

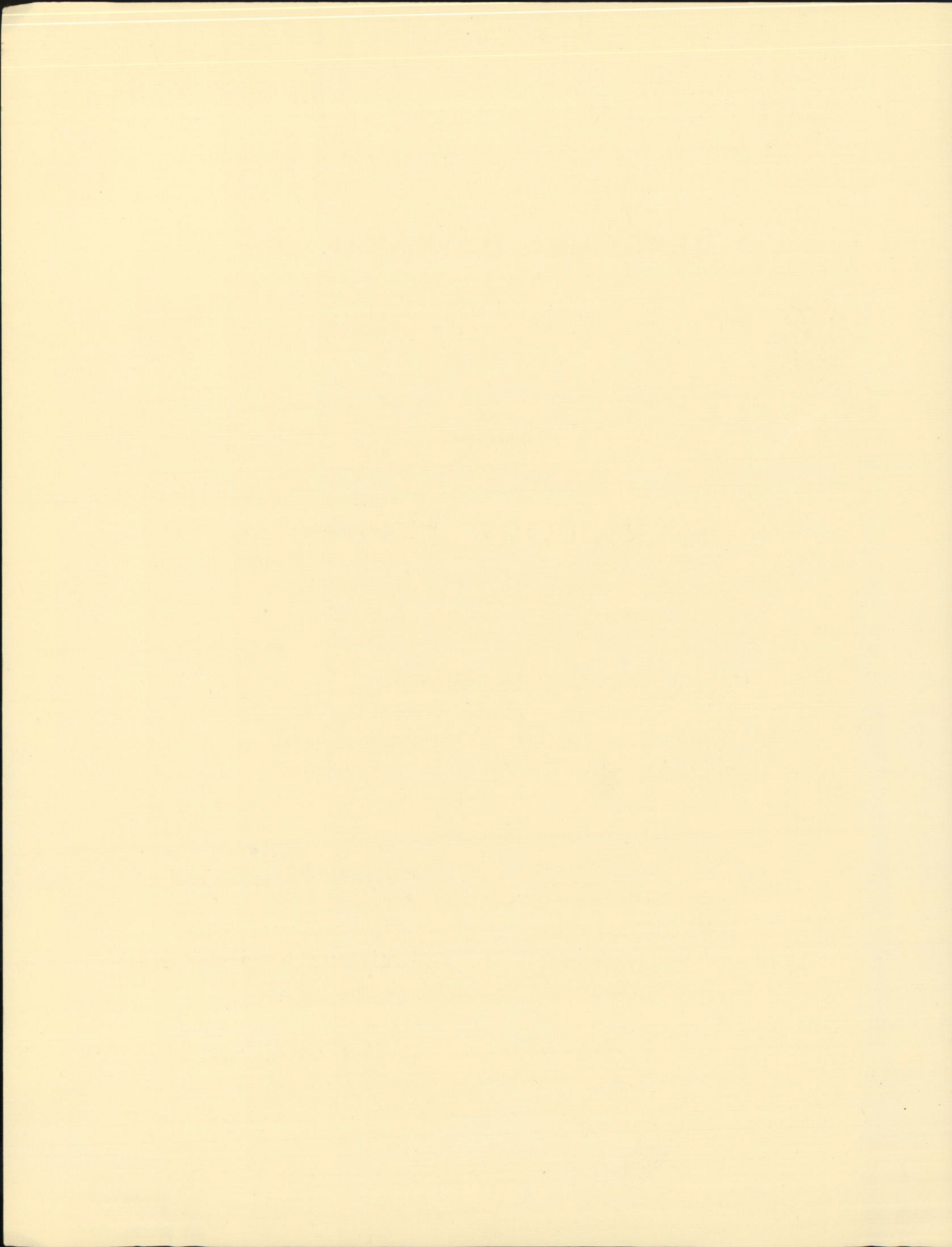


BERKSHIRE HATHAWAY INC.

Annual Report

TO THE STOCKHOLDERS

1959



BERKSHIRE HATHAWAY INC.

