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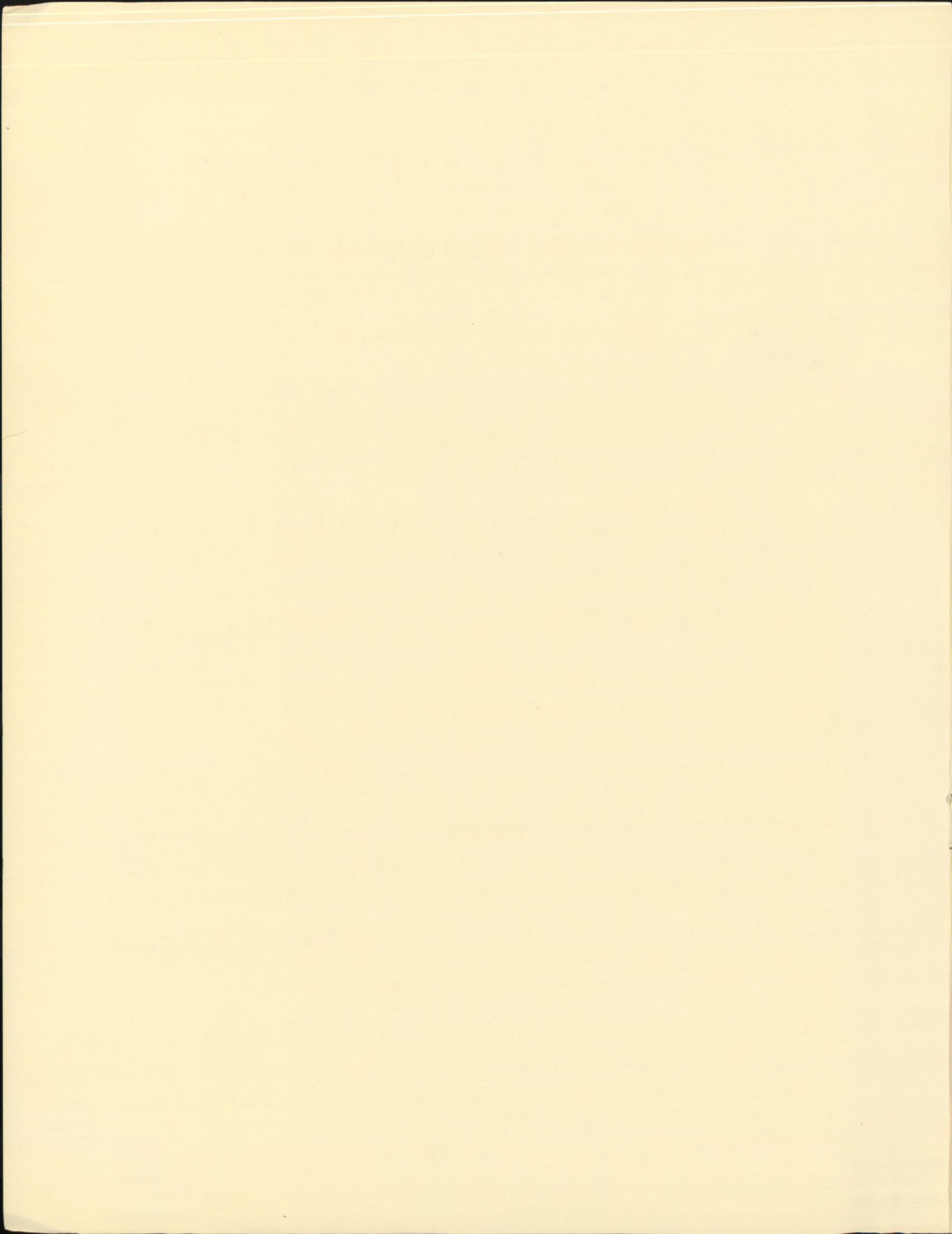


BERKSHIRE HATHAWAY INC.

Annual Report

TO THE STOCKHOLDERS

1960



BERKSHIRE HATHAWAY INC.

The Company had 8,845 stockholders on
October 1, 1960

DIRECTORS

MALCOLM G. CHACE, JR., *Chairman*

ABRAM BERKOWITZ

W. R. L. MCBEE

JONATHAN CHACE

EDMUND RIGBY

LINSLEY V. DODGE

OTIS C. STANTON

BRADFORD R. FROST

SEABURY STANTON

ARTHUR INGRAHAM, JR.

