Annual Report

1935

THE SHERWIN-WILLIAMS CO.

THE SHERWIN-WILLIAMS CO.

GEORGE A. MARTIN

PRESIDENT

To the Stockholders:

The Annual Report of your Company for the fiscal year ended August 31, 1935 is submitted herewith. On the following pages you will find the Consolidated Balance Sheet of The Sherwin-Williams Company and Subsidiaries as at August 31, 1935 and related Consolidated Income and Surplus Statements as prepared by Ernst & Ernst, Certified Public Accountants, together with their certificate.

The net earnings, after provision for taxes and depreciation, amount to $4,814,704.18. Deducting from this the amount paid in Preferred Dividends during the fiscal year, there remains a balance of $3,921,385.18 earned on the Common Stock or $6.19 per share on the 633,927 shares of Common Stock outstanding.

The volume of sales of the Company including its wholly owned affiliates, was 18.5% in excess of last year.

Referring to the Consolidated Balance Sheet showing the condition of the Company as at August 31, 1935, cash amounted to $7,869,834.43 and current assets $29,981,074.62, against a total indebtedness of $4,507,626.42.

The Earned Surplus of the Company, as it appears on the Consolidated Balance Sheet as at August 31, 1935, was $16,146,510.55.

Again it is a pleasure to report to the Stockholders that the Organization in all its branches and departments has been most loyal and faithful in giving its best in service to the Company and the Management takes this opportunity to express to each and every employee appreciation and gratitude for the wholehearted support given during the year.

Geo. A. Martin

AUDITORS' CERTIFICATE

THE SHERWIN-WILLIAMS COMPANY,
CLEVELAND, OHIO.

We have made an examination of the consolidated balance sheet of THE SHERWIN-WILLIAMS COMPANY and SUBSIDIARIES as at August 31, 1935, and of the statement of consolidated income and surplus for the year ended at that date. In connection therewith we examined or tested accounting records of the Companies and other supporting evidence, and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Inventories have been test checked by us as to method of valuation and computations and, in our opinion, they are stated on the basis of the lower of cost or market values. Reserves have been provided to eliminate estimated inter-plant and inter-company profits in inventories at August 31, 1935.

Investments in capital stock of affiliates not consolidated include investment of $3,695,825.00 in Canadian affiliate stated at cost which was less than the proportionate share of the book value of the net assets as reported to us. Other investments included under securities of affiliated companies not consolidated, aggregating $134,786.23, are stated at equity in net assets of such affiliates.

Permanent assets are stated at carrying values reflected by the books of the respective companies. Such values with respect to the parent company, aggregating $11,152,254.17, represent depreciated cost and the values with respect to subsidiaries are based in part upon appraisals but no appreciation is reflected in the capital or surplus accounts of the parent company. A reserve for revaluation of fixed assets, in the amount of $481,821.20, is included under the caption of reserves.

In our opinion, based upon our examination, the accompanying balance sheet and related statement of income and surplus fairly present the consolidated position of the Company and its subsidiaries as at August 31, 1935, and the results of their operations for the year ended at that date. Further, it is our opinion that the consolidated statements have been prepared in accordance with accepted accounting principles and on a basis consistent with the preceding year.

(Signed) ERNST & ERNST,
Certified Public Accountants

October 23, 1935.

CONSOLIDATED INCOME AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES

For the year ended August 31, 1935.

SUMMARY OF INCOME

Profit from operations for the year ended August 31, 1935 after deducting cost of sales, selling, administrative and general expenses, but before depreciation, other deductions—net and federal income tax - - - - - - - - - - - - - -		$ 6,911,833.23
Less: Provision for depreciation - -		860,094.68
		$ 6,051,738.55
Other deductions:		
Loss on permanent assets sold or scrapped, provision for doubtful accounts, etc., less other income	$ 330,167.14	
Provision for estimated federal income tax - - - - - - - - -	906,867.23	
		1,237,034.37
NET PROFIT FOR YEAR -		$ 4,814,704.18
Surplus balance September 1, 1934 - - - - - - - -		14,739,942.33
		$19,554,646.51

DEDUCTIONS

Dividends paid and provided for, less dividends on treasury shares:		
Preferred - - - - - - - - - -	$ 893,319.00	
Common ($3.25 per share) - -	2,060,262.75	
	$2,953,581.75	
Adjustment of book value of investment in unconsolidated Canadian affiliate to cost - - - - - - - - -	378,700.00	
Excess of cost over par value of treasury common stock retired - - -	51,104.21	
Premium on preferred stock called for redemption - - - - - - - - -	24,750.00	
		3,408,135.96
BALANCE AUGUST 31, 1935 - - - - - - -		$16,146,510.55

(Note A) The Companies' proportionate share of the operating results of unconsolidated affiliates during the year has been reflected in the foregoing statement, with the exception of the results of the Canadian affiliate. Final statement as to operating results of the Canadian affiliate for the year ended August 31, 1935 was not available at date of issuance of this report.

