

BERKSHIRE  **HATHAWAY** INC.

Annual Report

to the

Stockholders

1958

BERKSHIRE



HATHAWAY INC.

Annual Report

For the Year Ended September 27, 1958

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.

Our industry continued to suffer from a severe depression throughout the fiscal year ended September 27, 1958, and our operations showed a substantial loss due to the resulting low prices obtainable for textile fabrics and the costs of the necessary reorganization of the company's plants and manufacturing facilities.

During the past few weeks, however, the demand for textiles has strengthened and the situation has improved, so that it now appears that the difficulties which have beset your company during the last two years have been largely overcome.

GENERAL Early in 1957 it became increasingly obvious that textiles were entering a period of serious depression, and it was decided that your company could no longer operate many of its high-cost plants and merchandise their production at a profit.

The directors decided that it would be to the ultimate best interests of the stockholders to permanently close and liquidate the highest cost plants with their obsolete machinery, and to modernize and consolidate the remainder, reducing the total over-all operations to a volume which could be merchandised at a profit after the recession had run its course. It was recognized that this program would result in a reduction in working capital and in substantial operating losses during the time required for its completion, but it was anticipated that the receipts from the liquidation of the plants not needed would partially offset the reduction in working capital. This expectation is being realized.

During the past eighteen months, the executive and administrative personnel and the company's operating policies have been reorganized in addition to the changes in the plants and manufacturing facilities. As a result of this complete revision of all of the facilities of the company, operating and administrative costs have been very substantially reduced and your company is now beginning to benefit from the results of this program. Each of the remaining eight operating units, including the Finishing Plant, will be expected to justify its continuance by operating at a profit.

FINANCIAL The net loss for the year before special items was \$4,585,696, after depreciation of \$1,941,476, and included unabsorbed burden due to curtailed operations, inventory markdowns caused by falling market prices during the year, and the additional costs resulting from the consolidation and modernization program. The additional loss of \$389,763 listed in the operating statement under Special Items includes a profit of \$521,243 from the sale of properties and equipment, idle plant expense of \$420,194, loss from sale of investments of \$90,811, and a reserve of \$400,000 established for future losses which it is estimated will occur in the disposal of the land, buildings and machinery still to be sold.

Sales were \$61,956,404 this year, compared with sales of \$66,098,223 for the fiscal year ended September 28, 1957.

WORKING CAPITAL AND NET WORTH The financial position of the company continues to be strong as of the end of the fiscal year, with net working capital of \$23,967,827 and net worth of \$39,927,846, indicating a value substantially above the present market price of the stock.

PLANTS AND EQUIPMENT During the fiscal year ended September 27, 1958, expenditures capitalized in connection with improvements in machinery and plant facilities amounted to \$1,279,847. Receipts from the sale of machinery, land and buildings were \$1,106,585.

From January 1, 1957 to the end of our fiscal year, September 27, 1958, the following plants have been permanently closed and have either been sold or are in the process of liquidation: Greylock Division in North Adams, Massachusetts; Berkshire Division in Adams, Massachusetts; Holyoke Division in Holyoke, Massachusetts; Fort Dummer Division in Brattleboro, Vermont; and the Curtain Factory, Repair Division and Warehouse Buildings in Warren, Rhode Island.

The market for second-hand textile machinery and buildings has been overloaded for the past several years, owing to the large number of mill liquidations which have taken place in all sections of the country, and it has been extremely difficult to find customers for our machinery and properties.

Despite these conditions, however, the land, buildings and a large part of the machinery at the Greylock, Fort Dummer and Holyoke Divisions have been sold, together with a considerable number of houses and other land and buildings not needed in the operation of the company. The land, buildings and machinery of the Berkshire Division at Adams and the machinery at Plant B in Fall River, Massachusetts have been offered for sale.

EMPLOYEE RELATIONS The installation of new machinery has provided an opportunity for the introduction of new processes and operating techniques. With the cooperation of our employees and their union representatives, operating efficiencies have been tremendously improved, and substantial reductions in unit costs have been accomplished.

