Annual Report
1948

THE SHERWIN-WILLIAMS CO.

N 15358

S-W 000229

EXECUTIVE DEPARTMENT
101 PROSPECT AVE. N. W.
CLEVELAND

179,785,099 – Sales

7825696.00 Sales Increase

4.35% —

10,413,390 –
1041339 = 10%
11207629

21A47 10-45 5-000

THE SHERWIN-WILLIAMS CO.

A. W. STEUDEL
PRESIDENT

To the Stockholders:

Herewith are presented the Consolidated Balance Sheet and Consolidated Income and Surplus accounts of The Sherwin-Williams Company for the fiscal year ended August 31, 1948.

The earnings before Federal Taxes and Special Reserves were $20,583,797.22.

The amount set aside for Federal Taxes was $7,300,000.00.

A provision of $3,000,000.00 was made for the Employees' Pension Plan and $1,000,000.00 was set up out of profits as a reserve against the Company's foreign investments.

The final consolidated net earnings after these deductions are $9,283,797.22.

These net earnings, after allowing for Preferred Dividends, are equivalent to $7.00 per share on the present outstanding 1,277,854 shares of Common Stock.

Referring to the $1,000,000.00 above mentioned as set aside as a reserve against the Company's foreign investments, this was considered advisable on account of the exchange restrictions that have developed during the past year in Argentina, Brazil, and Mexico. The operations themselves of these foreign subsidiaries showed good profits in the respective currencies of these countries.

The sales volume was the largest in the Company's history, exceeding that of the preceding year by 4.5%. This volume is due to the sustained demand for the Company's paint products.

A better supply of raw materials has made it possible to satisfy more fully this demand than has been the case for quite a number of recent years.

Kem-Tone, one of the Company's outstanding products, continues as the largest selling wall finish on the market.

Another product that has obtained wide use in the agricultural market is known as Agricultural Weed-No-More. This is a 2-4-D compound which has been sprayed for weed control over millions of acres of corn, wheat and other small grains, and pasture land.

During prior years the Company made provisions for possible inventory shrinkage by establishing reserves for this purpose. As a result of studies of a plan which would be equivalent to a last-in, first-out basis with respect to certain raw materials, the reserve has been adjusted in 1948 to reflect a 1945 price basis. The raw materials for which the reserve has been established are primarily oils and pigments used in the paint business. Since 1945 oils have advanced about 68% and pigments 40%.

About $4,400,000.00 was spent on plant, adding new equipment and expanding production and warehousing facilities at the Company's various properties.

The management takes this opportunity to convey its thanks and appreciation to all in the service of the Company for their loyalty and efficient efforts that have produced the results reported in this Annual Statement.

A. W. Steudel

President

CONSOLIDATED PROFIT AND LOSS AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year ended August 31, 1948

PROFIT AND LOSS

Profit from operations for the year ended August 31, 1948, before other income, provision for depreciation and other deductions, and federal taxes on income			$22,403,546.47
Reduction of inventory reserve			500,000.00
Other income			234,983.12
			$23,138,529.59
Deductions:			
Provision for pensions		$3,000,000.00	
Provision for depreciation		1,451,746.84	
Provision of reserve against investments in foreign subsidiaries		1,000,000.00	
Provision for foreign taxes, foreign exchange adjustments, and miscellaneous items		581,838.28	
Interest expense		249,342.32	
Net charge arising from sale or abandonment of depreciable assets		74,625.38	
Federal taxes on income—estimated:			
Provision for the year	$7,300,000.00		
Adjustments for prior years	197,179.55	7,497,179.55	13,854,732.37
NET PROFIT			$ 9,283,797.22

EARNED SURPLUS

Balance at September 1, 1947			$27,339,945.59
Add net profit for the year			9,283,797.22
			$36,623,742.81
Deduct:			
Cash dividends declared and paid or provided for during the year:			
Preferred—$4.00 per share	$ 344,798.00		
Common—$3.00 per share	3,833,564.00	$4,178,362.00	
Premium on preferred stock called for redemption		24,750.00	4,203,112.00
BALANCE AT AUGUST 31, 1948			$32,420,630.81

Note A—Other income includes the amount of $139,666.38 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, 1948, was not available at date of issuance of this report. The Company's share of net loss (due mainly to tax adjustments) of the other unconsolidated subsidiary, not taken up, amounted to approximately $26,000.00.

