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BERKSHIRE HATHAWAY INC.

Annual Report

TO THE STOCKHOLDERS

1961

THE UNIVERSITY OF CHICAGO

THE UNIVERSITY OF CHICAGO
1155 EAST 58TH STREET
CHICAGO, ILLINOIS 60637

PROFESSOR

Department of Chemistry
5712 South University Avenue
Chicago, Illinois 60637
Tel: (773) 837-3200
Fax: (773) 837-3200

ASSISTANT PROFESSOR

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BERKSHIRE HATHAWAY INC.

The Company had 9,028 stockholders on
September 30, 1961

DIRECTORS

MALCOLM G. CHACE, JR., *Chairman*

ABRAM BERKOWITZ	ARTHUR INGRAHAM, JR.
JONATHAN CHACE	EDMUND RIGBY
LINSLEY V. DODGE	OTIS C. STANTON
BRADFORD R. FROST	SEABURY STANTON

A. N. WINSLOW, JR.

EXECUTIVE COMMITTEE

SEABURY STANTON, *Chairman*

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

OFFICERS

SEABURY STANTON, *President*

EDMUND RIGBY, *Executive Vice President and Clerk*

WILLIAM H. POTTER, <i>Vice President</i>	LINSLEY V. DODGE, <i>Vice President</i>
LYMAN H. SMITH, <i>Vice President and Treasurer</i>	JOHN E. HARTLEY, <i>Vice President</i>
JOHN K. STANTON, <i>Vice President</i>	STANLEY RUBIN, <i>Vice President</i>

BERKSHIRE HATHAWAY INC.

FINANCIAL HIGHLIGHTS

For Fiscal Years 1961 and 1960

	<u>September 30, 1961</u>	<u>October 1, 1960</u>
Sales	\$47,722,281	\$62,608,679
Earnings (loss) and special item	(393,054)	4,623,980
Earnings (loss) per share	(.24)	2.84
Depreciation	2,128,699	1,713,004
Purchases of properties and equipment	4,020,542	3,818,632
<hr/>		
Cash	\$ 939,471	\$ 1,535,261
U. S. Government securities	—0—	3,248,184
Notes payable — banks	4,150,000	—0—
Accounts receivable (net)	6,852,447	7,644,809
Inventories	20,880,052	14,919,764
Working capital	19,844,122	23,430,319
Working capital per share	12.35	14.41
Stockholders' equity	36,175,695	37,981,820
Stockholders' equity per share	22.51	23.37
Payroll	\$20,324,190	\$21,063,195

BERKSHIRE HATHAWAY INC.

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

For the Year Ended September 30, 1961

November 15, 1961

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.:

Although the general economic recession which affected the business climate during 1960 apparently began to show evidences of recovery six or eight months ago, the textile industry still continued its downward trend.

The volume of sales of the company dropped materially during the year and prices declined substantially, particularly during the last six months, reflecting the gradual reduction in demand which continued throughout the entire period.

As a result, our operations for the fiscal year ended September 30, 1961 showed a loss of \$393,054, after depreciation of \$2,128,699. This compares with a profit of \$4,623,980, after depreciation of \$1,713,004, for the fiscal year ended October 1, 1960.

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

In addition to the reduction in business caused by the general recession, the textile markets were seriously affected by the tremendous importation of foreign textile products which continued throughout the year. For the calendar year ended December 31, 1960, this reached the staggering total of over one and one third billion yards of fabrics, apparel, and other textile products.

As previously reported, during the latter part of July a short term International agreement was reached in Geneva by representatives of the major exporting and importing textile countries in the free world. This agreement provides for import and export controls among the signatory countries and will be supplemented by a long term agreement which it is hoped will result in limitation of imports of low price textile products and a gradual improvement in the demand and price level for the production of our own American mills.

The Treasury Department has recently released a new depreciation schedule for textile machinery which will allow higher rates of depreciation in the future and will be helpful in financing our continuing modernization and development program.

Textile machinery manufacturers, not only in the United States, but throughout the world, have important cost saving machinery in the development stages and it will be the policy of this company to continue to take advantage of these improvements as they are available. The three year program of machinery improvements and modernization which will culminate October 1, 1962, has placed this company in an excellent position to take advantage of any improvement in the market which may occur.

We are confident that we will continue to receive the cooperation of our employees in maintaining our competitive position with the rest of the industry, and we look forward to the future with confidence.

We regret to report that Mr. W. R. L. McBee, who has been a Director since 1929 and Executive Committee member since 1952, passed away on August 30, 1961. His advice and wise counsel will be greatly missed.

