



BERKSHIRE HATHAWAY INC.

Annual Report

TO THE STOCKHOLDERS

1962

BERKSHIRE HATHAWAY INC.

The Company had 8,075 stockholders on
September 29, 1962

DIRECTORS

MALCOLM G. CHACE, JR., *Chairman*

ABRAM BERKOWITZ	EDMUND RIGBY
JONATHAN CHACE	LYMAN H. SMITH
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.	EDMUND RIGBY
BRADFORD R. FROST	A. N. WINSLOW, JR.

OFFICERS

SEABURY STANTON, *President*

EDMUND RIGBY, *Executive Vice President and Clerk*

LYMAN H. SMITH, *1st Vice President and Treasurer*

Administrative

J. CRANSTON GRAY, *Vice President*
WILLIAM H. POTTER, *Vice President*
JOHN K. STANTON, *Vice President*

Sales

LINSLEY V. DODGE, *Vice President*
JOHN E. HARTLEY, *Vice President*
STANLEY RUBIN, *Vice President*

BERKSHIRE HATHAWAY INC.

FINANCIAL HIGHLIGHTS

For Fiscal Years 1962 and 1961

	<i>September 29, 1962</i>	<i>September 30, 1961</i>
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Sales	\$53,259,302	\$47,722,281
Net loss	(2,151,256)	(393,054)
Loss per share	(1.34)	(.24)
Depreciation	1,905,368	2,128,699
Additions to properties and equipment	3,454,069	4,020,542
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Cash	\$ 1,444,590	\$ 939,471
Notes payable — banks	6,900,000	4,150,000
Accounts receivable (net)	7,052,387	6,852,447
Inventories	19,281,265	20,880,052
Working capital	16,473,783	19,844,122
Working capital per share	10.25	12.35
Stockholders' equity	32,463,701	36,175,695
Stockholders' equity per share	20.20	22.51
Payroll	\$19,410,069	\$20,324,190

BERKSHIRE HATHAWAY INC.

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

For the Year Ended September 29, 1962

November 21, 1962

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.:

During the twelve months ending September 29, 1962, fine combed cotton staple fabrics, of which Berkshire Hathaway was for many years the largest producer in the United States, suffered from substantial overproduction and prices dropped to the lowest point reached in many years.

As a result of this drastic disruption in the market for our products, the following steps have been taken to return the Company to profitable operations:

1. A very large reduction in our production of cotton staple grey goods, such as lawns, has already been accomplished by the closing of the Bourne Mills, Coventry and Valley Falls Divisions, and the number of looms remaining on these types of fabrics is being reduced constantly.

2. We have substantially increased production on the types of fabrics in which we have, or can develop, a semi-proprietary interest, and on which we will encounter less difficult competition.

3. We have been working on certain market development programs, such as the establishment of our new Home Fabrics Division, which will sell finished fabrics for home use throughout the United States and Canada, and which is already beginning to show a substantial volume.

4. The number of looms on synthetic blend fabrics is constantly increasing and we have established a strong position in this new and growing market.

5. All of our inventories are being substantially reduced, and we have taken the necessary steps to reduce corporate and manufacturing overhead to reflect the reduction in our manufacturing facilities.

6. The advisability of expanding our operations through mergers or acquisitions in other textile fields is being carefully considered.

Our remaining plants will be modern and competitive, and we anticipate that by the end of March 1963, the Company should be in a position to return to profitable operations.

Berkshire Hathaway continues to be in a strong financial position, and it is expected that the Company will have current assets in excess of its requirements during the coming year because of the decrease in the number of plants operated and the anticipated reduction in our inventories. It would seem prudent, under the circumstances, to use the excess assets to reduce the number of shares of stock outstanding. Accordingly, the stockholders are requested to authorize the use of funds by the directors which, in their judgment, are not required in the Company's operation, to purchase outstanding stock, either in the open market or by tender, for ultimate retirement.

We very much appreciate the cooperation we have received from our stockholders during this difficult year of adjusting to new market conditions, and anticipate that their confidence and patience will be rewarded as a result of the changes in our products which have already been accomplished and are now in process.

MALCOLM G. CHACE, JR.
Chairman of the Board

SEABURY STANTON
President

BERKSHIRE

REVIEW OF

EARNINGS AND SALES

Loss for the fiscal year ended September 29, 1962 was \$2,151,256, after depreciation of \$1,905,368. This compares with a loss of \$393,054, after depreciation of \$2,128,699 for the year ended September 30, 1961.

