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BERKSHIRE HATHAWAY INC.

Annual Report

TO THE STOCKHOLDERS

1963

BERKSHIRE HATHAWAY INC.

The Company had 6,875 stockholders on
September 28, 1963

DIRECTORS

MALCOLM G. CHACE, JR., *Chairman*

ABRAM BERKOWITZ	ARTHUR INGRAHAM, JR.
JONATHAN CHACE	EDMUND RIGBY
DANIEL COWIN	OTIS C. STANTON
LINSLEY V. DODGE	SEABURY STANTON
BRADFORD R. FROST	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 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 1963 and 1962

	<i>September 28, 1963</i>	<i>September 29, 1962</i>
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Sales	\$50,590,679	\$53,259,302
Net loss and Special item	(684,811)	(2,151,256)
Loss per share	(.43)	(1.34)
Depreciation	1,716,613	1,905,368
Additions to properties and equipment	\$ 665,813	\$ 3,454,069
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Cash	\$ 660,264	\$ 1,444,590
Notes payable — banks	5,400,000	6,900,000
Accounts receivable (net)	7,670,236	7,052,387
Inventories	18,011,345	19,281,265
Working capital	17,410,503	16,473,783
Working capital per share	10.83	10.25
Stockholders' equity	30,278,890	32,463,701
Stockholders' equity per share	18.84	20.20
Payroll	\$16,093,207	\$19,410,069

BERKSHIRE HATHAWAY INC.

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

For the Year Ended September 28, 1963

November 21, 1963

TO THE STOCKHOLDERS OF
BERKSHIRE HATHAWAY INC.:

The year ended September 28, 1963 was one of significant progress for this Company and showed a very important trend toward profitable operations.

Losses were progressively smaller during each quarter of the year and finally culminated in a small profit of \$27,406 after depreciation of \$429,669 for the quarter ended September 28, 1963.

As stated elsewhere in this report, working capital increased by \$936,720, and notes payable to banks were decreased from \$6,900,000 to \$5,400,000, a total reduction of \$1,500,000.

In keeping with the program outlined in our Annual Report to Stockholders on November 21, 1962, we have continued to reduce the number of looms running on cotton staple grey goods on which competition from abroad and from low-cost mills in other areas of the United States has seriously affected prices.

Our new Home Fabrics Division has operated during the year at a substantial volume, and is beginning to show a satisfactory profit on its distribution of finished fabrics for home use throughout the United States and Canada.

During the year the Valley Falls Division which had not been operating profitably was permanently closed. The land and buildings were sold and the machinery either consolidated in our other mills or disposed of in the open market.

In a continuation of our policy to shut down mills which do not operate profitably, the Board of Directors voted at their meeting of November 6th to discontinue production at our Berkshire King Philip A Division in Fall River and dispose of the physical assets not needed in our other plants. Although some non-recurring losses will be sustained in this closing and the disposal of these assets, the over-all operating position of the Company will be improved by the elimination of this plant.

The advisability of expanding our operations through mergers or acquisitions was carefully considered during the year, and we will continue to explore such possibilities as appear to have merit.

Although the stockholders authorized the Directors to purchase outstanding stock for ultimate retirement, either in the open market or by tender, no stock has been purchased by the Company during the year just ended as it seemed more prudent to reduce the Company's outstanding bank loans. It is hoped, however, that it will be possible to take action leading to the reduction in the number of shares of stock outstanding during the coming year.

Berkshire Hathaway continues to be in a strong financial position, and we anticipate that the improvement in our operations will continue.

MALCOLM G. CHACE, JR.
Chairman of the Board

SEABURY STANTON
President

BERKSHIRE

REVIEW OF

EARNINGS AND SALES

Sales volume for the fiscal year ended September 28, 1963 was \$50,590,679 and our loss was \$684,811, after depreciation of \$1,716,613.

This compares with a sales volume of \$53,259,302 for the year ended September 29, 1962, and a loss of \$2,151,256, after depreciation of \$1,905,368.

FINANCIAL DEVELOPMENTS

The financial position of the Company continues strong. During the year net working capital increased \$936,720 and on September 28, 1963 was \$17,410,503 or \$10.83 per share, compared with \$16,473,783 or \$10.25 per share on September 29, 1962.

During the fiscal year just ended, expenditures capitalized in connection with machinery and plant facilities amounted to \$665,813. Unexpended commitments for plant and equipment at the end of the year were \$75,000.

