

THE GLIDDEN COMPANY



CLEVELAND, OHIO

December 30, 1933

TO THE SHAREHOLDERS:

Herewith is submitted the annual report of The Glidden Company for the year ending October 31, 1933, as certified by Ernst & Ernst. There has been no change in the Company's established procedure in bookkeeping and accounting and the figures contained herein are accordingly comparable with the last annual report.

The net profits for the year, after interest, depreciation charges and all State and Federal taxes, amounted to \$1,432,863.20 and, after allowing for payment of preferred dividends, were equivalent to \$1.51 per share on the 650,000 shares of common stock outstanding.

All the properties of the Company have been maintained in excellent physical condition and the regular policy of charging depreciation has been followed. Total depreciation for the past fiscal year amounted to \$479,028.88.

During the year the Company has acquired a modern and fully equipped vegetable oil refinery at Louisville, Kentucky which is being operated under the name of Van Camp Oil Products Company. This additional plant was purchased for cash at a very advantageous figure and rounds out the facilities of the Food Products Division.

The Company has taken advantage of the opportunities afforded by very low prices to accumulate larger inventories than usual at costs well below current markets.

The Company has continued to purchase its Five Year 5½% Gold Notes in the open market and has reduced the outstanding funded debt from \$4,715,000 to \$3,680,000.

While the past year has been a difficult one the Company has been able to meet the changing conditions and to earn a profit. The prospects for the ensuing year are very encouraging.

The Board of Directors and Officers desire to take this opportunity to thank the employees and executives in charge of operations whose efforts have contributed so substantially to the results as shown in the annual report.

By order of the Board of Directors,

ADRIAN D. JOYCE,

President.

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A S S E T S

Current

Cash on Hand, on Deposit and in Transit		\$ 680,727.80	
Customers' Notes and Acceptances Receivable	\$ 151,646.39		
Customers' Accounts Receivable	3,407,076.23		
	<u>\$ 3,558,722.62</u>		
Less: Reserve	171,381.09	3,387,341.53	
Miscellaneous Current Accounts and Creditors' Debit Balances		66,202.14	
Inventories—Raw Material, In Process and Finished Merchandise on Hand and in Transit on basis of lower of cost or market value (Certified by Management)		7,031,107.01	\$11,165,378.48

Other Assets

Cash Surrender Value of Life Insurance		\$ 273,111.00	
Treasury Stock—11,341 Shares of Common and 1,590 Shares of Prior Preference at Cost		254,792.10	
Cost of Common Stock Purchased for Resale—under Option to Employees at Cost 35,355 Shares		269,080.75	
Officers' and Employee's Notes Receivable for Purchase of Common Stock—8,122 Shares		208,670.07	
Deposits in Closed Banks		178,607.26	
Miscellaneous Notes, Accounts, Salesmen's Advances, Sundry Investments, Etc.		218,746.51	1,403,007.69

Permanent

Land		\$1,751,884.88	
Buildings, Machinery, Equipment, Etc. on Basis of Cost or Appraisal Value, Less Special Write-down	\$ 13,025,397.59		
Less: Reserve for Depreciation	4,337,902.30	8,687,495.29	10,439,380.17

Investment in California Mining Companies

Mining Companies—Fully Owned (Not operated during current year):			
Investment in and Advances to The California Zinc Company and Afterthought Zinc Mining Company			1,023,650.80

Good Will, Patents, Trade Marks, Reorganization Expense, Etc.

3,096,326.23

Prior Preference Stock Purchased for Sinking Fund

366 Shares at Cost			24,060.35
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Deferred

Inventory of Advertising Stock, Stationery, Factory Supplies, Unexpired Insurance Premiums, Prepaid Taxes, Etc.		331,826.59	
		<u>\$ 27,483,630.31</u>	

The Glidden Company,
Cleveland,
Gentlemen:

December 22, 1933

We submit herewith consolidated balance sheet of THE GLIDDEN COMPANY—CLEVELAND and SUBSIDIARIES, excepting California mining companies, as of the close of business October 31, 1933, subject to the following comments:

Cash funds on deposit were confirmed directly to us by depositary banks, the amounts reported being reconciled with the balances shown by the Company's records and by reports received from branches and subsidiaries. We inspected notes and acceptances receivable at Cleveland and at certain subsidiaries and lists were submitted in substantiation of like items at branches and other subsidiaries. Trial balances of customers' accounts receivable were submitted for our examination, but we did not correspond with the individual debtors. We also checked trial balances submitted to us with individual ledger accounts at Cleveland and at certain subsidiaries. The reserve provided for doubtful notes, accounts, discounts, etc., in our opinion, is sufficient. Data examined by us indicated that merchandise inventories were taken and priced under the direction of the management and the entire inventory has been certified to us by a responsible official of the Company, as to quantities, salability and a basis of valuation as representing the lower of cost

