

*Your  
Company  
Reports*

SHEARWATERWILLIAMS CO. OF CANADA LTD.

ANNUAL REPORT TO SHAREHOLDERS

FOR THE YEAR ENDING AUGUST THIRTY-FIRST, 1946

JUN 21 1954

McGILL UNIVERSITY







*Annual Report*

*to*

*Shareholders*

*for the year ending August 31, 1946*

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***THE SHERWIN-WILLIAMS Co.***  
*of Canada, Limited*

HEAD OFFICE • MONTREAL, QUE.

*Factories and Warehouses from Coast to Coast*



# *Officers*

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CHAIRMAN  
A. W. STEUDEL

PRESIDENT AND MANAGING DIRECTOR  
D. A. WHITTAKER

EXECUTIVE VICE-PRESIDENT      VICE-PRESIDENT  
A. G. PINARD                      L. C. DEMERRALL

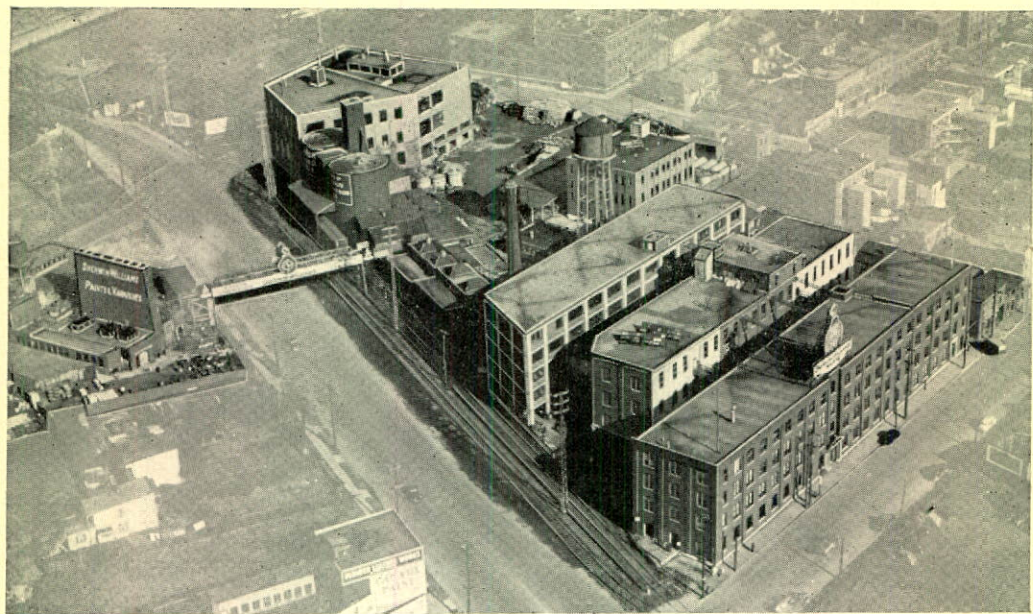
SECRETARY-TREASURER  
P. W. HOLLINGWORTH

# *Directors*

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L. C. DEMERRALL	A. G. PINARD
V. M. DRURY	JOS. A. SIMARD
WILFRID GAGNON	PAUL F. SISE
J. C. NEWMAN	A. W. STEUDEL
D. A. WHITTAKER	

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HEAD OFFICE AND FACTORIES  
2875 CENTRE STREET • MONTREAL 22

WHOLLY OWNED SUBSIDIARY COMPANIES

*The* CANADA PAINT Co.  
*Limited*

*The Low Brothers Company Limited.*

*The* MARTIN-SENOUR Co.  
LIMITED

THE WINNIPEG PAINT AND  
GLASS COMPANY, LIMITED

*Manufacturers of*

PAINTS, VARNISHES, COLOURS, STAINS, ENAMELS, LACQUERS, LEAD PRODUCTS  
CHEMICALS, LITHARGE, LINSEED OIL, OIL CAKE, DRY COLOURS,  
INSECTICIDES, CLEANERS, POLISHES AND WAXES

PLANTS AND BRANCHES

BELLEVILLE  
BRANTFORD  
BROCKVILLE  
CALGARY  
CHARLOTTETOWN  
CHATHAM  
CHICOUTIMI  
CORNWALL  
DRUMMONDVILLE  
EDMONTON  
FORT WILLIAM

GRANBY  
GUELPH  
HALIFAX  
HAMILTON  
KINGSTON  
KITCHENER  
LETHBRIDGE  
LINDSAY  
LONDON  
MONTREAL  
MOOSE JAW

NIAGARA FALLS  
OTTAWA  
PETERBOROUGH  
QUEBEC  
RED MILL  
REGINA  
ROUYN  
ST. CATHARINES  
ST. JOHN  
ST. HYACINTHE  
ST. THOMAS

SARNIA  
SASKATOON  
SHAWINIGAN FALLS  
SOREL  
STRATFORD  
SWIFT CURRENT  
TORONTO  
VANCOUVER  
VERDUN  
WINDSOR  
WINNIPEG

YORKTON

# Annual Report

## OF BOARD OF DIRECTORS for the year ending August 31, 1946

To the Shareholders:

On behalf of your Directors I beg to submit the Consolidated Balance Sheet of your Company and its Wholly Owned Subsidiary Companies at the close of its fiscal year ending August 31, 1946, together with the Consolidated Statement of Earned Surplus and Profits.