Bank loans were reduced from \$6,900,000 on September 29, 1962, to \$5,400,000 on September 28, 1963, a reduction of \$1,500,000.

INVENTORIES

Inventories at September 28, 1963 amounted to \$18,011,345, compared to \$19,281,265 on September 29, 1962, a decrease of \$1,269,920.

EMPLOYEE RELATIONS

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

HATHAWAY INC.

OPERATIONS

MERCHANDISING TRENDS

In spite of repeated assurances on the part of the Administration, Congress has not as yet passed legislation to enable American textile mills to purchase American cotton at the same Government established prices at which it is sold to foreign countries.

As a result of this delay the cotton fabric market has suffered from uncertainty with regard to the future cost of this fiber. This has caused many mills to change looms from cotton to synthetic yarns and synthetic blends, and some overproduction in these fields has resulted.

Recently, however, there has been some improvement in the demand for all types of fabrics, and it is anticipated that the market for our products will improve during the next few months.

OPERATIONS

During the fiscal year just ended our Berkshire Valley Falls Division in Albion, Rhode Island was permanently closed, and the land, buildings and a substantial part of the machinery were sold.

Approximately \$500,000 remains of the reserve established last year to cover possible losses in the disposal of the physical assets of Coventry and Valley Falls Divisions, of which a certain amount of machinery still remains to be sold. An additional \$1,500,000 has been charged against surplus and added to this reserve to cover possible losses in the liquidation of the King Philip A Division.

After the closing of this Division, we will have approximately 3,500 employees in three plants, one of which is in Rhode Island and two in Massachusetts.

BERKSHIRE

CONSOLIDATED

ASSETS

	<i>September 28, 1963</i>	<i>September 29, 1962</i>
CURRENT ASSETS:		
Cash	\$ 660,264	\$ 1,444,590
Accounts receivable (less allowance for doubtful accounts — 1963 — \$266,010)	7,670,236	7,052,387
Inventories (<i>Note A</i>)	18,011,345	19,281,265
Prepaid insurance, taxes and other expense	237,374	320,926
TOTAL CURRENT ASSETS	<u>26,579,219</u>	<u>28,099,168</u>
PROPERTIES, PLANTS AND EQUIPMENT (<i>Note B</i>):		
Properties comprising land, buildings, machinery and equipment	37,865,723	41,135,214
Less accumulated depreciation and amortization	23,035,741	23,821,922
	<u>14,829,982</u>	<u>17,313,292</u>
Less estimated loss on properties to be sold	2,005,029	1,400,000
	<u>12,824,953</u>	<u>15,913,292</u>
MORTGAGE NOTES RECEIVABLE AND OTHER ASSETS	43,434	76,626
TOTAL ASSETS	<u><u>\$39,447,606</u></u>	<u><u>\$44,089,086</u></u>

See accompanying notes

HATHAWAY INC.

BALANCE SHEET

— LIABILITIES AND STOCKHOLDERS' EQUITY —

	<i>September</i> <i>28, 1963</i>	<i>September</i> <i>29, 1962</i>
CURRENT LIABILITIES:		
Notes payable — banks	\$5,400,000	\$6,900,000
Accounts payable	2,415,395	3,315,956
Accrued wages and salaries	398,660	454,970
Accrued state and local taxes	407,106	317,108
Social security and withholding taxes payable	547,555	637,351
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TOTAL CURRENT LIABILITIES	9,168,716	11,625,385
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STOCKHOLDERS' EQUITY (Note F):		
Common stock (\$5 par value)		
1963 — authorized 2,312,816 shares — issued 1,607,380 shares	8,036,900	11,472,820
Excess of net assets received over common stock issued or cost of subsidiary acquisition (capital surplus)	—0—	2,738,106
Earnings retained in the business (earned surplus)	22,241,990	26,018,710
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	30,278,890	40,229,636
Less common stock in treasury at cost	—0—	7,765,935
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	30,278,890	32,463,701
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$39,447,606	\$44,089,086
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to financial statements.

BERKSHIRE HATHAWAY INC.

