



**BERKSHIRE HATHAWAY INC.**

*Annual Report*

**TO THE STOCKHOLDERS**

**1965**





# BERKSHIRE HATHAWAY INC.

The Company had 3,141 Stockholders on  
October 2, 1965

## DIRECTORS

MALCOLM G. CHACE, JR., *Chairman*

WARREN E. BUFFETT

BRADFORD R. FROST

JONATHAN CHACE

ARTHUR INGRAHAM, JR.

KENNETH V. CHACE

STANLEY RUBIN

DANIEL COWIN

OTIS C. STANTON

LINSLEY V. DODGE

A. N. WINSLOW, JR.

## OFFICERS

KENNETH V. CHACE, *President*

HAROLD V. BANKS, *Treasurer and Clerk*

STANLEY RUBIN, *Vice President*

RICHARD BOWEN, *Vice President*

JOHN E. HARTLEY, *Vice President*



# BERKSHIRE HATHAWAY INC.

## FINANCIAL HIGHLIGHTS

For Fiscal Years 1965 and 1964

	<u>October 2, 1965</u>	<u>October 3, 1964</u>
Sales . . . . .	\$49,300,685	\$49,982,830
Net earnings before charge equivalent to Federal income taxes . . . . .	4,319,206	175,586
Charge equivalent to Federal income taxes (see Note C to Financial Statements) . . . . .	2,040,000	50,000
Net earnings . . . . .	2,279,206	125,586
Net earnings per share . . . . .	2.24	.11
Depreciation . . . . .	862,424	1,101,147
Additions to properties, plants and equipment . . . . .	\$ 811,812	\$ 288,608
—————		
Cash . . . . .	\$ 775,504	\$ 920,089
Marketable securities and certificates of deposit . . . . .	2,900,000	—0—
Notes payable — banks . . . . .	—0—	2,500,000
Accounts receivable (net) . . . . .	7,422,726	7,450,565
Inventories . . . . .	10,277,178	11,689,145
Working capital . . . . .	17,869,526	14,502,068
Working capital per share . . . . .	17.56	12.75
Stockholders' equity . . . . .	24,520,114	22,138,753
Stockholders' equity per share . . . . .	24.10	19.46
Payroll . . . . .	\$11,618,517	\$13,135,731
Shares outstanding at end of year . . . . .	1,017,547	1,137,778



# BERKSHIRE HATHAWAY INC.

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

For the Year Ended October 2, 1965

November 9, 1965

TO THE STOCKHOLDERS OF  
BERKSHIRE HATHAWAY INC.:

The fiscal year ended October 2, 1965 resulted in net earnings of \$2,279,206 as compared to net earnings of \$125,586 for the prior year. These net earnings do not reflect any nonrecurring losses incurred on the disposal of assets due to the permanent closing of the King Philip Plants A and E in Fall River, Massachusetts, as such losses have been charged to a reserve previously established for such purpose.

Because of loss carryovers, no federal income taxes were payable by the Corporation with respect to either of these years; however, to prevent any misleading interpretation of future earnings when loss carryovers shall not be available, the Corporation has included in computing net earnings for 1965 and 1964 a charge substantially equal to the federal income taxes that would have been payable with respect to results of operations during each of these years.

The Corporation is continuing to operate King Philip Plant D in Warren, Rhode Island, and the Hathaway Synthetic, Box Loom and Home Fabrics Divisions in New Bedford, Massachusetts.

During 1965 raw material, stock in process and cloth inventories were decreased by \$1,411,967 and bank loans of \$2,500,000 were paid off. Also, during the year the Corporation purchased 120,231 of its own shares, leaving a total of 1,017,547 shares outstanding at the end of the fiscal year.

The Corporation made a substantial reduction in its overhead costs during the fiscal year just ended. Approximately \$811,812 was invested by the Corporation during the year in the purchase of new machinery in a continuing effort to reduce costs and to improve quality. This program will continue during the current fiscal year.

A major portion of the machinery at King Philip Plant E Division has been sold. We expect to dispose of the remaining portion of this plant during the current fiscal year. This will complete the liquidation of our unprofitable plants. The proposed sale of the King Philip E Division will make it necessary to provide storage for raw cotton and grey cloth for the King Philip D Division at the Hathaway Division Plant C (former Langshaw Mill). Plans are under way to accomplish this within the current fiscal year.

