Annual Report
1950

THE SHERWIN-WILLIAMS CO.

THE SHERWIN-WILLIAMS CO.

A. W. STEUDEL
PRESIDENT

To the Stockholders:

Herewith are presented the Consolidated Balance Sheet and the Consolidated Income and Surplus Statements of The Sherwin-Williams Company for the fiscal year ended August 31, 1950.

The earnings before Federal Income Tax and Special Reserves are $19,070,772.87.

The provision for estimated Federal Income Tax is $6,957,609.85.

The amount set aside for the Pension Plan is $2,300,000.00, which is approximately equivalent to the annual normal requirement of the Plan, together with 10% of the original past service liability, as estimated by the Company's actuaries.

The final consolidated net earnings after all deductions are $9,813,163.02.

After allowing for Preferred Dividends, the net earnings are equivalent to $7.44 per share on the present outstanding 1,277,854 shares of Common Stock.

The sales volume in dollars was 6.3% greater than last year. The percent of increase in gallonage sold, however, was more than this on account of the lower paint prices in effect during the year.

In the past several years reference has been made to the exchange restrictions that have prevailed in trade relations with Brazil and Argentina. A reserve fund of $1,500,000.00 has been built up in prior years, the purpose of which was, among other things, to offset the earnings of the Brazil and Argentina subsidiaries that had been included in the Company's consolidated net earnings. In view of the fact that such exchange restrictions are still in effect, particularly as they apply to transfer of earnings from these countries to the United States, and there appears to be little prospect of an early improvement, it has been decided to eliminate from the Company's statements not only the earnings of the current year but also those of all previous years since the date of the original investment. The effect of this adjustment is that the assets and liabilities of the Brazil and Argentina subsidiaries are no longer consolidated in the Company's Balance Sheet but now appear at the original investment value on the Balance Sheet under the caption "Securities of Subsidiaries not Consolidated." The reserve for investments in foreign subsidiaries has accordingly been reduced from $1,500,000.00 to $491,980.11. Only dividends received in U. S. dollars have this year been included under Income. As to the operations, however, of these Brazil and Argentina subsidiaries, they have been exceedingly profitable in the currencies of their respective countries and, in spite of exchange restrictions, dividends amounting to $300,929.23 were paid in U. S. dollars during the year and, of course, included in the year's income.

During the year the Company introduced a new product to the market which is called "Super Kem-Tone." It is a new deluxe interior flat paint for use on wall or woodwork which is super washable and super durable. It is put out in ready-to-use form and is easy to apply. The colors are beautiful and, with intermixtures, permit a wide variety of color selection. "Super Kem-Tone" has had a most enthusiastic market reception.

Several million dollars were spent over the Company's various plants to modernize equipment and increase production facilities. In addition, a new Tin Can plant has been built at Hubbard, Ohio, to serve the Company's Eastern Plants. The Chicago unit will now primarily take care of the requirements of the Western Plants.

The government's rearmament program has developed a gradually tightening raw material situation. There is an abundance of oils such as linseed and soya, but pigments, including lead, zinc, titanium and certain colors, are in shorter supply. Some of them are already on allocation. All the technical resources of the Company are being put to work to make the most of such materials as are available.

The management expresses its appreciation to the organization for the loyal and intense efforts that have made this year's results possible.

A. W. Steudel

President

S-W 000248

CONSOLIDATED PROFIT AND LOSS AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year Ended August 31, 1950

PROFIT AND LOSS

Profit from operations for the year ended August 31, 1950, before other income, provision for depreciation and other deductions, and federal taxes on income.			$20,309,777.54
Other income—Note A			1,020,909.82
			$21,330,687.36
Deductions:			
Provision for pensions		$2,300,000.00	
Provision for depreciation		1,698,793.06	
Provision for foreign taxes and miscellaneous items.		403,569.33	
Interest expense		92,347.71	
Net charge arising from sale or abandonment of depreciable assets		65,204.39	
Federal taxes on income:			
Provision for the year—estimated	$7,560,000.00		
Adjustments for prior years	602,390.15*	6,957,609.85	11,517,524.34
NET PROFIT			$ 9,813,163.02

EARNED SURPLUS

Balance at September 1, 1949			$35,883,646.17
Add net profit for the year			9,813,163.02
			$45,696,809.19
Deduct:			
Cash dividends declared and paid or provided for during the year:			
Preferred—$4.00 per share	$ 305,198.00		
Common—$3.00 per share	3,833,567.95	$4,138,765.95	
Premium on preferred stock called for redemption		24,750.00	4,163,515.95
BALANCE AT AUGUST 31, 1950			$41,533,293.24

Note A—Other income includes the amount of $737,715.36 for dividends received on capital stock of unconsolidated subsidiaries. Equity in net profit reported by such subsidiaries to the Company was approximately $575,000.00 more than dividends received.

