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BERKSHIRE  **HATHAWAY INC.**

Annual Report

to the

Stockholders

1957

BERKSHIRE



HATHAWAY INC.

Annual Report

For the Year Ended September 30, 1957

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.

There is presented herewith the consolidated annual report of Berkshire Hathaway Inc. and its subsidiaries for the year ended September 30, 1957.

FINANCIAL The net loss for the year was \$3,258,035 on sales of \$66,098,223, compared with a net income of \$922,548 on sales of \$68,042,770 in 1956. The loss of \$3,258,035 was after depreciation of \$1,971,157 and tax carryback of \$872,118. It included unabsorbed burden due to curtailed operations, inventory markdowns caused by the continuously falling market prices throughout the year, and additional costs resulting from the consolidation and modernization program.

WORKING CAPITAL AND NET WORTH The financial position of the company continues to be strong at the end of the fiscal year with working capital of \$26,401,396 and net worth of \$44,903,306.

The books of the company reflect working capital per share of \$12.54 and net worth per share of \$21.32, both of which are very considerably in excess of the current market price of the stock.

DIVIDENDS The company paid a dividend of 25¢ per share December 1, 1956, 15¢ per share March 1, 1957, and 10¢ per share June 1, 1957, making a total distribution for the year of 50¢ per share, aggregating \$1,107,864. No dividend was paid September First and none was declared for payment December 1, 1957.

PLANTS AND EQUIPMENT We continued our policy of making improvements and additions to existing plant facilities where the return on the investment seemed adequate. Expenditures which were capitalized in connection with such improvements amounted to \$2,334,356 during the fiscal year.

Early in January 1957 it became evident that this year would be a difficult one for textiles, and it was decided to curtail operations rather than to increase already substantial inventories.

In March 1957 it was also decided to eliminate certain of our higher cost plants and consolidate and modernize our operation in those remaining, taking advantage of this curtailment period to make machinery changes at a time when full production was not needed and a large part of the requirements of our customers could be supplied from inventory.

Our Greyllock plant in North Adams was in the process of liquidation, and it was decided to close permanently our plant in Holyoke, half of our big Berkshire plant in Adams, and the Swansea Print Works, owned by our subsidiary, Bourne Mills, and to distribute the best of the machinery among our other plants and liquidate the balance. Plant B in Fall River and our Fort Dummer plant in Brattleboro were also closed, but held on a stand-by basis.

The remaining six plants of the former Berkshire Fine Spinning Associates group, and our King Philip finishing plant, were included in the consolidation and modernization program, which will be completed by the end of December 1957.

During the present quarter we will be gradually increasing our production pending completion of our modernization program at the end of December. We are now in the process of starting up Plants A and E in Fall River, and our plant in Coventry, which were closed during the modernization period, and expect to resume full operations in all of our modernized plants by January 1958.

EMPLOYEE RELATIONS Our employees and their union representatives are cooperating with us in an effort to keep our plants in efficient operation, and we anticipate that our labor relations in the future will continue on the present satisfactory basis.

GENERAL When the consolidation and modernization program is completed, your company will be composed of eight closely controlled modern mills manufacturing a well diversified line of cotton, synthetic, and blended yarn fabrics, together with a finishing plant and two other mills held on a stand-by basis. Overhead has been substantially reduced and a young hard-hitting executive group and sales organization is being developed.

The unsatisfactory demand for textile products during the past twelve months has caused all branches of the industry beyond the primary producer to reduce inventories and purchase only on a hand-to-mouth basis. As a result, inventories between the mills and the ultimate consumer are at a minimum, and if the demand for cotton and synthetic textile fabrics broadens in 1958, as is anticipated by economists, shortages will be created which will result in substantially improved prices.

With the operating economies resulting from our consolidation and modernization program, your company will be in a strong competitive position, and we expect that profitable operations will be resumed during 1958.

November 16, 1957

MALCOLM G. CHACE, JR.
Chairman of the Board

SEABURY STANTON
President

BERKSHIRE



HATHAWAY INC.