After more than fifty years of service, Mr. Seabury Stanton resigned as a director and as President, and Mr. Kenneth V. Chace was elected to succeed him. At the same time, Mr. John K. Stanton resigned as a director and as Treasurer and Clerk. Mr. Harold V. Banks was elected to succeed him as Treasurer and Clerk.

All divisions of the Corporation currently have substantial backlogs of unfilled orders and we presently anticipate that operations for the coming year will continue to be profitable.

We wish to express our thanks to all the employees of the Corporation whose loyal cooperation and efforts have helped to make this year successful.

MALCOLM G. CHACE, JR.  
*Chairman of the Board*

KENNETH V. CHACE  
*President*



# BERKSHIRE

## REVIEW OF

### EARNINGS AND SALES

Earnings for the fiscal year ended October 2, 1965 were \$2,279,206 after depreciation of \$862,424. This compares with earnings of \$125,586 for the year ended October 3, 1964, after depreciation of \$1,101,147. Sales volume for the year ended October 2, 1965 was \$49,300,685, compared with \$49,982,830 for the year ended October 3, 1964.

### FINANCIAL DEVELOPMENTS

The financial position of the Company continues strong. Net working capital on October 2, 1965 was \$17,869,526, or \$17.56 per share, compared with \$14,502,068, or \$12.75 per share on October 3, 1964 on the shares then outstanding.

During the year, the Corporation purchased 120,231 of its shares, leaving a total of 1,017,547 shares outstanding. Bank loans of \$2,500,000 were paid off during the fiscal year.

### INVENTORIES

Inventories on October 2, 1965 amounted to \$10,277,178 compared to \$11,689,145 on October 3, 1964, or a decrease of \$1,411,967.

### EMPLOYEE RELATIONS

As a result of contract negotiations, we, along with the rest of the New England cotton textile industry, granted a general wage increase in April 1965. Our present contract with the Union expires April 15, 1966.



# HATHAWAY INC.

## OPERATIONS

### MERCHANDISING TRENDS

During the fiscal year, Congress passed legislation which provides for the extension of one-price cotton through July 31, 1970, which will enable American textile mills to continue to purchase American cotton at the same Government established price at which it is sold to foreign countries.

We have had a substantial increase in sales in our Home Fabrics Division and look forward to continued growth in this area of our business.

### PLANTS AND EQUIPMENT

A large part of the machinery at King Philip E Division has been sold. It is expected that the remaining portion of this plant will be disposed of during the current fiscal year. This will complete the program of liquidating unprofitable plants.

The Hathaway Division Plant C (former Langshaw Mill) is being prepared to provide storage for raw cotton and grey cloth for the King Philip D Division. This material is presently being stored at the King Philip E Division.

Because of a reappraisal of machinery listed for sale, we have increased the reserve for losses on sale of plant assets by \$300,000.

### OPERATIONS

The Company maintains four operating divisions — King Philip D Division in Warren, Rhode Island, and the Hathaway Synthetic, Box Loom, and Home Fabrics Divisions in New Bedford, Massachusetts.



# BERKSHIRE

## CONSOLIDATED

OCTOBER  
with comparative

### ASSETS

	<u>1965</u>	<u>1964</u>
CURRENT ASSETS:		
Cash . . . . .	\$ 775,504	\$ 920,089
Marketable securities (including \$2,600,000 of short term certificates of deposit), at cost, approximate market . . . . .	2,900,000	—0—
Accounts receivable (less allowance for doubtful accounts — 1965 — \$280,302) . . . . .	7,422,726	7,450,564
Inventories ( <i>Note A</i> ) . . . . .	10,277,178	11,689,145
Prepaid insurance, taxes and other expense . . . . .	196,391	190,563
TOTAL CURRENT ASSETS . . . . .	<u>21,571,799</u>	<u>20,250,361</u>
PROPERTIES, PLANTS AND EQUIPMENT ( <i>Note B</i> ):		
Properties comprising land, buildings, machinery and equipment . . . . .	28,019,742	33,635,553
Less accumulated depreciation and amortization . . . . .	19,593,163	21,853,689
	<u>8,426,579</u>	<u>11,781,864</u>
Less estimated loss on properties to be sold . . . . .	1,809,132	4,210,621
	<u>6,617,447</u>	<u>7,571,243</u>
MORTGAGE NOTES RECEIVABLE AND OTHER ASSETS . . . . .	33,141	65,442
TOTAL ASSETS . . . . .	<u>\$28,222,387</u>	<u>\$27,887,046</u>