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, *Vice President*

LINSLEY V. DODGE, *Vice President*

JOHN K. STANTON, *Vice President*

BERTRAND D. MANLEY, *Vice President*

STANLEY RUBIN, *Vice President*

FINANCIAL HIGHLIGHTS

For Fiscal Years 1960 and 1959

	<u>October 1, 1960</u>	<u>October 3, 1959</u>
Sales	\$62,608,679	\$69,511,792
Earnings and Special Items	4,623,980	1,322,099
Earnings Per Share	2.84	.68
Depreciation	1,713,004	1,636,770
Purchases of Properties and Equipment	3,818,632	1,125,253
<hr/>		
Cash	\$ 1,535,261	\$ 1,986,623
U. S. Government Securities	3,248,184	4,464,204
Accounts Receivable (Net)	7,644,809	7,069,597
Inventories	14,919,764	15,655,025
Working Capital	23,430,319	25,858,987
Working Capital Per Share	14.41	13.35
Stockholders' Equity	37,981,820	38,911,549
Stockholders' Equity Per Share	23.37	20.10
Payroll	\$21,063,195	\$21,073,712

BERKSHIRE HATHAWAY INC.

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

For the Year Ended October 1, 1960

November 23, 1960

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.:

Net earnings in the year ended October 1, 1960 were the highest in recent years, and total \$4,623,980 compared with \$1,322,099 for the fiscal year ended October 3, 1959. On the basis of the 1,625,519 shares currently outstanding, earnings were \$2.84 per share, compared with \$.68 per share on 1,936,321 shares in the previous fiscal year. As the result of the loss carry-forward, these earnings were not subject to Federal income tax.

The substantial improvement in earnings resulted from an improvement in the market for our products which occurred during the year, coupled with the lower costs resulting from the economies obtained by the substantial improvements in our operating processes.

During the past year we continued our established policy of improving our machinery and operating techniques and many technological changes were accomplished or are in the process of completion.

Recently there has been a slowing down in the demand for deliveries of textile fabrics. This has been in part seasonal and in part the result of the necessary digestion of goods previously purchased by the retailers, chain stores, and other consumer outlets.

Although prices have weakened somewhat during the past few months, inventories at the manufacturing level are low and this Company should be in a very strong position when the demand for goods reopens.

This period of distribution appears now to be nearing its end, and as the industry begins to prepare for the new 1961 spring season the backlog of goods in the hands of all channels of the industry, from the manufacturer through to the consumer, is being substantially reduced.

However, competition throughout the industry will remain keen. Your Company will meet this challenge by maintaining our policy of installing new and more efficient machinery as it is developed, both now and in the future.

Our cloth inventories are low, our unfilled order position is substantial, and it is our expectation that the Company will continue to operate on a profitable basis during the coming year.

MALCOLM G. CHACE, JR.
Chairman of the Board

SEABURY STANTON
President

EARNINGS AND SALES

Earnings for the fiscal year ended October 1, 1960 were \$4,623,980 after depreciation of \$1,713,004. This compares with earnings of \$1,322,099 after depreciation of \$1,636,770 for year ended October 3, 1959.

As we had a tax loss carry-forward in each year, no Federal income taxes were payable against these earnings.

Sales volume for the year ended October 1, 1960 was \$62,608,679 compared to \$69,511,792 for year ended October 3, 1959. Substantially all of this difference of \$6,903,113 in sales was due to the reduction of cloth inventories in 1959. 1960 billings were based almost entirely on current production.

DIVIDENDS

A total of \$1,715,323 was paid in dividends during the fiscal year just ended, as follows:

December 1, 1959	20¢ per share
March 1, 1960	25¢ per share
June 1, 1960	25¢ per share
September 1, 1960	25¢ per share

The Directors, at the meeting held on November 10, 1960, declared a dividend of 25¢ per share payable on December 1, 1960, to stockholders of record on November 18, 1960.

FINANCIAL DEVELOPMENTS

The financial position of the Company continues strong. Net working capital on October 1, 1960 was \$23,430,319, or \$14.41 per share, compared with \$25,858,987, or \$13.35 per share, on October 3, 1959.

Net worth was \$37,981,820, or \$23.37 per share, on October 1, 1960, compared with \$38,911,549, or \$20.10 per share, on October 3, 1959.

