Annual Report

1949

THE SHERWIN-WILLIAMS CO.

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, 1949.

The earnings before Federal Income Tax and Special Reserves are $14,845,411.43.

The provision for estimated Federal Income Tax is $4,400,000.00.

The amount set aside for the Pension Plan this year is $2,300,000.00.

Another $500,000.00 has been added to the reserve against the Company's foreign investments.

The final consolidated net earnings after these deductions are $7,645,411.43.

These net earnings, after allowing for Preferred Dividends, are equivalent to $5.73 per share on the present outstanding 1,277,854 shares of Common Stock.

Last year $1,000,000.00 was set aside as a reserve against the Company's foreign investments. This was prompted by the exchange restrictions that had developed in several countries, notably Argentina and Brazil. In view of the fact that there has been no improvement in the situation, it has been considered advisable to increase this reserve by $500,000.00, bringing the total reserve to $1,500,000.00. Again, as was said last year, these foreign subsidiaries showed good profits in the respective currencies of their own countries.

Every effort was made during the year to reduce the inventory to a minimum consistent with efficient operations. The inventory was priced on the basis of lower of cost or market, less allowance of $1,648,000.00. As to this allowance, it was established to reduce the inventory prices of certain materials, contained in finished goods as well as in raw material form, to amounts equivalent to a last-in, first-out basis, based on prices during 1945. This year the allowance has been reduced to the amount required.

The sales volume was 7.6% less than the previous year. Part of this was due to a substantial reduction in the prices of paint products which went into effect July 1, 1949.

Kem-Tone continued to be the dominant wall finish on the market. A new product, Kem-Glo, was introduced during the year and met with remarkable consumer acceptance. It is a type of enamel that is the result of years of research and makes use of the latest scientific developments in the chemical field. It is intended for use on any surface where the finest and most durable enamel finish is required. It is sold under the slogan "Looks and washes like baked enamel."

The Company is carrying on an intensive research program for the constant improvement of its products as well as for the development of new finishes made possible by the latest discoveries in paint technology.

The management wishes to pay tribute to the organization for its efficient efforts under difficult conditions.

A. W. Steudel

President

CONSOLIDATED PROFIT AND LOSS AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year ended August 31, 1949

PROFIT AND LOSS

Profit from operations for the year ended August 31, 1949, before other income, provision for depreciation and other deductions, and federal taxes on income			$15,472,595.03
Reduction of allowance for inventory			1,852,000.00
Other income			371,404.20
			$17,695,999.23
Deductions:			
Provision for pensions		$2,300,000.00	
Provision for depreciation		1,649,176.07	
Provision of additional reserve against investments in foreign subsidiaries		500,000.00	
Provision for foreign taxes and miscellaneous items		856,733.37	
Interest expense		257,744.87	
Net charge arising from sale or abandonment of depreciable assets		86,933.49	
Federal taxes on income—estimated: Provision for the year		4,400,000.00	10,050,587.80
NET PROFIT			$ 7,645,411.43

EARNED SURPLUS

Balance at September 1, 1948			$32,420,630.81
Add net profit for the year			7,645,411.43
			$40,066,042.24
Deduct:			
Cash dividends declared and paid or provided for during the year:			
Preferred—$4.00 per share	$ 324,218.00		
Common—$3.00 per share	3,833,566.47	$4,157,784.47	
Premium on preferred stock called for redemption		24,611.60	4,182,396.07
BALANCE AT AUGUST 31, 1949			$35,883,646.17

Note A—Other income includes the amount of $139,584.85 for dividends on capital stock of the unconsolidated Canadian subsidiary. Final statement as to operating results of that subsidiary for the year ended August 31, 1949, was not available at date of issuance of this report. The Company's share of net loss of the other unconsolidated subsidiary, not taken up, amounted to approximately $2,000.00.