See accompanying notes



# HATHAWAY INC.

## BALANCE SHEET

2, 1965  
figures for 1964

### — LIABILITIES AND STOCKHOLDERS' EQUITY —

	<u>1965</u>	<u>1964</u>
CURRENT LIABILITIES:		
Notes payable — banks . . . . .	\$ —0—	\$ 2,500,000
Accounts payable . . . . .	2,581,585	2,096,726
Accrued wages and salaries . . . . .	296,256	294,764
Accrued state and local taxes . . . . .	441,951	365,112
Social security and withholding taxes payable . . . . .	382,481	491,691
	<u>3,702,273</u>	<u>5,748,293</u>
TOTAL CURRENT LIABILITIES . . . . .		
STOCKHOLDERS' EQUITY:		
Common stock (\$5 par value) authorized 1,843,214 shares — issued 1,137,778 shares ( <i>Note E</i> )	5,688,890	8,036,900
Retained earnings . . . . .	20,469,068	19,417,576
	<u>26,157,958</u>	<u>27,454,476</u>
Less common stock in treasury at cost — 120,231 shares ( <i>Note E</i> )	1,637,844	5,315,723
	<u>24,520,114</u>	<u>22,138,753</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY . . . . .	<u>\$28,222,387</u>	<u>\$27,887,046</u>

to financial statements.



# BERKSHIRE HATHAWAY INC.

## CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED OCTOBER 2, 1965  
with comparative figures for 1964

	<u>1965</u>	<u>1964</u>
NET SALES . . . . .	\$49,300,685	\$49,982,830
Cost of sales . . . . .	42,478,984	47,382,337
Gross profit . . . . .	6,821,701	2,600,493
Selling, general and administrative expenses . . . . .	2,135,038	2,072,822
OPERATING INCOME . . . . .	4,686,663	527,671
Other deductions, net . . . . .	127,348	126,060
Idle plant expense . . . . .	240,109	226,025
	<u>367,457</u>	<u>352,085</u>
EARNINGS BEFORE CHARGE EQUIVALENT TO FEDERAL INCOME TAXES . . . . .	4,319,206	175,586
Charge equivalent to Federal income taxes (Note C) . . . . .	2,040,000	50,000
NET EARNINGS . . . . .	<u>\$ 2,279,206</u>	<u>\$ 125,586</u>
Depreciation and amortization . . . . .	<u>\$ 862,424</u>	<u>\$ 1,101,147</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

BALANCE AT BEGINNING OF YEAR . . . . .	\$19,417,576	\$22,241,990
Net earnings for the year . . . . .	2,279,206	125,586
Credit resulting from charge equivalent to Federal income taxes (Note C) . . . . .	2,040,000	50,000
Retirement of treasury stock (Note E) . . . . .	(2,967,714)	—0—
Estimated loss on properties to be sold . . . . .	(300,000)	(3,000,000)
BALANCE AT END OF YEAR . . . . .	<u>\$20,469,068</u>	<u>\$19,417,576</u>

*See accompanying notes to financial statements.*



# BERKSHIRE HATHAWAY INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 2, 1965

### **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 King Philip D Division 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 October 2, 1965 and October 3, 1964 are stated at net book values of \$6,617,447 and \$7,571,243, respectively. The net values used for Federal income tax purposes were \$9,185,584 and \$12,700,092, 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**

No Federal tax is payable with respect to the net earnings for the years ended October 2, 1965 and October 3, 1964 because of operating loss carryovers and losses on plant assets. These latter losses were charged against a reserve set up by charges against retained earnings. However, to prevent a misleading interpretation of future earnings after these losses have been fully utilized, a charge equivalent to the Federal income tax which would have been payable in these years had these losses not been available, has been reflected in the consolidated statement of earnings, and the amount of tax savings due to these losses has been reflected as a credit in the consolidated statement of retained earnings in both years. The 1964 figures have been revised to reflect the tax savings from these losses on a comparable basis with the current year. The unused carryover losses available to be offset against future earnings at October 2, 1965 amounted to \$3,450,000.

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 through 1961.

### **Note D — Contingent Liabilities and Commitments**

The Company has made or provided for 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 \$147,000 under the union contract of certain employees who have reached the retirement age specified, with a minimum service of fifteen years and who retire voluntarily.

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 \$280,000.