During the year ended October 1, 1960, the Company purchased 310,802 shares of Berkshire Hathaway Inc. stock at a total cost of \$3,838,386. These shares, together with shares purchased in prior years, make a total of 669,045 shares of treasury stock held by the Company.

The outstanding shares as of October 1, 1960 were 1,625,519 shares, which compares with a total of 1,936,321 outstanding on October 3, 1959.

O P E R A T I O N S

PLANTS AND EQUIPMENT

During the fiscal year ended October 1, 1960, expenditures capitalized in connection with machinery and plant facilities amounted to \$3,818,632. We received \$579,343 from the sale of land, buildings, and machinery. All of the buildings, and most of the machinery remaining in our Adams plant, have now been sold, which completes the sale of all textile properties in which we have discontinued operations.

The Company expects to spend approximately \$3,000,000 on improvements to machinery and equipment during the coming fiscal year, and will continue to keep abreast of technological developments.

EMPLOYEE RELATIONS

Wage increases were granted throughout the textile industry in the early part of 1960, and went into effect in our plants on April 18, 1960. Under the terms of our contracts with the unions representing our employees, these contracts may be reopened for the purpose of wage negotiations upon the request of either party sixty days prior to April 15, 1961.

We have continued to receive the cooperation of our workers during the current year, and look forward to the same mutually satisfactory relationship in the future.

OPERATIONS

The Company now has approximately 5700 workers and operates a total of seven plants, of which four are located in Rhode Island and three in Massachusetts. The total payroll for fiscal year ended October 1, 1960 was approximately \$21,000,000, and all seven plants have operated on a full three-shift basis throughout the year.

MERCHANDISING TRENDS

In keeping with the policy established in the early part of 1959, our entire production is now sold in the grey or unfinished state, with the exception of curtain fabrics and cotton handkerchief fabrics. As a result of this policy, substantial savings have been accomplished in our selling costs and in working capital required. In addition, the risks entailed in carrying large inventories of highly styled goods have been eliminated.

It is our intention to continue this present merchandising policy in the foreseeable future.

BERKSHIRE

CONSOLIDATED

— ASSETS —

	<i>October 1, 1960</i>	<i>October 3, 1959</i>
CURRENT ASSETS:		
Cash	\$ 1,535,261	\$ 1,986,623
U. S. Government securities (at cost which approximates market)	3,248,184	4,464,204
Accounts receivable (less allowance for doubtful accounts — 1960 — \$327,695)	7,644,809	7,069,597
Inventories (<i>Note A</i>)	14,919,764	15,655,025
Prepaid insurance, taxes and other expense	494,767	432,961
TOTAL CURRENT ASSETS	<u>27,842,785</u>	<u>29,608,410</u>
PROPERTIES, PLANTS AND EQUIPMENT (<i>Note B</i>):		
Properties comprising land, buildings, machinery and equipment	36,653,038	35,574,360
Less accumulated depreciation and amortization	22,263,561	22,378,762
	14,389,477	13,195,598
Less estimated loss on properties to be sold	—0—	353,609
	<u>14,389,477</u>	<u>12,841,989</u>
MORTGAGE NOTES RECEIVABLE AND OTHER ASSETS	162,024	210,573
TOTAL ASSETS	<u>\$42,394,286</u>	<u>\$42,660,972</u>

See accompanying notes

HATHAWAY INC.

BALANCE SHEET

—LIABILITIES AND STOCKHOLDERS' EQUITY—

	<i>October 1, 1960</i>	<i>October 3, 1959</i>
CURRENT LIABILITIES:		
Accounts payable	\$ 2,582,672	\$ 2,424,171
Accrued wages and salaries	590,169	512,875
Accrued state and local taxes	623,665	205,075
Social security and withholding taxes payable	615,960	607,302
TOTAL CURRENT LIABILITIES	<u>4,412,466</u>	<u>3,749,423</u>
STOCKHOLDERS' EQUITY:		
Common stock (\$5 par value) authorized 3,000,000 shares — issued 2,294,564 shares	11,472,820	11,472,820
Excess of net assets received over common stock issued or cost of subsidiary acquisition (capital surplus)	2,738,106	2,738,106
Earnings retained in the business (earned surplus)	31,329,293	28,420,636
	<u>45,540,219</u>	<u>42,631,562</u>
Less common stock in treasury at cost (1960 — 669,045 shares; 1959 — 358,243 shares)	7,558,399	3,720,013
	<u>37,981,820</u>	<u>38,911,549</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$42,394,286</u>	<u>\$42,660,972</u>

s to financial statements.