CONSOLIDATED STATEMENT OF INCOME

	<i>Years Ended</i>	
	<u>September 28, 1963</u>	<u>September 29, 1962</u>
SALES	\$50,590,679	\$53,259,302
Cost of goods sold, administrative and selling expenses	49,418,947	53,308,154
Depreciation	1,716,613	1,905,368
	<u>51,135,560</u>	<u>55,213,522</u>
OPERATING LOSS	(544,881)	(1,954,220)
Other income	307,140	221,903
	<u>(237,741)</u>	<u>(1,732,317)</u>
Other charges	309,733	354,028
NET LOSS BEFORE THE FOLLOWING	(547,474)	(2,086,345)
<i>Special Item</i>		
Idle plant expense	137,337	64,911
NET LOSS AND SPECIAL ITEM	<u>\$ (684,811)</u>	<u>\$ (2,151,256)</u>

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

EARNINGS RETAINED IN THE BUSINESS AT BEGINNING OF YEAR	\$26,018,710	\$29,730,704
Net loss and special item for the year	(684,811)	(2,151,256)
Retirement of treasury stock (<i>Note F</i>)	(1,591,909)	—0—
Estimated loss on properties to be sold	(1,500,000)	(1,400,000)
Dividends paid	—0—	(160,738)
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u>\$22,241,990</u>	<u>\$26,018,710</u>

See accompanying notes to financial statements.

BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements For the Year Ended September 28, 1963

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 28, 1963 and September 29, 1962 are stated at net book values of \$12,824,953 and \$15,913,292, respectively. The net values used for federal income tax purposes were \$15,918,135 and \$18,473,485, respectively. Consistent with the practice of prior years, depreciation has been charged to operations on the book basis. The estimated loss on properties to be sold reduces the net book value of these assets to estimated realizable amount.

Note C — Taxes on Income

Federal income tax returns of the Company have been examined through the fiscal year ended September 30, 1957. The statute of limitations has expired on fiscal years ended in 1958 and 1959.

Including the current year's loss, the Company has unused federal income tax carryovers of approximately \$4,300,000. To the extent not utilized \$400,000 will expire at September 30, 1966 and \$3,900,000 in the succeeding 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 \$379,000 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.

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 of a nominal amount.

Note F — Corporate Changes

At the annual meeting of stockholders held December 4, 1962 it was voted that the authorized capital stock of this Corporation be reduced to 2,312,816 shares of \$5 par value common stock.

It was voted also that the 687,184 shares of common stock held in the treasury be canceled and retired and that the excess of cost over par value of the retired shares be charged to Capital Surplus to the extent of such Capital Surplus — \$2,738,106, and the balance thereof amounting to \$1,591,909 be charged to Retained Earnings.

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 28, 1963 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 28, 1963, 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.

Comery, Davison & Company

October 30, 1963

BERKSHIRE HATHAWAY INC.

COMPARATIVE FINANCIAL DATA

FISCAL YEARS →	1963	1962	1961	1960	1959
Sales	\$50,590,679	\$53,259,302	\$47,722,281	\$62,608,679	\$69,511,792
Net earnings (loss)	(684,811)	(2,151,256)	(393,054)	4,623,980	1,322,099
Earnings (loss) per share of common stock	(.43)	(1.34)	(.24)	2.84	.68
Cash dividends paid	—0—	160,738	1,205,535	1,715,323	464,287
Cash dividends paid per share	—0—	.10	.75	.95	.22½
Additions to properties, plant and equipment	665,813	3,454,069	4,020,542	3,818,632	1,125,253
Working capital	17,410,503	16,473,783	19,844,122	23,430,319	25,858,987
Working capital per share	10.83	10.25	12.35	14.41	13.35
Stockholders' equity	30,278,890	32,463,701	36,175,695	37,981,820	38,911,549
Stockholders' equity per share	18.84	20.20	22.51	23.37	20.10
Common shares outstanding	1,607,380	1,607,380	1,607,380	1,625,519	1,936,321

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. 02741

SALES OFFICES

STAPLE & BOX LOOM GREY GOODS	HATHAWAY MENSWEAR LININGS
111 West 40th Street, New York, N. Y.	1290 Avenue of the Americas, New York, N. Y.

HOME FABRICS

261 Fifth Avenue, New York, N. Y.
3028 East 11th Street, Los Angeles, Calif.
100 Wellington Street, West, Toronto, Canada

PLANT LOCATIONS

Hathaway Box Loom Div., New Bedford, Mass.	King Philip A Div., Fall River, Mass.
Hathaway Synthetic Div., New Bedford, Mass.	King Philip D Div., Warren, R. I.
Warehouse, Fall River, Mass.	King Philip E Div., Fall River, Mass.