### **Note E — Corporate Changes**

At the annual meeting of stockholders held December 1, 1964, it was voted that the authorized capital stock of this Corporation be reduced to 1,843,214 shares of \$5 par value common stock by cancelling and retiring the 469,602 shares held in the treasury at October 3, 1964 and that the excess of cost over par value of retired shares be charged to retained earnings.



# BERKSHIRE HATHAWAY INC.

## ACCOUNTANTS' REPORT

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PEAT, MARWICK, MITCHELL & CO.

(COMBINING COMERY, DAVISON & COMPANY)

CERTIFIED PUBLIC ACCOUNTANTS

10 DORRANCE STREET

PROVIDENCE, RHODE ISLAND 02903

The Board of Directors and Stockholders  
Berkshire Hathaway Inc.:

We have examined the consolidated balance sheet of Berkshire Hathaway Inc. and its subsidiary as of October 2, 1965 and the related statements of earnings and retained earnings 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 earnings and retained earnings present fairly the financial position of Berkshire Hathaway Inc. at October 2, 1965, 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, restated as explained in Note C of notes to consolidated financial statements.

October 28, 1965

*Peat, Marwick, Mitchell & Co.*

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# BERKSHIRE HATHAWAY INC.

## COMPARATIVE FINANCIAL DATA

FISCAL YEARS <span style="font-size: 1.2em;">→</span>	1965	1964	1963	1962	1961
Sales . . . . .	<b>\$49,300,685</b>	\$49,982,830	\$50,590,679	\$53,259,302	\$47,722,281
Net earnings (loss) before charge (credit) equivalent to Federal in- come taxes . . . . .	<b>4,319,206</b>	175,586	(684,811)	(2,151,256)	(393,054)
Charge (credit) equivalent to Federal income taxes . . . . .	<b>2,040,000</b>	50,000	(280,000)	(1,140,000)	(240,000)
Net earnings (loss) . . . . .	<b>2,279,206</b>	125,586	(404,811)	(1,011,256)	(153,054)
Net earnings (loss) per share of com- mon stock outstanding . . . . .	<b>2.24</b>	.11	(.25)	(.63)	(.09)
Cash dividends paid . . . . .	<b>—0—</b>	—0—	—0—	160,738	1,205,535
Cash dividends paid per share . . . . .	<b>—0—</b>	—0—	—0—	.10	.75
Additions to properties, plants, and equipment . . . . .	<b>811,812</b>	288,608	665,813	3,454,069	4,020,542
Working capital . . . . .	<b>17,869,526</b>	14,502,068	17,410,503	16,473,783	19,844,122
Working capital per share . . . . .	<b>17.56</b>	12.75	10.83	10.25	12.35
Stockholders' equity . . . . .	<b>24,520,114</b>	22,138,753	30,278,890	32,463,701	36,175,695
Stockholders' equity per share . . . . .	<b>24.10</b>	19.46	18.84	20.20	22.51
Common shares outstanding . . . . .	<b>1,017,547</b>	1,137,778	1,607,380	1,607,380	1,607,380

NOTES: Net earnings (loss) and earnings (loss) per share of common stock for fiscal years ended in 1961 through 1964 have been restated to give effect to charge (credit) equivalent to Federal income taxes. See Note C to Financial Statements.

"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

### PLAIN & FANCY GREY GOODS

111 West 40th Street, New York, N. Y. 10018

### HATHAWAY MENSWEAR LININGS

1290 Avenue of the Americas, New York, N. Y. 10019

### HOME FABRICS

261 Fifth Avenue, New York, N. Y. 10016

1311 Merchandise Mart Plaza, Chicago, Ill. 60654

3028 East 11th Street, Los Angeles, Calif. 90023

100 Wellington Street West, Toronto 1, Ontario, Canada

## PLANT LOCATIONS

Hathaway Box Loom Div., New Bedford, Mass.

Home Fabrics Div., New Bedford, Mass.

Hathaway Synthetic Div., New Bedford, Mass.

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

## LABORATORY

New Bedford, Mass.

## TRANSFER AGENT

OLD COLONY TRUST COMPANY

45 Milk Street

Boston, Mass. 02106

## REGISTRAR

THE FIRST NATIONAL BANK OF BOSTON

45 Milk Street

Boston, Mass. 02106

## AUDITORS

PEAT, MARWICK, MITCHELL & Co.

Providence, R. I. 02903

## COUNSEL

ROPES & GRAY

Boston, Mass. 02110







**BERKSHIRE HATHAWAY INC.**