It is our expectation that our employees will continue to work with us in maintaining our present competitive position in relation to other mills in the industry, and that our labor relations will remain on the mutually cooperative basis so necessary to the future success of the company.

PRESENT OPERATIONS On January 1, 1957, the company had 874,332 spindles and 19,214 looms in place in a total of fourteen plants in New England. We now have 480,980 spindles and 12,610 looms, located in three plants in Massachusetts and four plants in Rhode Island, and also own a finishing plant in Lonsdale, Rhode Island. All of these spindles and looms are now scheduled to operate five days, three shifts per week, and training programs are now in effect in areas where labor shortages exist.

MERCHANDISING As a result of this decrease in capacity we expect to be able to merchandise our present production profitably without the periodical increases in inventory which have been so costly to the company and which have had a depressing impact on the market at times in the past. This will be a basic part of our merchandising policy in the future. If necessary, changes will be made in our merchandising techniques or in our operating facilities in order that sales and production may be brought into balance.

FUTURE PROSPECTS The disposal of obsolete machinery and the permanent closing of the company's higher cost mills, coupled with the modernization of the remaining plants and the resulting increase in efficiency and productivity, have reduced our operating costs so that we are now in a competitive position.

Our cloth inventories are lower than they have been for a number of years, and most of the fabrics on which we are now operating are sold well ahead. The demand for cotton and synthetic textile fabrics has increased recently, and prices are beginning to strengthen.

We believe, therefore, that we will be able to maintain full-time present production of our looms and resume profitable manufacturing operations during the coming year.

MALCOLM G. CHACE, JR.
Chairman of the Board

November 19, 1958

SEABURY STANTON
President

BERKSHIRE



HATHAWAY INC.

FISCAL YEARS →	1958	1957	1956	1955
Sales	\$61,956,405	\$66,098,223	\$68,042,770	\$65,498,284
Net earnings (loss)	(4,975,460)	(3,258,035)	922,548	300,722
Earnings (loss) per share of common stock	(2.36)	(1.55)	.41	.13
Cash dividends paid per share of common stock	None	.50	1.00	1.00
Net expenditures for plant assets	173,262	1,622,760	1,334,158	1,201,470
Working capital	23,967,827	26,401,396	31,426,569	33,022,161
Total stockholders' equity	39,927,846	44,903,306	50,369,720	51,399,756
Common shares outstanding	2,105,969	2,105,969	2,246,114	2,294,564

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

1954	1953	1952	1951	1950	1949
\$66,929,036	\$86,414,388	\$68,293,319	\$91,848,891	\$89,624,653	\$73,358,261
660,335	2,921,084	99,110	6,175,106	7,008,172	5,031,141
.29	1.25	.04	2.63	2.98	2.14
1.00	1.09	1.25	1.71	1.42	2.24
1,161,742	3,694,344	2,625,001	2,759,792	3,040,214	2,981,092
34,326,925	35,445,474	37,565,010	41,084,781	40,510,238	38,597,705
53,354,318	55,153,170	54,990,361	57,523,574	55,358,568	51,670,472
2,295,204	2,332,564	2,348,629	2,348,629	2,348,629	2,348,629



