement separation pay of certain employees who have reached the age of 65 years with a minimum service of 15 years and who retire voluntarily. Under the terms of the union contract such liability does not become fixed until the actual retirement of eligible employees. As of September 30, 1956 the estimated liability under this contract was \$200,000.00.

Note (E) — Purchase Commitments

The Company has outstanding plant improvements and material commitments amounting to \$4,450,000.00. The materials are at prices approximating market.

BERKSHIRE  **HATHAWAY INC.**

Condensed Consolidated Statement of Income

	YEARS ENDED	
	<u>September 30, 1956</u>	<u>September 30, 1955</u>
SALES (NET)	\$68,042,769.73	\$65,498,284.38
Cost of Goods Sold, Administrative and Selling Expenses (Depreciation — 1956 — \$1,895,806.46)	66,413,220.92	65,169,317.88
OPERATING PROFIT	<u>1,629,548.81</u>	<u>328,966.50</u>
Other Income	337,964.46	592,791.50
	<u>1,967,513.27</u>	<u>921,758.00</u>
Other Charges	177,965.26	209,035.66
NET INCOME BEFORE PROVISION FOR TAXES ON INCOME	<u>1,789,548.01</u>	<u>712,722.34</u>
Provision for Taxes on Income	867,000.00	412,000.00
NET INCOME	<u>\$ 922,548.01</u>	<u>\$ 300,722.34</u>

Statement of Earnings Retained in the Business

EARNINGS RETAINED IN THE BUSINESS AT BEGINNING OF YEAR	\$38,077,325.50	\$40,021,487.16
Net Income for the Year	922,548.01	300,722.34
Revenue Agent's Net Asset Adjustments for Fiscal Years 1951, 1952 and 1953	15,327.77	- 0 -
	<u>39,015,201.28</u>	<u>40,322,209.50</u>
Dividends Paid	2,275,639.00	2,244,884.00
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u>\$36,739,562.28</u>	<u>\$38,077,325.50</u>

CERTIFICATE OF AUDITORS

We have examined the consolidated balance sheet of Berkshire Hathaway Inc. and its subsidiaries as of September 30, 1956 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, present fairly the Company's consolidated financial position at September 30, 1956 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 23, 1956

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 13,246 stockholders on
 September 30, 1956

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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
 Assistant Treasurer EDWARD H. ARNOLD
 Assistant to President and Assistant Secretary . JOHN J. MCMAHON

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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.

746 SOUTH LOS ANGELES STREET, LOS ANGELES, CALIFORNIA

363 ADELAIDE STREET, WEST, TORONTO, CANADA

PLANT LOCATIONS

Massachusetts

ADAMS • NORTH ADAMS • HOLYOKE • FALL RIVER

NEW BEDFORD

Rhode Island

ALBION • ANTHONY • TIVERTON • WARREN

Vermont

BRATTLEBORO

BLEACHERY & DYE WORKS

LONSDALE, R. I.

CURTAIN FACTORIES

WARREN, R. I.

FALL RIVER, MASS.

MACHINE SHOP

WARREN, R. I.

LABORATORIES

NEW BEDFORD, MASS.

WARREN, R. I.

BERKSHIRE  **HATHAWAY INC.**