The Company had 10,147 stockholders on
October 3, 1959

DIRECTORS

MALCOLM G. CHACE, JR., *Chairman*

JONATHAN CHACE	WILLIAM A. O'HEARN
LINSLEY V. DODGE	EDMUND RIGBY
BRADFORD R. FROST	OTIS C. STANTON
ARTHUR INGRAHAM, JR.	SEABURY STANTON
W. R. L. MCBEE	A. N. WINSLOW, JR.

EXECUTIVE COMMITTEE

SEABURY STANTON, *Chairman*

MALCOLM G. CHACE, JR.	W. R. L. MCBEE
BRADFORD R. FROST	A. N. WINSLOW, JR.

OFFICERS

SEABURY STANTON, *President*

EDMUND RIGBY, *Executive Vice President, Treasurer & Clerk*

WILLIAM H. POTTER, <i>Vice President</i>	LINSLEY V. DODGE, <i>Vice President</i>
JOHN K. STANTON, <i>Vice President</i>	OTIS C. STANTON, <i>Vice President</i>
BERTRAND D. MANLEY, <i>Vice President</i>	

FINANCIAL HIGHLIGHTS

For Fiscal Years 1959 and 1958

	<i>October 3, 1959</i>	<i>September 27, 1958</i>
Sales	\$69,511,791.94	\$61,956,404.79
Earnings and Special Items	1,322,098.77	(4,975,459.89) Loss
Depreciation	1,636,769.45	1,941,476.64
Plant Asset Purchases	1,125,253.00	1,279,848.00
Cash	\$1,986,623.13	\$2,472,525.38
Accounts Receivable (Net)	7,069,596.81	7,184,447.90
U. S. Government Securities	4,464,203.89	—0—
Notes Payable	—0—	4,500,000.00
Inventories	15,655,024.79	22,638,048.16
Working Capital	25,858,987.00	24,647,555.00
Working Capital Per Share	13.35	11.70
Stockholders' Equity	38,911,549.00	39,927,846.00
Stockholders' Equity Per Share	20.10	18.96
Payroll	\$21,073,712.00	\$22,165,899.00

BERKSHIRE HATHAWAY INC.

A N N U A L R E P O R T

For the Year Ended October 3, 1959

November 16, 1959

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.:

The year 1959 was one of significant progress for this Company. Our consolidation and modernization program, which was started in the spring of 1957, was completed in the early part of this year, and resulted in very substantially lower operating costs.

During the year, the market for textile fabrics improved gradually and the higher prices obtained for our products, together with our greatly reduced costs, enabled us to operate at a profit of \$1,322,099 for the fiscal year just ended, as compared to a loss of \$4,975,460 in fiscal year ended September 27, 1958.

Further information with regard to sales, earnings, dividends, finances, operations, and other matters will be found elsewhere in this report.

The general economic recovery in the country, which has resulted in a substantial improvement in the textile industry this year, has come at a time when inventories are comparatively low in all branches of the industry, from the original manufacturer of the fabrics through the retailer to the consumer. Our Company is in an excellent position to take advantage of this improved situation, as practically all of our old inventory has been liquidated.

The industry is still seriously handicapped by the Government's continuing policy of encouraging the building of textile mills abroad and the importation of low cost foreign fabrics at prices which United States producers are unable to meet. Other industries are also beginning to feel the impact of foreign competition, and the pressure on our Government for protection from products manufactured in foreign countries at wages far lower than ours is increasing.

At the present time, the production of textiles more nearly balances the demand than it has for many years, and there appears to be a greater tendency on the part of the mills to control individual production by types of fabrics and to operate against forward orders only.

In spite of the present market improvement, competition throughout the industry will continue to be keen. It will, therefore, be our policy to take full advantage of all technological improvements by the installation of new and more efficient machinery as it is developed both now and in the future.

Our present unfilled order position is substantial, and conditions indicate that our earnings for fiscal year 1960 will show a continuing improvement in comparison with those of fiscal year 1959.

MALCOLM G. CHACE, JR.
Chairman of the Board

SEABURY STANTON
President

REVIEW OF

EARNINGS AND SALES

Earnings during the last six months of fiscal year ended October 3, 1959, were \$1,417,963, following a loss of \$95,864 during the first six months. This resulted in a net profit for the year, after special items, of \$1,322,099. As we have a substantial loss carry-forward, no Federal Income taxes are payable against these earnings.