Your auditors, Messrs. Price, Waterhouse & Company, have made an examination of the books and accounts of the Company, and their certificate and report is presented herewith.

In accordance with our usual custom, all properties and plants of your Company have been maintained in proper condition and the sum of \$144,317.42 has been added to Reserve for Depreciation, which now stands at \$2,815,422.57.

In my report for last year I referred to the plans for the addition of new manufacturing installations and the extension of present facilities throughout the various plants of the Company. This extension has been made necessary through the constant growth of the business, and, considering shortages in building materials, good progress has been made in implementing these plans and they are now on their way to completion. In the opinion of your Directors it will be possible to pay for these extensive additions to the manufacturing and merchandising equipment of your Company, amounting in the aggregate to \$2,000,000.00, out of Working Capital, without the need of additional financing. A proportion of this expenditure, amounting to \$800,000.00, has already been provided for during the year just closed.

Care has been taken in the preparation of all inventories of raw materials and manufactured goods and these have been priced on the basis of cost or market, whichever proved to be the lower.

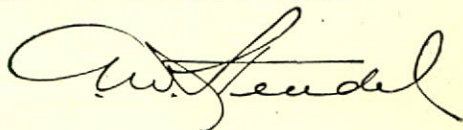
Sales figures for the units and subsidiary companies of the Organization again attained a record total, showing a substantial increase over the previous year, but constantly increasing costs of production and merchandising have restricted profit from operations to about the same result as shown for the last fiscal year. While shortages and increased costs continue to be our most difficult problem, and the situation with respect to raw materials is now as serious as it was at any time during the war, thus making it unwise to estimate future gains, I am glad to say that sales volume for the first quarter of our present fiscal year will show another substantial increase.

Renegotiation of the Company's war business by the Department of Reconstruction and Supply was concluded subsequent to the end of your Company's fiscal year, and the taxation authorities are now engaged in reviewing the Company's tax position. In this connection the resulting adjustments have been charged to Earned Surplus after transferring certain reserves provided in previous years and not now required, the net charge amounting to \$89,485.00 as shown on the Consolidated Statement of Earned Surplus and Profits.

The Net Earnings of the Company after all deductions were made, amounted to \$838,986.59 as compared with \$555,834.14 for the year immediately preceding. Although some relief has been obtained in the provision for Excess Profits Tax and Income Tax, as a result of the new regulations, the amount provided for these tax purposes was \$1,101,424.11. Total Current Assets of your Company as shown on the Consolidated Balance Sheet amounted to \$9,513,307.85 and Current Liabilities to \$3,689,612.53 leaving Net Current Assets of \$5,823,695.32. The Total of Earned and Deferred Surplus at the end of the fiscal year was \$6,134,155.03.

All units of the Organization continue to operate with harmony and efficiency, and the loyalty and co-operation of our employees everywhere is deeply appreciated.

*Respectfully submitted on behalf of the Board,*



Montreal, Que., November 20, 1946.

*Chairman.*

# THE SHERWIN-WILLIAMS CO

AND WHOLLY OWNED

## CONSOLIDATED BALANCE SHEET

### ASSETS

#### CURRENT AND WORKING ASSETS:

Inventories as determined and certified by the management and valued on a basis of cost or market, whichever was the lower . . . . .	\$ 5,760,043.98	
Trade accounts and bills receivable, less reserve . . . . .	2,579,960.63	
Other accounts receivable . . . . .	169,435.90	
Amounts due from shareholders . . . . .	21,482.82	
Insurance, taxes and other prepaid expenses . . . . .	198,962.69	
Cash . . . . .	783,421.83	\$ 9,513,307.85

#### INVESTMENTS IN AND ADVANCES TO PARTLY OWNED SUBSIDIARY COMPANIES:

Investments, at cost, less reserve . . . . .	\$ 351,175.20	
Advances . . . . .	7,039.51	358,214.71

#### PROPERTY ACCOUNT:

Balance, August 31, 1945, with subsequent additions, less deductions, at cost . . . . .	\$10,528,285.05	
<i>Less:</i> Reserve for depreciation . . . . .	2,815,422.57	7,712,862.48

NOTE: The depreciated value as appraised by the Canadian Appraisal Company Limited at December 31, 1934, plus net additions, less depreciation provided since that date is \$4,063,079.58. The balance of the book value of Property Account is represented by Formulae, Trade Marks, Processes and Goodwill.