— ASSETS —

	<u>September</u> <u>27, 1958</u>	<u>September</u> <u>28, 1957</u>
CURRENT ASSETS:		
Cash	\$ 2,472,525.38	\$ 2,002,657.32
Accounts receivable (less allowance for doubtful accounts— 1958—\$353,644.31)	7,184,447.90	8,050,844.28
Recoverable federal taxes on income	-0-	872,118.72
Marketable securities	-0-	165,826.61
Inventories (Note A):		
Raw materials	4,159,314.15	3,185,294.62
Stock in process	3,593,439.59	4,057,854.56
Cloth	14,457,986.94	16,723,821.46
Waste	200,256.65	98,791.67
	<u>22,410,997.33</u>	<u>24,065,762.31</u>
TOTAL CURRENT ASSETS	<u>32,067,970.61</u>	<u>35,157,209.24</u>
INVESTMENTS AND OTHER RECEIVABLES:		
Investments	115,000.00	518,793.00
Notes and other amounts receivable	144,504.07	122,938.91
	<u>259,504.07</u>	<u>641,731.91</u>
PROPERTIES, PLANTS AND EQUIPMENT (Note B):		
Properties comprising land, buildings, machinery and equipment	38,500,198.69	39,421,102.14
Less accumulated depreciation and amortization	23,079,412.05	22,615,523.07
	<u>15,420,786.64</u>	<u>16,805,579.07</u>
Less estimated loss on properties to be sold	400,000.00	-0-
	<u>15,020,786.64</u>	<u>16,805,579.07</u>
DEFERRED CHARGES AND OTHER ASSETS:		
Prepaid insurance, taxes and other assets	452,677.47	621,165.91
Mill supplies inventory, fuel, etc.	227,050.83	433,433.50
	<u>679,728.30</u>	<u>1,054,599.41</u>
TOTAL ASSETS	<u>\$48,027,989.62</u>	<u>\$53,659,119.63</u>

See accompanying notes



HATHAWAY INC.

Balance Sheet

— LIABILITIES AND STOCKHOLDERS' EQUITY —

	<u>September 27, 1958</u>	<u>September 28, 1957</u>
CURRENT LIABILITIES:		
Notes payable—bank	\$ 4,500,000.00	\$ 3,350,000.00
Accounts payable	2,266,842.51	3,836,392.42
Accrued wages and salaries	483,298.75	469,881.10
Accrued state and local taxes	382,391.74	664,056.53
Social security and withholding taxes payable	467,610.34	435,483.41
TOTAL CURRENT LIABILITIES	<u>8,100,143.34</u>	<u>8,755,813.46</u>
 STOCKHOLDERS' EQUITY:		
Common stock (\$5 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	2,738,105.50
Earnings retained in the business (earned surplus)	27,562,824.26	32,538,284.15
	<u>41,773,749.76</u>	<u>46,749,209.65</u>
Less 188,595 shares common stock in treasury at cost	1,845,903.48	1,845,903.48
	<u>39,927,846.28</u>	<u>44,903,306.17</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u><u>\$48,027,989.62</u></u>	 <u><u>\$53,659,119.63</u></u>

BERKSHIRE



HATHAWAY INC.

Condensed Consolidated Statement of Income

	<i>Years Ended</i>	
	<u>September 27, 1958</u>	<u>September 28, 1957</u>
SALES	\$61,956,404.79	\$66,098,223.42
Cost of goods sold, administrative and selling expenses	64,408,878.76	67,989,113.61
Depreciation	1,941,476.64	1,928,113.67
	<u>66,350,355.40</u>	<u>69,917,227.28</u>
OPERATING LOSS	(4,393,950.61)	(3,819,003.86)
Other income	190,764.19	182,451.73
	<u>(4,203,186.42)</u>	<u>(3,636,552.13)</u>
Other charges	382,510.29	260,255.04
NET LOSS BEFORE THE FOLLOWING	<u>(4,585,696.71)</u>	<u>(3,896,807.17)</u>
<i>Special Items</i>		
Gain from sale of properties and equipment	521,243.19	16,684.41
Reserved for loss on properties and equipment to be sold	(400,000.00)	-0-
Idle plant expense (includes depreciation— 1958—\$137,821.21)	(420,194.62)	(247,631.08)
Loss from sale of investments	(90,811.75)	-0-
Recoverable federal taxes on income	-0-	869,718.72
	<u>(389,763.18)</u>	<u>638,772.05</u>
NET LOSS AND SPECIAL ITEMS	<u>(\$4,975,459.89)</u>	<u>(\$3,258,035.12)</u>

Statement of Earnings Retained in the Business

EARNINGS RETAINED IN THE BUSINESS AT BEGINNING OF YEAR	\$32,538,284.15	\$36,739,562.28
Net loss and special items for the year	(4,975,459.89)	(3,258,035.12)
Prior years' provision for federal taxes on income		
not required	-0-	164,620.49
Dividends paid	-0-	(1,107,863.50)
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u>\$27,562,824.26</u>	<u>\$32,538,284.15</u>

See accompanying notes to financial statements

CERTIFICATE OF AUDITORS

We have examined the consolidated balance sheet of Berkshire Hathaway Inc. and its subsidiaries as of September 27, 1958 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 present fairly the company's consolidated financial position at September 27, 1958 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 31, 1958

BERKSHIRE



HATHAWAY INC.