MALCOLM G. CHACE, JR.
Chairman of the Board

SEABURY STANTON
President

BERKSHIRE

REVIEW OF

EARNINGS AND SALES

Loss for the fiscal year ended September 30, 1961 was \$393,054, after depreciation of \$2,128,699. This compares with earnings of \$4,623,980, after depreciation of \$1,713,004, for the year ended October 1, 1960.

Sales volume for the year ended September 30, 1961 was \$47,722,281 compared to \$62,608,679 for the year ended October 1, 1960.

DIVIDENDS

A total of \$1,205,535 was paid in dividends during the fiscal year just ended, as follows:

December 1, 1960	25¢ per share
March 1, 1961	25¢ per share
June 1, 1961	15¢ per share
September 1, 1961	10¢ per share

The Directors, at the meeting held on November 7, 1961, declared a dividend of 10¢ per share payable on December 1, 1961, to stockholders of record on November 17, 1961.

FINANCIAL DEVELOPMENTS

The financial position of the Company continues strong. Net working capital on September 30, 1961 was \$19,844,122, or \$12.35 per share, compared with \$23,430,319, or \$14.41 per share, on October 1, 1960.

Net worth was \$36,175,695, or \$22.51 per share, on September 30, 1961, compared with \$37,981,820, or \$23.37 per share, on October 1, 1960.

During the year ended September 30, 1961, the Company purchased 18,139 shares of Berkshire Hathaway Inc. stock at a total cost of \$207,536. These shares, together with shares purchased in prior years, make a total of 687,184 shares of treasury stock held by the Company.

The outstanding shares as of September 30, 1961 were 1,607,380 shares, which compares with a total of 1,625,519 outstanding on October 1, 1960.

HATHAWAY INC.

OPERATIONS

PLANTS AND EQUIPMENT

During the fiscal year ended September 30, 1961, expenditures capitalized in connection with machinery and plant facilities amounted to \$4,020,542. The Company expects to spend approximately \$2,500,000 on improvements to machinery and equipment during the coming fiscal year, and will continue to keep abreast of technological developments.

EMPLOYEE RELATIONS

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 5,800 workers and operates a total of seven plants, of which four are located in Rhode Island and three in Massachusetts. The total payroll for the fiscal year ended September 30, 1961 was approximately \$20,000,000, and all seven plants have operated on a 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.

During the year the Company increased production of fabrics made with blends of cotton and synthetic fibers, and it is planning to further increase its production on this type of goods in the coming year.

BERKSHIRE

CONSOLIDATED

ASSETS

	<i>September</i> <i>30, 1961</i>	<i>October</i> <i>1, 1960</i>
	<hr/>	<hr/>
CURRENT ASSETS:		
Cash	\$ 939,471	\$ 1,535,261
U. S. Government securities	—0—	3,248,184
Accounts receivable (less allowance for doubtful accounts — 1961 — \$317,774)	6,852,447	7,644,809
Inventories (<i>Note A</i>)	20,880,052	14,919,764
Prepaid insurance, taxes and other expense	275,423	494,767
TOTAL CURRENT ASSETS	<hr/> 28,947,393 <hr/>	<hr/> 27,842,785 <hr/>
PROPERTIES, PLANTS AND EQUIPMENT (<i>Note B</i>):		
Properties comprising land, buildings, machinery and equipment	40,429,269	36,653,038
Less accumulated depreciation and amortization	24,197,474	22,263,561
	<hr/> 16,231,795 <hr/>	<hr/> 14,389,477 <hr/>
MORTGAGE NOTES RECEIVABLE AND OTHER ASSETS	99,778	162,024
TOTAL ASSETS	<hr/> \$45,278,966 <hr/>	<hr/> \$42,394,286 <hr/>

See accompanying notes

HATHAWAY INC.

BALANCE SHEET

— LIABILITIES AND STOCKHOLDERS' EQUITY —

	<u>September 30, 1961</u>	<u>October 1, 1960</u>
CURRENT LIABILITIES:		
Notes payable — banks	\$ 4,150,000	\$ —0—
Accounts payable	3,371,352	2,582,672
Accrued wages and salaries	528,629	590,169
Accrued state and local taxes	488,415	623,665
Social security and withholding taxes payable	564,875	615,960
TOTAL CURRENT LIABILITIES	<u>9,103,271</u>	<u>4,412,466</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)	29,730,704	31,329,293
	<u>43,941,630</u>	<u>45,540,219</u>
Less common stock in treasury at cost (1961 — 687,184 shares; 1960 — 669,045 shares)	7,765,935	7,558,399
	<u>36,175,695</u>	<u>37,981,820</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$45,278,966</u>	<u>\$42,394,286</u>

to financial statements.

BERKSHIRE HATHAWAY INC.