Sales volume for the year ended October 3, 1959, was \$69,511,792, an increase of 12% over the \$61,956,405 sales volume for year ended September 27, 1958.

DIVIDENDS

A total of \$464,287 was paid in dividends during the fiscal year as follows:

June 1, 1959	10¢ per share
September 1, 1959	12½¢ per share

The Directors, at the meeting held November 5, 1959, declared a further dividend of 20¢ per share payable December 1, 1959, to stockholders of record November 12, 1959.

FINANCIAL DEVELOPMENTS

The financial position of the Company continued to improve during the year just ended. Net working capital October 3, 1959, was \$25,858,987, compared with a total of \$24,647,555 as of the year ended September 27, 1958.

On September 27, 1958, we had \$4,500,000 outstanding in bank loans. These were paid off early in the year, and at the end of the fiscal year 1959, we had United States Government securities totaling \$4,464,204, and no bank loans.

During the year ended October 3, 1959, the Company purchased 169,648 shares of Berkshire Hathaway Inc. stock, including 91,617 shares purchased as a result of the offer submitted to stockholders by management in August of 1959. These, together with shares purchased in prior years, make a total of 358,243 shares of treasury stock held by the Company. The outstanding shares as of October 3, 1959, were 1,936,321.

At the beginning of the year, Bourne Mills, a wholly-owned subsidiary, was merged with the parent company and is now operated as a division. The material content of inventories had been valued by Bourne Mills on a "last in-first out" (Lifo) basis. This was changed to a lower of cost or market basis with a resulting increase, as of the beginning of the present fiscal year, of \$502,922 in value of inventories. This is shown in the special items section of the condensed consolidated statement of income.

O P E R A T I O N S

PLANTS AND EQUIPMENT

During the fiscal year ended October 3, 1959, expenditures capitalized in connection with improvements in machinery and plant facilities amounted to \$1,125,253. We received from the sale of land, buildings, and machinery \$1,198,758.

Our King Philip Finishing Plant continued to operate at a loss during the first six months of the year. As a result, the Directors voted to discontinue this operation. The plant was shut down in May of 1959 and land, buildings, and machinery were sold.

There has been comparatively little demand for second hand textile machinery during the past year, and we have, therefore, been unable to sell any substantial quantity of that which remains in our possession after the closing of our former plant at Adams, Massachusetts.

We are, however, in the process of rebuilding some portion of this machinery for use in certain of our other mills.

EMPLOYEE RELATIONS

Wage increases were granted throughout the textile industry during February and March, and went into effect in our own plants on April 20, 1959. Under the terms of our contracts with the Unions representing our employees, wages can be reopened upon the request of either party sixty days prior to April 15, 1960.

We have received excellent cooperation from our employees during the current year and look forward to a continuation of this mutually satisfactory relationship.

OPERATIONS

The Company now has about 6,000 employees with an annual payroll of approximately \$21,000,000. We have a total of seven plants, with four located in Rhode Island and three in Massachusetts. Operations for the past year have been on a full three-shift basis, and it is anticipated that they will continue at the present rate during the coming year.

MERCHANDISING TRENDS

We discontinued certain of our finished goods lines during the year and, as a result, our grey goods sales have increased. We expect to continue this merchandising policy and are changing our New York sales organization and offices accordingly.

BERKSHIRE

CONSOLIDATED

ASSETS

	<i>October</i> 3, 1959	<i>September</i> 27, 1958
CURRENT ASSETS:		
Cash	\$ 1,986,623.13	\$ 2,472,525.38
Accounts receivable (less allowance for doubtful accounts — 1959 — \$336,838.46)	7,069,596.81	7,184,447.90
U. S. Government securities (at cost which approximates market)	4,464,203.89	—0—
Inventories (Note A):		
Raw materials	4,296,818.01	3,937,484.18
Stock in process	3,798,554.54	3,593,439.59
Cloth	7,101,085.02	14,457,986.94
Waste	176,495.10	200,256.65
Supplies	282,072.12	448,880.80
	<u>15,655,024.79</u>	<u>22,638,048.16</u>
Prepaid insurance, taxes and other expense	432,961.76	452,677.47
TOTAL CURRENT ASSETS	<u>29,608,410.38</u>	<u>32,747,698.91</u>
INVESTMENTS AND OTHER RECEIVABLES:		
Investments	—0—	105,000.00
Mortgage notes receivable and other assets	210,573.17	154,504.07
	<u>210,573.17</u>	<u>259,504.07</u>
PROPERTIES, PLANTS AND EQUIPMENT (Note B):		
Properties comprising land, buildings, machinery and equipment	35,574,359.61	38,500,198.69
Less accumulated depreciation and amortization	22,378,762.15	23,079,412.05
	13,195,597.46	15,420,786.64
Less estimated loss on properties to be sold	353,608.77	400,000.00
	<u>12,841,988.69</u>	<u>15,020,786.64</u>
TOTAL ASSETS	<u>\$42,660,972.24</u>	<u>\$48,027,989.62</u>