Note B—The profit and loss accounts of the consolidated foreign subsidiaries have been translated into U. S. dollars mainly on the basis of rates of exchange in effect at the close of the year.

*Indicates red figure.

CONSOLIDATED BALANCE SHEET

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

August 31, 1950

Assets

CURRENT ASSETS		
Cash		$20,828,754.35
Trade receivables (includes $378,273.69 receivable from subsidiaries not consolidated), less allowances for doubtful accounts		20,283,126.99
Inventories—raw materials and supplies, in process and finished merchandise, at lower of cost or market, less allowance of $1,523,000.00 to reduce inventory of certain materials to a last-in, first-out basis, computed at 1945 prices		36,905,304.31
TOTAL CURRENT ASSETS		$78,017,185.65
INVESTMENTS AND OTHER ASSETS		
Securities of subsidiaries not consolidated, at cost—Note A	$5,129,198.16	
Miscellaneous receivables, insurance deposits, advances, and miscellaneous securities, less allowances	329,317.11	5,458,515.27
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment—at cost to consolidated companies, less allowances for depreciation		25,987,344.32
PATENTS AND TRADE-MARKS		
Nominal amount		1.00
DEFERRED CHARGES		
Advertising stock, stationery, etc.	$ 939,666.50	
Prepaid insurance, deferred taxes, etc.	179,951.65	1,119,618.15
		$110,582,664.39

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, pay rolls, and miscellaneous items (includes $46,377.33 payable to subsidiaries not consolidated)		$ 14,718,580.47
Dividend on preferred stock—payable September 1, 1950		72,587.00
Deposits—employees and officers		1,227,107.85
Accrued taxes (other than federal income taxes) and miscellaneous items		522,994.17
Federal taxes on income—estimated		7,560,000.00
Notes payable to banks (in connection with advances to and loans by foreign subsidiaries)		816,492.18
TOTAL CURRENT LIABILITIES		$ 24,917,761.67
RESERVES		
For pensions	$ 2,300,000.00	
For investments in foreign subsidiaries	491,980.11	
For contingencies, employers' liability insurance, etc.	2,134,579.37	4,926,559.48
CAPITAL STOCK AND SURPLUS		
Capital Stock:		
Preferred—authorized 395,500 shares (par value $100.00 each—redeemable at $105.00 per share):		
Outstanding—cumulative preferred stock, 4% series—72,587 shares	$ 7,258,700.00	
Common—authorized 1,600,000 shares (par value $25.00 each):		
Outstanding—1,277,854 shares	31,946,350.00	
	$39,205,050.00	
Earned surplus	41,533,293.24	80,738,343.24
		$110,582,664.39

Note A—Securities of subsidiaries not consolidated include investments of approximately $4,119,000.00 in a Canadian subsidiary, and approximately $1,000,000.00 in South American subsidiaries. The proportionate share of accumulated net profits, not taken up, applicable to investments in subsidiaries not consolidated amounted to approximately $4,300,000.00.

Note B—Net current assets (approximately 2% of consolidated net current assets) of consolidated foreign subsidiaries, located in Mexico and Cuba, have been translated into U. S. dollars at the applicable exchange rates in effect at August 31, 1950.

S-W 000250

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, 1950, and the related statements of consolidated profit and loss 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 profit and loss and surplus present fairly the consolidated financial position of The Sherwin-Williams Company and consolidated subsidiaries at August 31, 1950, 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, 1950

THE SHERWIN-WILLIAMS CO.

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

Manufacturers of

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

Main Plants

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

Directors

A. D. BALDWIN
C. S. EATON
M. J. FORTIER
GEORGE GUND
C. P. JARDEN
D. A. KOHR
C. M. LEMPERLY
G. H. ROBERTSON
L. H. SCHROEDER
A. W. STEUDEL
H. D. WHITTLESEY
THOS. E. WILSON
L. W. WOLCOTT

Officers

A. W. STEUDEL, *President*
M. J. FORTIER, *Vice President*
S. B. COOLIDGE, *Vice President*
C. M. LEMPERLY, *Vice President*
L. H. SCHROEDER, *Vice President and Treasurer*
N. E. VAN STONE, *Vice President*
H. D. WHITTLESEY, *Vice President*
F. J. SQUIRES, *Secretary*

Transfer Agents

CLEVELAND TRUST COMPANY
Cleveland, Ohio

BANKERS TRUST COMPANY
New York, N. Y.

Registrars

CENTRAL NATIONAL BANK
Cleveland, Ohio

GUARANTY TRUST COMPANY
New York, N. Y.