FISCAL YEARS →	1957	1956	1955	1954
Net Sales	\$66,098,223	\$68,042,770	\$65,498,284	\$66,929,036
Net Earnings Available for Dividends (Loss)	(3,258,035)	922,548	300,722	660,335
Earnings per Share of Common Stock (Loss)	(1.55)	.41	.13	.29
Cash Dividends Paid per Share of Common Stock50	1.00	1.00	1.00
Net Expenditures for Plant Assets	1,622,760	1,334,158	1,201,470	1,161,742
Working Capital	26,401,396	31,426,569	33,022,161	34,326,925
Total Stockholders' Equity	44,903,306	50,369,720	51,399,756	53,354,318
Common Shares Outstanding	2,105,969	2,246,114	2,294,564	2,295,204

NOTE: "Common Shares Outstanding" represents the total shares outstanding at the close of each fiscal year, including the Hathaway Manufacturing Company as adjusted. "Cash Dividends Paid" also includes those of the Hathaway Manufacturing Company.

Comparative Financial Data

1953	1952	1951	1950	1949	1948
\$86,414,388	\$68,293,319	\$91,848,891	\$89,624,653	\$73,358,261	\$97,177,412
2,921,084	99,110	6,175,106	7,008,172	5,031,141	17,722,455
1.25	.04	2.63	2.98	2.14	7.55
1.09	1.25	1.71	1.42	2.24	2.16
3,694,344	2,625,001	2,759,792	3,040,214	2,981,092	3,181,343
35,445,474	37,565,010	41,084,781	40,510,238	38,597,705	41,204,632
55,153,170	54,990,361	57,523,574	55,358,568	51,670,472	51,755,861
2,332,564	2,348,629	2,348,629	2,348,629	2,348,629	2,348,629



— ASSETS —

	<u>September 30, 1957</u>	<u>September 30, 1956</u>
CURRENT ASSETS:		
Cash	\$ 2,002,657.32	\$ 2,554,457.15
Accounts receivable (Less reserve \$356,208.13-1957; \$364,811.68-1956)	8,050,844.28	7,136,304.50
Recoverable federal taxes on income (Note A)	872,118.72	-0-
Marketable securities (Estimated market value — \$164,913.75 at September 30, 1957)	165,826.61	482,288.37
Inventories (Note B):		
Raw materials	3,185,294.62	3,337,399.61
Stock in process	4,057,854.56	4,273,243.22
Cloth	16,723,821.46	23,049,230.38
Waste	98,791.67	182,357.16
	<u>24,065,762.31</u>	<u>30,842,230.37</u>
TOTAL CURRENT ASSETS	<u>35,157,209.24</u>	<u>41,015,280.39</u>
INVESTMENTS AND OTHER RECEIVABLES:		
Investments	518,793.00	518,793.00
Notes and other amounts receivable	122,938.91	158,369.24
	<u>641,731.91</u>	<u>677,162.24</u>
PROPERTIES, PLANTS AND EQUIPMENT (Note C):		
Properties comprising land, buildings, machinery, equipment and developed water power	39,421,102.14	38,955,952.87
Less accumulated depreciation and amortization	22,615,523.07	21,824,917.19
	<u>16,805,579.07</u>	<u>17,131,035.68</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Prepaid insurance, taxes and other assets	621,165.91	732,404.60
Supplies inventory, including fuel and returnable containers	433,433.50	402,548.88
	<u>1,054,599.41</u>	<u>1,134,953.48</u>
TOTALS	<u><u>\$53,659,119.63</u></u>	<u><u>\$59,958,431.79</u></u>

See accompanying notes



HATHAWAY INC.