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ATED BALANCE SHEET

VELAND, AND SUBSIDIARIES

NESS OCTOBER 31, 1933

LIABILITIES

Current

Notes Payable for Money Borrowed from Banks	\$	450,000.00	
Accounts Payable for Purchases, Pay Rolls, Etc.		709,549.58	
Accrued Taxes, Interest, Insurance, Royalties, Etc.		527,909.85	\$ 1,687,459.43

Funded Debt

Five Year 5½% Gold Notes (Due June 1, 1935):			
Issued	\$	6,000,000.00	
Less: Retired		2,500,000.00	\$ 3,500,000.00
First Mortgage 6% Bonds of Subsidiary Companies (\$35,000.00 Due April 15, 1934)		180,000.00	3,680,000.00

Reserve

For General Contingencies, Etc., including Deposits in Closed Banks			268,406.16
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Nominal

Capital Stock

Prior Preference 7% Cumulative

Authorized 75,000 Shares	\$	7,500,000.00	
Less: Unissued and Redeemed 10,000 Shares		1,000,000.00	\$ 6,500,000.00

Common—Without Par Value

Authorized 800,000 Shares			
Outstanding 650,000 Shares			
Stated Capital \$5.00 per Share		3,250,000.00	

Surplus

Capital	\$	8,194,404.39	
Profit and Loss		3,903,360.33	12,097,764.72
			21,847,764.72
			<u>\$ 27,483,630.31</u>

(Note A) The Companies were reported as having letters of credit outstanding in the amount of \$522,347.45 at October 31, 1933.

(Note B) This balance sheet is subject to the comments in our "Certificate," included in this report.

or market values at October 31, 1933. Test checks were made by us of the method of pricing and mathematical accuracy of inventory computations, but we made no verification of inventory quantities. During the year the investment in California mining companies was increased in the amount of \$13,553.73, representing cash advances made by the parent Company. Provision has been made in the accompanying balance sheet for all ascertained liabilities of the Companies at October 31, 1933. Outstanding gold notes and first mortgage bonds payable were verified by direct correspondence with the trustees. We have made a general review of the operating accounts for the year ended October 31, 1933 and include herewith consolidated operating statement and summary of surplus accounts for the year. Subject to the foregoing, WE HEREBY CERTIFY, that in our opinion, based upon the records examined and information obtained by us, the accompanying balance sheet sets forth the financial position of THE GLIDDEN COMPANY—CLEVELAND, and SUBSIDIARIES, excepting the California mining companies, as of the close of business October 31, 1933, and the relative operating statement reflects the results from operations for the year then ended.

Very truly yours,
Ernst & Ernst, Certified Public Accountants

CONDENSED CONSOLIDATED OPERATING STATEMENT
THE GLIDDEN COMPANY—CLEVELAND, AND SUBSIDIARIES

For the Fiscal Year Ended October 31, 1933

Net Sales

(Excluding inter-company and subsidiary
sales and transfers)

\$ 24,845,551.45

Profit Before Interest, Depreciation and Other Deductions

\$ 2,397,206.08

Other Deductions—Net

\$ 182,717.88

Less:

Discount on 5½% Gold Notes Purchased
and Retired

110,886.13

71,831.75

Interest on Funded Debt

\$ 2,325,374.33
233,482.25

*Profit Before Providing for Depreciation and
Federal Income Tax*

\$ 2,091,892.08

Provision for Depreciation

479,028.88

Profit Before Federal Income Tax

\$ 1,612,863.20

Provision for Federal Income Tax

180,000.00

Net Profit

\$ 1,432,863.20

SURPLUS ACCOUNTS

Capital Surplus

Balance October 31, 1932

\$ 8,167,458.17

Addition

Excess of Selling Price Over Cost of 3,000 Shares
of Common Stock Sold

26,946.22

Balance October 31, 1933

\$ 8,194,404.39

Profit and Loss—Surplus

Balance October 31, 1932

\$ 2,920,165.28

Net Profit from Operations for the Fiscal
Year ended October 31, 1933

1,432,863.20

Dividends Paid—Prior Preference—7%

\$ 4,353,028.48
449,668.15

Balance October 31, 1933

\$ 3,903,360.33