Sales volume for the year ended September 29, 1962 was \$53,259,302, compared with \$47,722,281 for the year ended September 30, 1961.

DIVIDENDS

A total of \$160,738 was paid in dividends during fiscal year just ended with a payment of 10¢ per share on December 1, 1961.

FINANCIAL DEVELOPMENTS

The financial position of the Company continues strong. Net working capital on September 29, 1962 was \$16,473,783, or \$10.25 per share, compared with \$19,844,122, or \$12.35 per share on September 30, 1961.

During the fiscal year just ended, expenditures capitalized in connection with machinery and plant facilities amounted to \$3,454,069. Unexpended commitments for plant and equipment at the end of the year were \$231,000.

INVENTORIES

Inventories at September 29, 1962 amounted to \$19,281,265, compared to \$20,880,052 on September 30, 1961, or a decrease of \$1,598,787.

HATHAWAY INC.

OPERATIONS

EMPLOYEE RELATIONS

An increase in wages occurred throughout the textile industry in the spring of 1962, and in April a new two-year agreement was signed which reflected the general increase.

MERCHANDISING TRENDS

During the past year we have continued to expand our sales of blended yarn fabrics made with synthetic fibers such as Dacron and cotton, and fabrics of this type are becoming increasingly important in all apparel trades. At the present time a large percentage of our looms are operating on fabrics made with synthetic filament yarns and synthetic blend yarns, and we expect to continue to increase our operation on this type of fabric during the coming year.

OPERATIONS

During the year, our Bourne Mills Division and Coventry Division were closed down and plans have been made to close our Valley Falls Division in December of 1962. A substantial part of the modern machinery in these plants has been moved to our remaining plants and the balance of the machinery not needed will be sold.

It has been estimated that there will be a book loss of \$1,400,000 on the properties to be sold. This amount has been set up as a reserve and charged against earned surplus.

When our consolidation program has been completed, the company will have approximately 4,000 workers and an operation consisting of four plants—one of which is located in Rhode Island, and three in Massachusetts.

BERKSHIRE

CONSOLIDATED

ASSETS

	<i>September 29, 1962</i>	<i>September 30, 1961</i>
CURRENT ASSETS:		
Cash	\$ 1,444,590	\$ 939,471
Accounts receivable (less allowance for doubtful accounts — 1962 — \$306,247)	7,052,387	6,852,447
Inventories (<i>Note A</i>)	19,281,265	20,880,052
Prepaid insurance, taxes and other expense	320,926	275,423
TOTAL CURRENT ASSETS	<u>28,099,168</u>	<u>28,947,393</u>
PROPERTIES, PLANTS AND EQUIPMENT (<i>Note B</i>):		
Properties comprising land, buildings, machinery and equipment	41,135,214	40,429,269
Less accumulated depreciation and amortization	23,821,922	24,197,474
	<u>17,313,292</u>	<u>16,231,795</u>
Less estimated loss on properties to be sold	1,400,000	—0—
	<u>15,913,292</u>	<u>16,231,795</u>
MORTGAGE NOTES RECEIVABLE AND OTHER ASSETS	76,626	99,778
TOTAL ASSETS	<u>\$44,089,086</u>	<u>\$45,278,966</u>

See accompanying notes

HATHAWAY INC.

BALANCE SHEET

— LIABILITIES AND STOCKHOLDERS' EQUITY —

	<i>September 29, 1962</i>	<i>September 30, 1961</i>
CURRENT LIABILITIES:		
Notes payable — banks	\$ 6,900,000	\$ 4,150,000
Accounts payable	3,315,956	3,371,352
Accrued wages and salaries	454,970	528,629
Accrued state and local taxes	317,108	488,415
Social security and withholding taxes payable	637,351	564,875
TOTAL CURRENT LIABILITIES	<u>11,625,385</u>	<u>9,103,271</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)	26,018,710	29,730,704
	<u>40,229,636</u>	<u>43,941,630</u>
Less common stock in treasury at cost — 687,184 shares	7,765,935	7,765,935
	<u>32,463,701</u>	<u>36,175,695</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$44,089,086</u></u>	<u><u>\$45,278,966</u></u>

to financial statements.

BERKSHIRE HATHAWAY INC.