LABORATORY

New Bedford, Mass.

TRANSFER AGENT

OLD COLONY TRUST COMPANY
45 Milk Street
Boston, Mass.

REGISTRAR

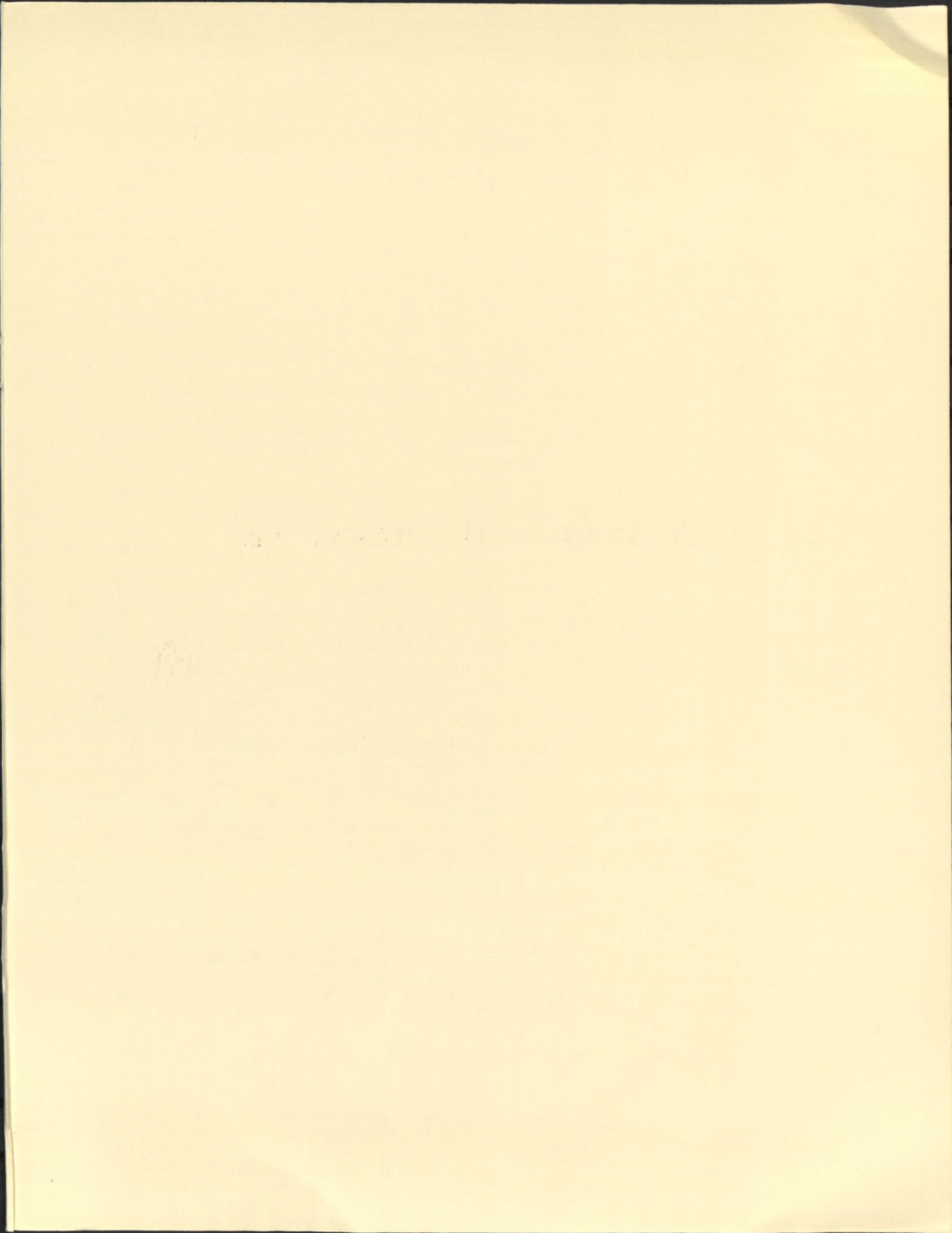
THE FIRST NATIONAL BANK OF BOSTON
45 Milk Street
Boston, Mass.

AUDITORS

COMERY, DAVISON & COMPANY
Providence, R. I.

COUNSEL

ROPES & GRAY
Boston, Mass.



BERKSHIRE HATHAWAY INC.