Note B—Profit and loss accounts of foreign subsidiaries were translated into U. S. dollars mainly on the basis of the average rate of exchange in effect during the year.

CONSOLIDATED BALANCE SHEET

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

August 31, 1948

S-W-000234

Assets

CURRENT ASSETS		
Cash		$ 13,024,391.51
Trade receivables (includes accounts aggregating $118,506.78 receivable from subsidiary not consolidated), less reserves		15,673,155.57
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 $3,500,000.00—Note A		41,527,756.31
TOTAL CURRENT ASSETS		$ 70,225,303.39
INVESTMENTS and OTHER ASSETS		
Securities of subsidiaries not consolidated Note B	$4,112,090.30	
Miscellaneous receivables, insurance deposits, advances, and miscellaneous securities, less reserves	752,420.79	4,864,511.09
PROPERTY, PLANT, and EQUIPMENT		
Land, buildings, machinery and equipment—at cost to consolidated companies, less reserves for depreciation		24,811,904.85
PATENTS AND TRADE-MARKS		
Nominal amount		1.00
DEFERRED CHARGES		
Advertising stock, stationery, etc.	$ 783,027.32	
Prepaid insurance, deferred taxes, etc.	405,548.48	1,188,575.80
		$101,090,296.13

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, pay rolls, and miscellaneous items (includes accounts aggregating $300,965.14 payable to subsidiary not consolidated)		$ 12,229,047.05
Dividend on preferred stock—payable September 1, 1948		82,487.00
Deposits—employees and officers		1,131,935.87
Accrued taxes (other than federal income taxes) and miscellaneous items		732,842.12
Federal taxes on income—estimated		7,300,000.00
Notes payable to banks (in connection with advances to and loans by foreign subsidiaries)		1,080,911.63
TOTAL CURRENT LIABILITIES		$ 22,557,223.67
RESERVES		
For pensions	$ 3,000,000.00	
For contingencies, investments in foreign subsidiaries, employers' liability insurance, etc.	2,917,391.65	5,917,391.65
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—82,487 shares	$ 8,248,700.00	
Common—authorized 1,600,000 shares (par value $25.00 each):		
Outstanding—1,277,854 shares	31,946,350.00	
	$40,195,050.00	
Earned surplus	32,420,630.81	72,615,680.81
		$101,090,296.13

Note A—During prior years the Company made provisions for possible inventory shrinkage in connection with studies relative to establishment of a reserve to reduce the inventory prices of certain raw materials to amounts equivalent to a last-in, first-out basis, based on prices during 1945. In 1948 the reserve has been adjusted to the approximate amount indicated as such studies are substantially completed.

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 $1,551,000.00 at August 31, 1947, (final statement as to operating results for the year ended August 31, 1948, 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 $292,000.00.

Note C—Net current assets (approximately 6% of consolidated net current assets) of consolidated foreign subsidiaries have been translated into U. S. dollars at the applicable exchange rates in effect at August 31, 1948. Such subsidiaries are located in Argentina, Brazil, Cuba, and Mexico. Reference is made to the comments in the President's letter to shareholders relative to investments in foreign subsidiaries.

50.00

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, 1948, and the consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related summaries of profit and loss and surplus present fairly the consolidated position of The Sherwin-Williams Company and its consolidated subsidiaries at August 31, 1948, and the consolidated results of their operations for the year, 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 18, 1948

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

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

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.

COVER THE EARTH