See accompanying notes

HATHAWAY INC.

BALANCE SHEET

— LIABILITIES AND STOCKHOLDERS' EQUITY —

	<i>October</i> 3, 1959	<i>September</i> 27, 1958
CURRENT LIABILITIES:		
Notes payable — bank	\$ -0-	\$ 4,500,000.00
Accounts payable	2,424,171.46	2,266,842.51
Accrued wages and salaries	512,875.29	483,298.75
Accrued state and local taxes	205,074.60	382,391.74
Social security and withholding taxes payable	607,302.25	467,610.34
TOTAL CURRENT LIABILITIES	<u>3,749,423.60</u>	<u>8,100,143.34</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)	28,420,636.42	27,562,824.26
	<u>42,631,561.92</u>	<u>41,773,749.76</u>
Less common stock in treasury at cost (1959 — 358,243 shares; 1958 — 188,595 shares)	3,720,013.28	1,845,903.48
	<u>38,911,548.64</u>	<u>39,927,846.28</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$42,660,972.24</u>	<u>\$48,027,989.62</u>

to financial statements.

BERKSHIRE HATHAWAY INC.

Condensed Consolidated Statement of Income

	<i>Years Ended</i>	
	<i>October 3, 1959</i>	<i>September 27, 1958</i>
SALES	\$69,511,791.94	\$61,956,404.79
Cost of goods sold, administrative and selling expenses	66,368,829.30	64,408,878.76
Depreciation	1,636,769.45	1,941,476.64
	<u>68,005,598.75</u>	<u>66,350,355.40</u>
OPERATING PROFIT OR (LOSS)	1,506,193.19	(4,393,950.61)
Other income	223,118.60	190,764.19
	<u>1,729,311.79</u>	<u>(4,203,186.42)</u>
Other charges	213,372.26	382,510.29
NET INCOME OR (LOSS) BEFORE THE FOLLOWING	<u>1,515,939.53</u>	<u>(4,585,696.71)</u>
<i>Special Items</i>		
Gain from change in method of inventory valuation (<i>Note A</i>)	502,922.48	-0-
Gain or (loss) from sale of properties and equipment	(431,603.30)	521,243.19
Reserved for loss on properties and equipment to be sold	-0-	(400,000.00)
Idle plant expense (includes depreciation — 1959 — \$36,918.54)	(259,795.52)	(420,194.62)
Loss from sale of investments	(5,364.42)	(90,811.75)
	<u>(193,840.76)</u>	<u>(389,763.18)</u>
NET INCOME OR (LOSS) AND SPECIAL ITEMS	<u>\$ 1,322,098.77</u>	<u>(\$ 4,975,459.89)</u>

Statement of Earnings Retained in the Business

EARNINGS RETAINED IN THE BUSINESS AT BEGINNING OF YEAR	\$27,562,824.26	\$32,538,284.15
Net income or (loss) and special items for the year	1,322,098.77	(4,975,459.89)
Dividends paid	(464,286.61)	-0-
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u>\$28,420,636.42</u>	<u>\$27,562,824.26</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 October 3, 1959 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 October 3, 1959 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles applied, except for the change in method of valuation of a portion of inventory described in Note A and the change in method of recording depreciation described in Note B, with which changes we concur, on a basis consistent with that of the preceding year.

COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 30, 1959

BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements for the Year Ended October 3, 1959

Basis of Consolidation

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

Corporate Changes

During the fiscal year, Bourne Mills was liquidated into the parent company.

