Annual Report
1945

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THE SHERWIN-WILLIAMS CO.

THE SHERWIN-WILLIAMS CO.

A. W. STEUDEL
PRESIDENT

To the Stockholders:

Herewith are presented the Consolidated Balance Sheet of the Company at the close of business August 31, 1945 and e Consolidated Profit and Loss Statement for the year.

The earnings for the year, after allowing for all charge luding depreciation, but before providing for Federal Income au. cess-Profits Taxes and Special Reserves, were $11,365,213..

The amount set up for Federal Income and Excess-Profits Taxes was $5,900,000 and $400,000 was added to the reserve for special plant obsolescence.

The Final Consolidated Net Profit after all deductions was $5,065,213.14.

This Final Consolidated Net Profit after deducting Preferred Dividends is equivalent to $7.17 per share on the outstanding common stock.

In February of this year, an offer was made to the Company's Preferred Stockholders which gave them the right to exchange their holdings of the 5% Preferred Stock, share for share, for a new series of Preferred Stock identical in all its terms and conditions with the 5% Preferred series, except that the annual dividend rate was reduced to 4%. The holders of over 95% of the outstanding 5% Preferred Stock accepted this offer and, as you will see on the Balance Sheet, the Company now has outstanding $9,733,700 par value of Preferred Stock which is designated as "4% Series". This refinancing was accomplished without the help of underwriters so that the only expense incurred in the transaction was the small amount paid for legal and transfer agents' services.

The sales volume for the year was 4.9% greater than the preceding year. War business, that is, sales of goods to the government or suppliers to the government for use on war products as reflected in sales subject to renegotiation, has been approximately 20% of the total volume of business during the war years.

CONSOLIDATED BALAN

THE SHERWIN-WILLIAMS COMPAN

August 31, 1945

Assets

CURRENT ASSETS		
Cash		$21,644,162.17
U. S. Government securities (principally certificates of indebtedness)—at cost and accrued interest		1,334,288.44
Trade notes and accounts receivable, less reserves (includes accounts aggregating $18,784.92 receivable from subsidiaries not consolidated)		7,640,325.98
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 reserve of $500,000.00 for possible inventory shrinkage		24,687,944.51
Estimated postwar refund of excess profits tax		728,820.67
TOTAL CURRENT ASSETS		$56,035,541.77
INVESTMENTS AND OTHER ASSETS		
Securities of subsidiaries not consolidated—Note A	$4,112,090.30	
Other securities—at or below cost	17,457.00	
Miscellaneous receivables, insurance deposits and advances, less reserves	244,914.24	4,374,461.54
PROPERTY, PLANT, AND EQUIPMENT		
Land, buildings, machinery and equipment—at cost to consolidated companies, less reserve for depreciation		15,523,842.98
PATENTS AND TRADE-MARKS		
Nominal amount		1.00
DEFERRED CHARGES		
Advertising stock, stationery, etc.	$ 486,715.04	
Prepaid insurance, deferred taxes, etc.	507,410.94	994,125.98
		$76,927,973.27

Note A—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 $676,800.00 as of August 31, 1944, (final statement as to operating results for the year ended August 31, 1945, 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 $116,900.00.

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DATED BALANCE SHEET
IAMS COMPANY AND SUBSIDIARIES

August 31, 1945

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, pay rolls, drum deposits, and miscellaneous items		$10,680,207.88
Preferred dividend payable September 1, 1945		97,337.00
Deposits—employees, employees benefit association and officers		873,940.91
Accrued taxes (other than federal income taxes) and miscellaneous items		451,811.16
Federal taxes on income—estimated	$7,040,343.49	
Less United States Treasury Notes—Tax Series (purchased and held for tax payments)	4,637,665.00	2,402,678.49
Notes payable to bank (in connection with advances to and loans by foreign subsidiary)		696,748.69
TOTAL CURRENT LIABILITIES		$15,202,724.13
RESERVES		
For postwar adjustments, contingencies, maintenance of plants, employers' liability insurance, etc.		1,525,680.39
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—97,337 shares	$ 9,733,700.00	
Common—authorized 800,000 shares (par value $25.00 each):		
Outstanding—638,927 shares	15,973,175.00	
	$25,706,875.00	
Earned surplus	34,492,693.75	60,199,568.75
		$76,927,973.27

Note B—Net current assets (not significant) of consolidated foreign subsidiaries have been translated into U. S. dollars at the applicable exchange rates in effect at August 31, 1945. Such subsidiaries are located in Argentina, Brazil, Cuba and Mexico.

Note C—The Company was contingently liable at August 31, 1945, as surety on a performance bond relative to performance by The Sherwin-Williams Defense Corporation (subsidiary not consolidated) as a party to a construction and operation contract with The United States of America.