CONSOLIDATED BALA

THE SHERWIN-WILLIAMS COMPANY

As of the close of business Augus

Assets

CURRENT		
Cash - - - - - - - - - - - - -	$ 7,869,834.43	
Notes and acceptances receivable	207,825.72	
Accounts receivable, less reserve (includes accounts amounting to $6,620.07 due from unconsolidated affiliates) - - - - - - -	7,102,670.71	
Inventory—raw materials and supplies, in process and finished merchandise — valued on basis of lower of cost or market - - - -	14,800,743.76	
		$29,981,074.62
OTHER ASSETS		
Notes receivable for properties sold during 1934—secured by mortgage - - - - - - - - - - - -	$ 152,241.18	
Miscellaneous notes and accounts receivable, claims, advances, etc., less reserves - - - - - - - - -	393,526.45	
		545,767.63
INVESTMENTS		
Securities of affiliated companies not consolidated (note A) - -	$ 3,830,611.23	
Other securities—at or below cost	121,643.51	
		3,952,254.74
PERMANENT		
Land, buildings, machinery and equipment at depreciated value (note A) - - - - - - - - - - -		17,046,993.90
PATENTS AND TRADE MARKS		
Nominal value - - - - - - - - -		1.00
DEFERRED		
Advertising stock, stationery, etc.	$ 542,554.22	
Prepaid insurance, taxes, etc. -	249,964.06	
		792,518.28
		$52,318,610.17

(Note A) See comments in accompanying certificate regarding basis of value of investments in securities of affiliated companies not consolidated and of permanent assets.

(Note B) Net decrease in equity in unconsolidated Canadian affiliate since date of acquisition not taken up by parent company amounted to approximately $640,000.00 as of August 31, 1934 (final statement as to operating results for year ended

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NSOLIDATED BALANCE SHEET

N-WILLIAMS COMPANY AND SUBSIDIARIES

As of the close of business August 31, 1935

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-	$29,981,074.62
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-	545,767.63
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-	3,952,254.74
	17,046,993.90
	1.00
	792,518.28
	$52,318,610.17

Liabilities

CURRENT			
Accounts payable, etc. (includes account amounting to $21,719.76 payable to unconsolidated affiliate) - - - - - - - - - - - - -		$ 1,822,072.56	
Preferred dividend—payable September 1, 1935 - - - - - - -		217,761.00	
Accrued federal, state and county taxes, etc. - - - - - - - - - -		1,473,649.34	
Deposits—officers and employees		605,143.52	
Mortgages payable (existing when subsidiaries were fully acquired in 1934) - - - - - - - - - -		389,000.00	$ 4,507,626.42
RESERVES			
For contingencies, revaluation of and maintenance of plants, employers' liability insurance, etc.			1,298,898.20
CAPITAL STOCK OUTSTANDING			
Series "AA" 6% cumulative preferred (145,204 shares—par value $100.00 each) - - - -	$14,520,400.00		
Less: In treasury —30 shares -	3,000.00	$14,517,400.00	
Common (633,927 shares—par value $25.00 each) - - -		15,848,175.00	
CONSOLIDATED EARNED SURPLUS			
Balance August 31, 1935 - - - -		16,146,510.55	46,512,085.55
			$52,318,610.17

egarding basis of value of in-
ated and of permanent assets.
Canadian affiliate since date
to approximately $64?,000.00
ng results for year ended

August 31, 1935 was not available at date of issuance of this report). Proportionate share of net profits or losses on all other unconsolidated affiliates have been taken up.

(Note C) The parent company was reported contingently liable in the amount of $671.50 for notes receivable discounted at August 31, 1935.

THE SHERWIN-WILLIAMS CO.

101 Prospect Ave., N. W. Founded 1866 Cleveland, Ohio

Manufacturers of

Paints, Varnishes, Colors, Stains, Enamels, Lacquers, Lead Products, Dyes, Chemicals, Lithopone, Litharge, Linseed Oil, Dry Colors, Insecticides, Coal Tar Products, Disinfectants, Cleaners, Polishes.

Main Plants

Cleveland - Chicago - Dayton - Detroit - Newark - Brooklyn
Pittsburgh - Oakland, Cal. - Bound Brook, N. J. - Gibbsboro, N. J.
Lincoln - Dallas - Los Angeles - Coffeyville, Kan.

Transfer Agents

CLEVELAND TRUST COMPANY
Cleveland, Ohio

BANKERS TRUST COMPANY
New York, N. Y.

Registrars

CENTRAL UNITED NATIONAL BANK
Cleveland, Ohio

GUARANTY TRUST COMPANY
New York, N. Y.