

Annual Report

1955



THE SHERWIN-WILLIAMS CO.

0007-SWP-034833



THE SHERWIN-WILLIAMS CO.

A. W. STEUDEL

PRESIDENT

To the Stockholders:

We present herewith the Consolidated Balance Sheet and Consolidated Income and Surplus Accounts of The Sherwin-Williams Company for the fiscal year ended August 31, 1955.

The earnings before Federal Income Tax and provision for the Pension Plan are \$26,481,701.

The amount estimated for Federal Income Tax is \$1,772,106.

The allowance for the Pension Plan is \$2,700,000.

The final consolidated net earnings, after all deductions, are \$11,979,496.

This establishes a new high record of earnings in the Company's history.

The net amount earned on the 1,277,654 shares of Common Stock outstanding, after deducting Preferred Dividends, is \$9.99 per share.

Sales again surpassed those of any preceding year. Compared with last year, the increase is 4 percent. Consumer products, which constitute the main bulk of the Company's business, showed a gain both in sales and profits. Industrial sales also contributed a larger volume as a result of the improved conditions in the industrial field. Super Kem-Tone and Kem-Glo, the country's leading finishes in wall paint and

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all purpose enamel respectively, are still running ahead of all previous years' records. This year the Kam line passed the one hundred million gallon mark since the introduction of Kam-Tone as an entirely new type of wall paint.

A major portion of the increase in this year's earnings over the previous year is due to larger profits from the growing operations in the chemical, color and can divisions of the Company. Further expansion plans are under way. The construction of a new can plant costing about \$1,500,000 is near completion at San Leandro, California, which is intended to supply the needs not only of our own plants on the Pacific Coast, but also those of other companies. At Chicago a new Phthalic Anhydride unit is in operation. Phthalic Anhydride is a basic ingredient of alkyd resins and plasticizers. Approximately a million dollars has been appropriated for enlarging the facilities for the production of Paracresol, which is an important chemical base for a product used principally as an additive to airplane fuel and lubricants in general. It also plays a part in the manufacture of organic colors. Another plant now under construction, involving an expenditure of about \$1,250,000, is for the production of Phthalocyanine Blues and Greens. The colors made by this process are the highest quality and most permanent available for paints, floor coverings, textiles and printing inks.

Inventories were substantially higher than at the close of the preceding year. The largest part of this increase was in finished goods and was the result of a program for leveling out production, thereby reducing costs and stabilizing employment.

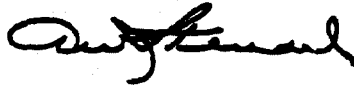
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Greater stress than ever was placed on research for the improvement of the Company's products in all lines and the development of new ones. By introducing a tube system for mixing colors, an infinite variety of color has now been placed at the service of the American home owner. In addition, better finishes are constantly being evolved that are "tailor made" to meet the specific needs of the industrial market.

The management is confident of an ever growing potential market for its products and is gearing its manpower to take full advantage of this prospect.

Again the management expresses its thanks to the organization for its fine spirit of enthusiasm and its loyalty and support in promoting the interests of the Company.



President.

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CONSOLIDATED BALANCE SHEET THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

AUGUST 31, 1955

Assets		Liabilities, Capital Stock, and Surplus	
CURRENT ASSETS		CURRENT LIABILITIES	
Cash	\$ 30,179,600	Trade accounts payable, payroll, and miscellaneous items	\$ 14,686,301
Trade receivables, less allowances for doubtful accounts	22,789,087	Dividends on preferred stock—payable September 1, 1955	138,130
Inventory—raw materials and supplies, in process and finished merchandise, at lower of cost or market	29,463,555	Deposits—employees and others	1,448,379
TOTAL CURRENT ASSETS	80,432,242	Accounts payable (other than federal income taxes) and other obligations	951,689
		Federal taxes on income—accrued	912,489,880
INVESTMENTS AND OTHER ASSETS		Less U. S. Treasury Tax Anticipation Certificates	1,000,000
Securities of subsidiaries not consolidated—Note A	34,871,631	TOTAL CURRENT LIABILITIES	7,488,469
Miscellaneous receivables, advances, insurance deposits, and merchandise receivables, less allowances	302,372		\$ 24,034,440
PROPERTY, PLANT, AND EQUIPMENT			
Land, building, machinery, and equipment—at cost less accumulated depreciation	34,748,041	RESERVES	
PATENTS AND TRADEMARKS		For contingencies and other	\$ 3,373,584
Natural assets		For pensions	2,700,000
DEFERRED CHARGES			6,073,584
Advertising costs and miscellaneous supplies	\$ 979,377		
Prepaid insurance and other deferred items	1,284,332	CAPITAL STOCK AND SURPLUS	
	2,263,709	Capital stock:	
	84,696,951	Preferred—authorized 500,000 shares (par value \$100.00 each)—outstanding at \$200.00 per share:	
		Outstanding—cumulative preferred stock, 4% series	\$12,815,000
		Common—authorized 1,000,000 shares (par value \$20.00 each):	
		Outstanding 1,377,894 shares	27,557,889
		Retained surplus	113,688,295
			216,971,189