*Notes to Consolidated Financial Statements
For the Year Ended September 27, 1958*

Basis of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies, including a Canadian subsidiary.

Corporate Changes

During the fiscal year, Warren Textile & Machinery Supply Co. was liquidated into the parent company.

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 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 cost or market. All costs were determined generally on an average basis. Waste is valued at market.

Bourne Mills (a wholly owned subsidiary): 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 the lower of cost or market. Labor and manufacturing burden are valued at 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 on a first-in, first-out basis.

Note B — Properties, Plants and Equipment

The properties, plants and equipment at September 27, 1958 and September 28, 1957 are stated at net book values of \$15,020,786.64 and \$16,805,579.07, respectively. The net values used for federal income tax purposes were \$17,375,512.25 and \$18,760,789.25, respectively. Depreciation has been charged to operations on the tax basis.

Note C — Taxes on Income

Tentative agreement has been reached with the Treasury Department on review of Berkshire Hathaway Inc. federal income tax returns for fiscal years 1954 through 1957. A net refund of taxes on income of approximately \$45,000 resulting from this review has not been recorded in the accounts.

Federal income tax returns of Bourne Mills have been examined through 1955.

Substantial loss carry-forwards are available to apply against federal taxes on income for future years.

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 \$86,992.15, 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 fifteen 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 27, 1958 the estimated liability under the contract was \$143,000.

Note E — Purchase Commitments

The company has outstanding raw material commitments amounting to \$3,770,000 at prices approximating market. Plant improvement commitments are approximately \$100,000.

BERKSHIRE



HATHAWAY INC.

The Company had 10,433 stockholders on
September 27, 1958

DIRECTORS

MALCOLM G. CHACE, JR., *Chairman*

JONATHAN CHACE

JOHN H. McMAHON

LINSLEY V. DODGE

WILLIAM A. O'HEARN

BRADFORD R. FROST

EDMUND RIGBY

ARTHUR INGRAHAM, JR.

OTIS C. STANTON

W. R. L. McBEE

SEABURY STANTON

A. N. WINSLOW, JR.

EXECUTIVE COMMITTEE

SEABURY STANTON, *Chairman*

MALCOLM G. CHACE, JR.

W. R. L. McBEE

A. N. WINSLOW, JR.

OFFICERS

SEABURY STANTON, *President*

EDMUND RIGBY, *Vice President, Treasurer & Clerk*

Administrative

WILLIAM H. POTTER *Vice President*

JOHN J. McMAHON *Vice President*

JOHN K. STANTON, *Assistant Treasurer*

Sales

LINSLEY V. DODGE *Vice President*

OTIS C. STANTON *Vice President*

BERTRAND D. MANLEY *Vice President*

BERKSHIRE



HATHAWAY INC.

EXECUTIVE OFFICES

704 Hospital Trust Building, Providence, R. I.

SALES OFFICES

1430 Broadway, New York, N. Y.

3028 East 11th Street, Los Angeles, Calif.

363 Adelaide St., West, Toronto, Canada

PLANT LOCATIONS

Hathaway Div., New Bedford, Mass.

King Philip Div. D, Warren, R. I.

King Philip Div. A, Fall River, Mass.

Valley Falls Div., Albion, R. I.

King Philip Div. E, Fall River, Mass.

Coventry Div., Anthony, R. I.

King Philip Div. B, Fall River, Mass.

Bourne Mills, Tiverton, R. I.

(Warehouse)

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.**