Note A — Inventories

The financial statements for the year ended October 3, 1959 reflect a change as of the beginning of the fiscal year in the method of valuation of the cotton content of Bourne Mills' inventories to lower of cost or market. Prior to September 28, 1958, these inventories had been determined by the "last-in, first-out" (LIFO) method of valuation.

This change in accounting practice had the effect of increasing the amount at which inventories are stated at September 27, 1958, by \$502,922.48. This increase is shown under the special items section of the condensed consolidated statement of income.

Raw materials, including materials in process, are priced at the lower of cost or market, except for the cotton content of stock in process of Berkshire Divisions which is priced at a standard established in 1933, which is substantially less than the current 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.

The inventories of 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 October 3, 1959 and September 27, 1958 are stated at net book values of \$12,841,988.69 and \$15,020,786.64, respectively. The net values used for federal income tax purposes were \$15,040,211.84 and \$17,375,512.25, respectively. Prior years' depreciation has been charged to operations on the tax basis. These financial statements record depreciation charged to operations on the book basis. This change had the effect of reducing the depreciation charge by \$109,626.66 for the fiscal year ended October 3, 1959.

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. An estimated net refund of federal taxes on income of approximately \$72,000.00 resulting from this review has not been recorded in the accounts.

Since the company has a large operating loss carry-forward, no federal income tax provision against the current year's earnings is necessary and a substantial loss carry-forward is available for future years.

Note D — Pension Plans and Retirement Separation Benefits

The company made contributions to the trustees for the pension plans based upon payment of normal costs plus amortizing the deficiency for past services.

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 October 3, 1959 the estimated liability under the contract was \$122,000.00.

Note E — Purchase Commitments

At the close of the fiscal year the company had outstanding raw material commitments at prices not in excess of market. Plant improvement commitments were approximately \$1,700,000.00.

BERKSHIRE

C O M P A R A T I V E

FISCAL YEARS \longrightarrow	1959	1958	1957	1956
Sales	\$69,511,792	\$61,956,405	\$66,098,223	\$68,042,770
Net earnings (loss)	1,322,099	(4,975,460)	(3,258,035)	922,548
Earnings (loss) per share of common stock68	(2.36)	(1.55)	.41
Cash dividends paid per share of common stock22$\frac{1}{2}$	None	.50	1.00
Purchases of plant assets (Note A)	1,125,253	1,279,848	1,622,760	1,334,158
Working capital (Note B)	25,858,987	24,647,555	27,429,021	32,536,230
Total stockholders' equity	38,911,549	39,927,846	44,903,306	50,369,720
Common shares outstanding (Note C)	1,936,321	2,105,969	2,105,969	2,246,114

NOTES: (A) Purchases of plant assets are stated net of plant asset sales for years prior to 1958.

(B) Prior years have been changed to conform with current classification of working capital.

HATHAWAY INC.

FINANCIAL DATA

1955	1954	1953	1952	1951	1950
\$65,498,284	\$66,929,036	\$86,414,388	\$68,293,319	\$91,848,891	\$89,624,653
300,722	660,335	2,921,084	99,110	6,175,106	7,008,172
.13	.29	1.25	.04	2.63	2.98
1.00	1.00	1.09	1.25	1.71	1.42
1,201,470	1,161,742	3,694,344	2,625,001	2,759,792	3,040,214
34,048,780	35,398,966	36,467,403	38,451,989	42,157,314	41,347,558
51,399,756	53,354,318	55,153,170	54,990,361	57,523,574	55,358,568
2,294,564	2,295,204	2,332,564	2,348,629	2,348,629	2,348,629

(C) "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 include those of the Hathaway Manufacturing Company.

BERKSHIRE HATHAWAY INC.

EXECUTIVE OFFICES

97 Cove Street, New Bedford, Mass.

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.

Warehouse, Fall River, Mass.

Bourne Mills Div., Tiverton, R. I.

LABORATORY

New Bedford, Mass.

TRANSFER AGENT

OLD COLONY TRUST Co.

45 Milk Street

Boston, Mass.

REGISTRAR

THE FIRST NATIONAL BANK OF BOSTON

45 Milk Street

Boston, Mass.

AUDITORS

COMERY, DAVISON & JACOBSON

Providence, R. I.

BERKSHIRE HATHAWAY INC.