Note A—Description of subsidiaries not consolidated are stated in notes and include investments of approximately \$6,119,000 in a privately-owned Canadian subsidiary, and approximately \$222,000 in subsidiaries in Brazil and Argentina. The representative amounts of consolidated net income, and when applicable to investments in subsidiaries not consolidated were as follows: Canada—\$4,357,000; Brazil—\$1,819,000; Argentina—

\$22,000. Transfer of funds from the South American subsidiaries is restricted and although they are not wholly owned the amounts of such subsidiaries are not consolidated for these reasons.
Note B—The current assets represent approximately 95% of consolidated net assets owned by consolidated foreign subsidiaries, based on balance sheet data, less than recorded and U. S. dollars at the applicable exchange rates in effect as August 31, 1955.

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CONSOLIDATED INCOME AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year ended August 31, 1935

INCOME

Profit from operations for the year ended August 31, 1935, before other income, provision for depreciation, other deductions, and federal taxes on income... **329,059,907**

Other income:

Dividends received (net) on capital stock of foreign unconsolidated subsidiaries—Note A \$ 473,531
Miscellaneous..... 253,006 **726,537**
329,786,444

Other deductions:

Provision for pensions..... \$ 2,700,000
Provision for depreciation..... 2,451,947
Provision for foreign taxes and miscellaneous items..... 631,353
Net charge arising from sale or abandonment of depreciable assets..... 176,083
Interest expenses..... 57,508

Federal taxes on income:

Provision for the year—estimated..... \$12,400,000
Adjustments for prior years.. 627,894 **11,772,106** 17,788,849
NET INCOME... 311,979,595

EARNED SURPLUS

Balance at September 1, 1934..... **380,407,834**
Add net income for the year..... 11,979,595
572,387,429

Deduct:

Cash dividends declared and paid or provided for during the year:
Preferred—\$4.00 per share.. \$ 615,490 -
Common—\$4.50 per share.. 5,750,343 \$ 6,365,799
Premium on preferred stock redeemed..... 24,730 **6,390,543**
BALANCE AT AUGUST 31, 1935... 565,996,886

*Indicates red figure.

Note A—Reply in our return for the year ended August 31, 1935, reported by unconsolidated subsidiaries was approximately \$285,000 more than the Company's share of dividends paid by such subsidiaries.

Note B—The income accounts of the unconsolidated foreign subsidiaries (Mexico and Cuba) have been translated into U. S. dollars mainly on the basis of rates of exchange in effect at the close of the year.

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AUDITORS' CERTIFICATE

Board of Directors,
The Sherwin-Williams Company,
Cleveland, Ohio.

We have examined the consolidated balance sheet of The Sherwin-Williams Company and consolidated subsidiaries as of August 31, 1933, and the related statements of consolidated income and surplus 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 balance sheet and summaries of income and surplus present fairly the consolidated financial position of The Sherwin-Williams Company and consolidated subsidiaries at August 31, 1933, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
October 11, 1933

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101 Prospect Ave., N.W. Founded in 1906 Cleveland, Ohio

101 Prospect Ave., N.W.

Founded in 1906

Cleveland, Ohio

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Chemicals, Lubricants, Lubrifiers, Lard Oil, Dry Colors, Cans, Insecticides.**

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