Note B—Profit and loss accounts of foreign subsidiaries were 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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CONSOLIDATED BALANCE SHEET

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

August 31, 1949

Assets

CURRENT ASSETS		
Cash		$18,182,760.68
Trade receivables (includes $80,891.53 receivable from subsidiary not consolidated), less allowances for doubtful accounts		15,052,828.20
Inventories—raw materials and supplies, in process and finished merchandise, stated on basis of lower of cost or market (estimated inter-plant and inter-company profits have been eliminated), less allowance of $1,648,000.00 Note A		33,279,576.46
TOTAL CURRENT ASSETS		$66,515,165.34
INVESTMENTS AND OTHER ASSETS		
Securities of subsidiaries not consolidated—Note B	$4,112,090.30	
Miscellaneous receivables, insurance deposits, advances, and miscellaneous securities, less allowances	761,574.68	4,873,664.98
PROPERTY, PLANT, AND EQUIPMENT		
Land, buildings, machinery and equipment—at cost to consolidated companies, less allowances for depreciation		25,683,768.22
PATENTS AND TRADE-MARKS		
Nominal amount		1.00
DEFERRED CHARGES		
Advertising stock, stationery, etc.	$ 941,876.24	
Prepaid insurance, deferred taxes, etc.	457,660.38	1,399,536.62
		$98,472,136.16

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, pay rolls, and miscellaneous items (includes $305,925.95 payable to subsidiaries not consolidated)		$ 9,255,169.84
Dividend on preferred stock—payable September 1, 1949		77,537.00
Deposits—employees and officers		1,146,497.07
Accrued taxes (other than federal income taxes) and miscellaneous items		795,388.78
Federal taxes on income—estimated		4,400,000.00
Notes payable to banks (in connection with advances to and loans by foreign subsidiaries)		764,772.85
TOTAL CURRENT LIABILITIES		$16,439,365.54
RESERVES		
For pensions	$ 2,300,000.00	
For investments in foreign subsidiaries	1,500,000.00	
For contingencies, employers' liability insurance, etc.	2,649,074.45	6,449,074.45
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—77,537 shares	$ 7,753,700.00	
Common—authorized 1,600,000 shares (par value $25.00 each):		
Outstanding—1,277,854 shares	31,946,350.00	
	$39,700,050.00	
Earned surplus	35,883,646.17	75,583,696.17
		$98,472,136.16

Note A—This allowance was established to reduce the inventory prices of certain materials to amounts equivalent to a last-in, first-out basis, based on prices during 1945. In 1949 the allowance has been reduced to the amount required.

Note B—Investments in securities of subsidiaries not consolidated include (1) investment of $4,102,090.30 in Canadian subsidiary, stated at cost which was less than the proportionate share of the book value (including intangibles) of the net assets of such affiliate as reported to the Company; net increase in equity in this subsidiary since date of acquisition, not taken up by the parent Company, amounted to approximately $2,197,000.00 at August 31, 1948, (final statement as to operating results for the year ended August 31, 1949, was not available at date of issuance of this report), (2) investment of $10,000.00 in another subsidiary, stated at cost; the Company's proportionate share of net profits of such subsidiary not taken up, amounted to approximately $290,000.00

Note C—Net current assets of consolidated foreign subsidiaries in Brazil, Cuba, and Mexico have been translated into U. S. dollars at the applicable exchange rates in effect at August 31, 1949. Net current assets of subsidiary in Argentina have been translated into U. S. dollars based on the exchange rate in effect after the devaluation during the first part of October, 1949. Net current assets of all the consolidated foreign subsidiaries amounted to approximately 4% of consolidated net current assets.

AUDITORS' CERTIFICATE

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

We have examined the consolidated balance sheet of The Sherwin-Williams Company and its consolidated subsidiaries as of August 31, 1949, and the related consolidated statements of 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 its consolidated subsidiaries at August 31, 1949, 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 13, 1949

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, Insecticides, Herbicides, Waxes, Cleaners, Polishes.

Main Plants

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

Directors

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.

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