Balance Sheets

— LIABILITIES AND STOCKHOLDERS' EQUITY —

	<u>September 30, 1957</u>	<u>September 30, 1956</u>
CURRENT LIABILITIES:		
Notes payable — bank	\$ 3,350,000.00	\$ 4,300,000.00
Accounts payable	3,836,392.42	2,184,993.38
Accrued wages and salaries	469,881.10	786,925.23
Accrued state and local taxes	664,056.53	640,261.47
Social security and withholding taxes payable	435,483.41	631,942.41
Provision for federal taxes on income	-0-	1,044,589.18
TOTAL CURRENT LIABILITIES	<u>8,755,813.46</u>	<u>9,588,711.67</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)	2,738,105.50	2,736,510.07
Earnings retained in the business (earned surplus)	<u>32,538,284.15</u>	<u>36,739,562.28</u>
Totals	46,749,209.65	50,948,892.35
 Less common stock in treasury at cost		
(188,595 shares — 1957; 48,450 shares — 1956)	1,845,903.48	579,172.23
	<u>44,903,306.17</u>	<u>50,369,720.12</u>
 TOTALS	<u>\$53,659,119.63</u>	<u>\$59,958,431.79</u>

BERKSHIRE**HATHAWAY INC.**

Condensed Consolidated Statement of Income

	YEARS ENDED	
	<u>September 30, 1957</u>	<u>September 30, 1956</u>
SALES (NET)	\$66,098,223.42	\$68,042,769.73
Cost of Goods Sold, Administrative and Selling Expenses (Depreciation — 1957 — \$1,971,157.43)	70,211,943.90	66,413,220.92
OPERATING PROFIT OR (LOSS)	<u>(4,113,720.48)</u>	<u>1,629,548.81</u>
Other Income	199,136.14	337,964.46
	<u>(3,914,584.34)</u>	<u>1,967,513.27</u>
Other Charges	213,169.50	177,965.26
NET INCOME OR (LOSS) BEFORE PROVISION FOR TAXES ON INCOME	<u>(4,127,753.84)</u>	<u>1,789,548.01</u>
*Provision for Taxes on Income	(869,718.72)	867,000.00
NET INCOME OR (LOSS)	<u><u>(\$3,258,035.12)</u></u>	<u><u>\$ 922,548.01</u></u>

*In the current year this amount represents recoverable federal taxes on income less the provision for taxes on income — subsidiary companies.

Statement of Earnings Retained in the Business

EARNINGS RETAINED IN THE BUSINESS AT BEGINNING OF YEAR	\$36,739,562.28	\$38,077,325.50
Net Income or (Loss) for the Year	(3,258,035.12)	922,548.01
Revenue Agent's Net Asset Adjustments for Fiscal Years 1951, 1952 and 1953	-0-	15,327.77
Prior Years' Provision for Federal Taxes on Income Not Required	164,620.49	-0-
	<u>33,646,147.65</u>	<u>39,015,201.28</u>
Dividends Paid	1,107,863.50	2,275,639.00
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u><u>\$32,538,284.15</u></u>	<u><u>\$36,739,562.28</u></u>

CERTIFICATE OF AUDITORS

We have examined the consolidated balance sheet of Berkshire Hathaway Inc. and its subsidiaries as of September 30, 1957 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, 1957 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.

Providence, R. I., October 24, 1957

COMERY, DAVISON & JACOBSON
Certified Public Accountants

BERKSHIRE



HATHAWAY INC.

*Notes to Consolidated Financial Statements
For the Year Ended September 30, 1957*

Basis of Consolidation — The consolidated financial statements include the accounts of all subsidiary companies, including a Canadian subsidiary. For the fiscal year ended September 30, 1956 the operating results of Bourne Mills are included only for the last quarter of that year.

Corporate Changes — During the current fiscal year Berkshire Fine Spinning Corporation, an inactive subsidiary of Berkshire Hathaway Inc., was liquidated into the parent company. In April 1957, operations were discontinued at the Swansea Print Works Division of Bourne Mills and the division was liquidated. During this year Berkshire Hathaway Inc. acquired the remaining outstanding stock of Bourne Mills thus eliminating the small minority interest.

Note A — Recoverable Federal Taxes on Income

The net loss for the current fiscal year has been reduced by \$872,118.72, representing federal income taxes refundable under the carryback provisions of the Internal Revenue Code. A portion of the current year's loss will be available as a carryforward against future operations and this amount will be determined at the conclusion of a review of the Berkshire Hathaway Inc. federal income tax returns for the fiscal years 1954, 1955 and 1956, which is presently being conducted by the Internal Revenue Service. Federal income tax returns of Bourne Mills have been examined through the fiscal year 1955.