BERKSHIRE HATHAWAY INC.

Consolidated Statement of Income

	<i>Years Ended</i>	
	<u>October 1, 1960</u>	<u>October 3, 1959</u>
SALES	\$62,608,679	\$69,511,792
Cost of goods sold, administrative and selling expenses	56,273,523	66,352,908
Depreciation	1,713,004	1,636,770
	<u>57,986,527</u>	<u>67,989,678</u>
OPERATING PROFIT	4,622,152	1,522,114
Other income	400,556	109,918
	<u>5,022,708</u>	<u>1,632,032</u>
Other charges	292,698	121,456
NET INCOME BEFORE THE FOLLOWING	<u>4,730,010</u>	<u>1,510,576</u>
 <i>Special Items</i> 		
Gain from change in method of inventory valuation	—0—	502,922
Gain or (loss) from sale of properties and equipment	25,083	(431,603)
Idle plant expense	(131,113)	(259,796)
	<u>(106,030)</u>	<u>(188,477)</u>
NET INCOME AND SPECIAL ITEMS	<u>\$ 4,623,980</u>	<u>\$ 1,322,099</u>

Consolidated Statement of Earnings Retained in the Business

EARNINGS RETAINED IN THE BUSINESS AT BEGINNING OF YEAR	\$28,420,636	\$27,562,824
Net income and special items for the year	4,623,980	1,322,099
Dividends paid	(1,715,323)	(464,287)
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u>\$31,329,293</u>	<u>\$28,420,636</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 1, 1960 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 statements of income and earnings retained in the business present fairly the consolidated financial position of Berkshire Hathaway Inc. at October 1, 1960, 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., November 1, 1960

BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements for the Year Ended October 1, 1960

Basis of Consolidation

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

Corporate Changes

During the fiscal year Shellmound Warehouse Company was liquidated into the parent company.

Note A — Inventories

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.

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 1, 1960 and October 3, 1959 are stated at net book values of \$14,389,477 and \$12,841,989, respectively. The net values used for federal income tax purposes were \$16,112,462 and \$15,040,212, respectively. Consistent with the prior year, depreciation has been charged to operations on the book basis.

Note C — Taxes on Income

After the close of the fiscal year, agreement was 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 federal taxes on income of approximately \$72,000 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 loss carry-forward of approximately \$1,400,000 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 1, 1960 the estimated liability under the contract was \$116,000.

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 \$1,900,000.

BERKSHIRE HATHAWAY INC.

COMPARATIVE FINANCIAL DATA

FISCAL YEARS →	1960	1959	1958	1957	1956
Sales	\$62,608,679	\$69,511,792	\$61,956,405	\$66,098,223	\$68,042,770
Net earnings (loss)	4,623,980	1,322,099	(4,975,460)	(3,258,035)	922,548
Earnings (loss) per share of common stock	2.84	.68	(2.36)	(1.55)	.41
Cash dividends paid	1,715,323	464,287	None	1,107,864	2,275,639
Cash dividends paid per share95	.22½	None	.50	1.00
Purchases of properties, plant and equipment	3,818,632	1,125,253	1,279,848	1,622,760	1,334,158
Working capital	23,430,319	25,858,987	24,647,555	27,429,021	32,536,230
Working capital per share	14.41	13.35	11.70	13.02	14.49
Stockholders' equity	37,981,820	38,911,549	39,927,846	44,903,306	50,369,720
Stockholders' equity per share	23.37	20.10	18.96	21.32	22.43
Common shares outstanding	1,625,519	1,936,321	2,105,969	2,105,969	2,246,114

NOTE: "Common shares outstanding" represents the total shares outstanding at the close of each fiscal year.

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. A, Fall River, Mass.

King Philip Div. E, Fall River, Mass.

Warehouse, Fall River, Mass.

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

Valley Falls Div., Albion, R. I.

Coventry Div., Anthony, R. I.

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.

COUNSEL

ROPES, GRAY, BEST, COOLIDGE & RUGG

Boston, Mass.

BERKSHIRE HATHAWAY INC.