CONSOLIDATED STATEMENT OF INCOME

	<i>Years Ended</i>	
	<i>September 29, 1962</i>	<i>September 30, 1961</i>
SALES	\$53,259,302	\$47,722,281
Cost of goods sold, administrative and selling expenses	53,373,065	46,144,614
Depreciation	1,905,368	2,128,699
	<u>55,278,433</u>	<u>48,273,313</u>
OPERATING LOSS	(2,019,131)	(551,032)
Other income	221,903	254,642
	<u>(1,797,228)</u>	<u>(296,390)</u>
Other charges	354,028	96,664
NET LOSS	<u><u>\$ (2,151,256)</u></u>	<u><u>\$ (393,054)</u></u>

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

EARNINGS RETAINED IN THE BUSINESS AT BEGINNING OF YEAR	\$29,730,704	\$31,329,293
Net loss for the year	(2,151,256)	(393,054)
Estimated loss on properties to be sold	(1,400,000)	—0—
Dividends paid	(160,738)	(1,205,535)
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u><u>\$26,018,710</u></u>	<u><u>\$29,730,704</u></u>

See accompanying notes to financial statements.

BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements For the Year Ended September 29, 1962

Basis of Consolidation

The consolidated financial statements include the accounts of the Canadian subsidiary.

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 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 29, 1962 and September 30, 1961 are stated at net book values of \$15,913,292 and \$16,231,795, respectively. The net values used for federal income tax purposes were \$18,473,485 and \$17,857,905, respectively. Consistent with the practice of prior years, depreciation has been charged to operations on the book basis. For the fiscal year ended September 30, 1961 depreciation on eligible machinery and equipment was computed by using the double declining balance method. As of October 1, 1961 depreciation has been computed on the straight line method rather than double declining balance method for both book and tax purposes. The effect of this change was to reduce depreciation in fiscal year ended September 29, 1962 by approximately \$425,000.

Note C — Taxes on Income

Federal income tax returns of the Company have been examined through the fiscal year ended September 30, 1957.

Including the current year's loss, the Company has unused federal income tax carry-overs of approximately \$4,500,000. To the extent not utilized \$1,600,000 will expire at September 30, 1963 and \$2,900,000 in the succeeding four 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 approximately \$575,000 under the union contract of certain employees who have reached the retirement age specified and with a minimum service of fifteen years who retire voluntarily, and under certain consultation and retirement contracts with former executives and employees.

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 \$231,000.

BERKSHIRE HATHAWAY INC.

ACCOUNTANTS' REPORT

COMERY, DAVISON & COMPANY
Certified Public Accountants
10 DORRANCE STREET
PROVIDENCE 3, 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 29, 1962 and the related consolidated 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 consolidated statements of income and earnings retained in the business present fairly the financial position of Berkshire Hathaway Inc. at September 29, 1962, and the 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 except for the change, which we approve, in the method of computing depreciation referred to in Note B to the financial statements.

Comery, Davison & Company

October 29, 1962

BERKSHIRE HATHAWAY INC.

COMPARATIVE FINANCIAL DATA

FISCAL YEARS →	1962	1961	1960	1959	1958
Sales	\$53,259,302	\$47,722,281	\$62,608,679	\$69,511,792	\$61,956,405
Net earnings (loss)	(2,151,256)	(393,054)	4,623,980	1,322,099	(4,975,460)
Earnings (loss) per share of common stock	(1.34)	(.24)	2.84	.68	(2.36)
Cash dividends paid	160,738	1,205,535	1,715,323	464,287	None
Cash dividends paid per share10	.75	.95	.22½	None
Additions to properties, plant and equipment	3,454,069	4,020,542	3,818,632	1,125,253	1,279,848
Working capital	16,473,783	19,844,122	23,430,319	25,858,987	24,647,555
Working capital per share	10.25	12.35	14.41	13.35	11.70
Stockholders' equity	32,463,701	36,175,695	37,981,820	38,911,549	39,927,846
Stockholders' equity per share	20.20	22.51	23.37	20.10	18.96
Common shares outstanding	1,607,380	1,607,380	1,625,519	1,936,321	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.

100 Wellington Street, 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.

Warehouse, Fall River, Mass.

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 & COMPANY

Providence, R. I.

COUNSEL

ROPES & GRAY

Boston, Mass.

BERKSHIRE HATHAWAY INC.