Note B — 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 is priced at a standard established in 1933, which is substantially less than the current market. The material content of stock in process of the Hathaway Division is priced at the "lower of cost or market". Current standard costs are used in valuing labor and manufacturing burden in stock in process. Cloth is priced at the "lower of current cost or market". Waste is valued at a conservative market.

Bourne Mills — The cotton content of the inventory at Bourne Mills is priced on the basis of "last-in-first-out" except for goods purchased from Berkshire Hathaway Inc. and miscellaneous cloth which are stated at "lower of cost or market". Labor and manufacturing burden are valued at adjusted standard costs and the total inventory value is less than market. The inventories of its subsidiaries are priced at the "lower of cost or market".

Note C — Properties, Plants and Equipment

The properties, plants and equipment at September 30, 1957 and September 30, 1956 are stated at net book values of \$16,805,579.07 and \$17,131,035.68, respectively. The net values used for federal income tax purposes were \$18,760,789.25 and \$19,086,730.43, respectively. Depreciation has been charged to operations on the tax basis.

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 \$239,647.38, this being the estimated minimum payment permissible under the plans.

The company is contingently liable for retirement separation pay of certain employees who have reached the retirement age 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, 1957 the estimated liability under the contract was \$220,000.00.

Note E — Purchase Commitments

The company has outstanding plant improvements and material commitments amounting to \$4,556,000.00. The materials are at prices approximating market.

BERKSHIRE



HATHAWAY INC.

The Company had 11,832 stockholders on
September 30, 1957

DIRECTORS

MALCOLM G. CHACE, JR., *Chairman*

JONATHAN CHACE	IRWIN L. MOORE
LINSLEY V. DODGE	HENRY S. NEWCOMBE
BRADFORD R. FROST	WILLIAM A. O'HEARN
ARTHUR INGRAHAM, JR.	EDMUND RIGBY
W. R. L. MCBEE	OTIS C. STANTON
JOHN H. MCMAHON	SEABURY STANTON

A. N. WINSLOW, JR.

EXECUTIVE COMMITTEE

SEABURY STANTON, *Chairman*

MALCOLM G. CHACE, JR.	IRWIN L. MOORE
W. R. L. MCBEE	A. N. WINSLOW, JR.

OFFICERS

SEABURY STANTON, *President*

EDMUND RIGBY, *Vice President, Treasurer & Clerk*

Administrative

Sales

WILLIAM H. POTTER	<i>Vice President</i>	LINSLEY V. DODGE	<i>Vice President</i>
JOHN J. MCMAHON	<i>Vice President</i>	OTIS C. STANTON	<i>Vice President</i>
HENRY S. NEWCOMBE	<i>Vice President</i>	BERTRAND D. MANLEY	<i>Vice President</i>

JOHN K. STANTON, *Assistant Treasurer*

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 St., Los Angeles, Calif.
363 Adelaide St., West, Toronto, Canada

PLANT LOCATIONS

Berkshire Div., Adams, Mass.
Hathaway Div., New Bedford, Mass.
King Philip Div. A, Fall River, Mass.
King Philip Div. B, Fall River, Mass.
King Philip Div. E, Fall River, Mass.
Fort Dummer Div., Brattleboro, Vt.

King Philip Div. D, Warren, R. I.
Valley Falls Div., Albion, R. I.
Coventry Div., Anthony, R. I.
Bourne Mills, Tiverton, R. I.
Curtain Factory, Warren, R. I.
Finishing Plant, Lonsdale, R. I.

LABORATORIES

New Bedford, Mass.

Lonsdale, R. I.


TRANSFER AGENTS

OLD COLONY TRUST CO.
45 Milk Street
Boston, Mass.

THE CHASE MANHATTAN BANK
18 Pine Street
New York, New York

AUDITORS

COMERY, DAVISON & JACOBSON
Providence, R. I.

BERKSHIRE  **HATHAWAY INC.**