Consolidated Statement of Income

	<i>Years Ended</i>	
	<u>September 30, 1961</u>	<u>October 1, 1960</u>
SALES	\$47,722,281	\$62,608,679
Cost of goods sold, administrative and selling expenses	46,144,614	56,273,523
Depreciation	2,128,699	1,713,004
	<u>48,273,313</u>	<u>57,986,527</u>
OPERATING PROFIT OR (LOSS)	(551,032)	4,622,152
Other income	182,720	425,639
	<u>(368,312)</u>	<u>5,047,791</u>
Other charges	96,664	423,811
NET INCOME OR (LOSS) BEFORE THE FOLLOWING	(464,976)	4,623,980
<i>Special Item</i>		
Refund of Federal income taxes — prior years	71,922	—0—
NET INCOME OR (LOSS) AND SPECIAL ITEM	<u>\$ (393,054)</u>	<u>\$ 4,623,980</u>

Consolidated Statement of Earnings Retained in the Business

EARNINGS RETAINED IN THE BUSINESS AT BEGINNING OF YEAR	\$31,329,293	\$28,420,636
Net income or (loss) and special item for the year	(393,054)	4,623,980
Dividends paid	(1,205,535)	(1,715,323)
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u>\$29,730,704</u>	<u>\$31,329,293</u>

See accompanying notes to financial statements.

BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements For the Year Ended September 30, 1961

Basis of Consolidation

The consolidated financial statements include the accounts of two subsidiary companies, one of which is a Canadian subsidiary.

Corporate Changes

During the fiscal year Bourne Mills of California, Inc., one of the above-mentioned subsidiaries, 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 inventory of the subsidiary is 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 30, 1961 and October 1, 1960 are stated at net book values of \$16,231,795 and \$14,389,477, respectively. The net values used for federal income tax purposes were \$17,857,905 and \$16,112,462, respectively. Consistent with the practice of prior years, depreciation has been charged to operations on the book basis. The declining balance method of providing for depreciation of machinery and equipment is used for both book and income tax purposes for additions of the years 1960 and 1961. In accordance with the Treasury Department's policy of liberalizing depreciation rates on textile machinery, 1961 additions were placed on lives not exceeding fifteen years, and depreciation on assets acquired prior to fiscal year 1961 was adjusted to conform thereto. The revision in depreciation rates on assets acquired prior to fiscal year 1961 did not result in a material change in earnings.

Note C — Taxes on Income

Federal income tax returns of the Company have been examined through the fiscal year ended September 30, 1957. A net refund of \$71,922 resulting from the examination is shown in the "Special item" section of the income statement.

The Company has an operating loss carry-forward of approximately \$1,900,000 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. In addition, the Company is also liable under consultation and retirement contracts with former executives and employees.

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 30, 1961 the estimated liability under the contract was \$105,000.

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 \$1,173,000.

BERKSHIRE HATHAWAY INC.

ACCOUNTANTS' REPORT

COMERY, DAVISON & JACOBSON
Certified Public Accountants
10 DORRANCE STREET
PROVIDENCE, RHODE ISLAND

Members
American Institute of
Certified Public Accountants

To the Stockholders and
Board of Directors
Berkshire Hathaway Inc.
New Bedford, Massachusetts

We have examined the consolidated balance sheet of Berkshire Hathaway Inc. and its subsidiary as of September 30, 1961 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 September 30, 1961, 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

October 30, 1961

BERKSHIRE HATHAWAY INC.

COMPARATIVE FINANCIAL DATA

FISCAL YEARS →	1961	1960	1959	1958	1957
Sales	\$47,722,281	\$62,608,679	\$69,511,792	\$61,956,405	\$66,098,223
Net earnings (loss)	(393,054)	4,623,980	1,322,099	(4,975,460)	(3,258,035)
Earnings (loss) per share of common stock	(.24)	2.84	.68	(2.36)	(1.55)
Cash dividends paid	1,205,535	1,715,323	464,287	None	1,107,864
Cash dividends paid per share75	.95	.22½	None	.50
Purchases of properties, plant and equipment	4,020,542	3,818,632	1,125,253	1,279,848	1,622,760
Working capital	19,844,122	23,430,319	25,858,987	24,647,555	27,429,021
Working capital per share	12.35	14.41	13.35	11.70	13.02
Stockholders' equity	36,175,695	37,981,820	38,911,549	39,927,846	44,903,306
Stockholders' equity per share	22.51	23.37	20.10	18.96	21.32
Common shares outstanding	1,607,380	1,625,519	1,936,321	2,105,969	2,105,969

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. 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 COMPANY

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

Boston, Mass.

BERKSHIRE HATHAWAY INC.