#### REFUNDABLE PORTION OF EXCESS

PROFITS TAX . . . . .	571,470.46	
		<u>\$18,155,855.50</u>

*Approved on behalf of the Board:*

D. A. WHITTAKER, *Director*

A. G. PINARD, *Director*



# COMPANY OF CANADA, LIMITED

## SUBSIDIARY COMPANIES

SHEET, AUGUST 31, 1946

### LIABILITIES

#### CURRENT LIABILITIES:

Trade accounts payable and accrued liabilities..	\$ 2,898,421.50	
Deposit accounts.....	15,407.32	
Government and other taxes.....	775,783.71	\$ 3,689,612.53

#### DUE TO PARTLY OWNED SUBSIDIARY

COMPANY.....		307,687.94
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#### RESERVES:

Allowances to retired employees.....	\$ 20,000.00	
Future depreciation in inventory values.....	50,000.00	70,000.00

#### CAPITAL STOCK AND SURPLUS:

##### Capital Stock—

##### Seven per cent. Cumulative Preferred—

Authorized—40,000 shares of \$100.00 each..	\$ 4,000,000.00	
Issued —34,600 shares of \$100.00 each..	\$ 3,460,000.00	

##### No par value ordinary—

Authorized—225,000 shares		
Issued —224,720 shares	\$4,494,400.00	

Earned Surplus, as per statement attached.....	5,562,684.57	
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Deferred Surplus—Refundable portion of Excess Profits Tax	571,470.46	10,628,555.03	14,088,555.03
			<u>\$18,155,855.50</u>

Submitted with our Report to the Shareholders dated November 19, 1946.

PRICE, WATERHOUSE & CO.  
Auditors

# THE SHERWIN-WILLIAMS COMPANY

*of Canada, Limited*

AND WHOLLY OWNED SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNED SURPLUS AND PROFITS AUGUST 31, 1946

Combined profit from operations—

After deducting all manufacturing, selling and general expenses (except those detailed below) including remuneration, amounting in the aggregate to \$148,991.01 for services of solicitors and counsel, executive officers and directors, and after providing for bad debts, but before charging depreciation of buildings and equipment. . . . .		\$2,031,429.22
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*Add:*

Dividends from Partly Owned Subsidiary Companies and interest on investments . . . . .	\$ 34,812.42	
Profit on disposal of investments and capital assets. . . . .	53,234.28	88,046.70
		\$2,119,475.92

*Deduct:*

Provision for depreciation . . . . .	\$ 144,317.42	
Allowances paid to retired employees . . . . .	34,747.80	179,065.22
		\$1,940,410.70

*Deduct:* Provision for income and excess profits taxes (including refundable portion thereof \$66,164.25)

1,101,424.11

Net profit for the year ending August 31, 1946

\$ 838,986.59

Earned Surplus, balance at August 31, 1945. . . . . \$5,190,214.98

*Deduct:*

Adjustments in respect of taxes and renegotiation of war business and reversal of reserves not now required, all affecting prior years. . . . .	89,485.00	5,100,729.98
		\$5,939,716.57

*Deduct also:*

Dividends of \$7.00 per share on preferred stock. . . . .	\$ 242,200.00	
Dividends on common stock . . . . .	134,832.00	377,032.00
Earned Surplus, balance August 31, 1946. . . . .		\$5,562,684.57

## AUDITORS' REPORT TO THE SHAREHOLDERS

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We have made an examination of the books and accounts of The Sherwin-Williams Company of Canada, Limited and its Wholly Owned Subsidiary Companies for the year ending August 31, 1946, and have obtained all the information and explanations which we have required. Provision has been made for Income and Excess Profits Taxes in amounts considered sufficient but final assessments have not yet been received, and on this basis we report that, in our opinion, the accompanying Consolidated Balance Sheet at August 31, 1946, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of The Sherwin-Williams Company of Canada, Limited and its Wholly Owned Subsidiary Companies, according to the best of our information and the explanations given to us and as shown by the books of these Companies.

We also report that in respect to two partly owned Subsidiary Companies the profits for the year were taken up in these accounts to the extent that dividends were declared therefrom; in respect to the other partly owned Subsidiary Company, the profits for the year have not been taken up in these accounts, but are carried forward on its books.

PRICE, WATERHOUSE & Co.  
Auditors.

MONTREAL, November 19, 1946.

1300 THOUSANDS OF DOLLARS

1250

1200

1150

1100

1050

1000

950

900

850

800

750

700

650

600

550

500

450

400

350

300

250

200

150

100

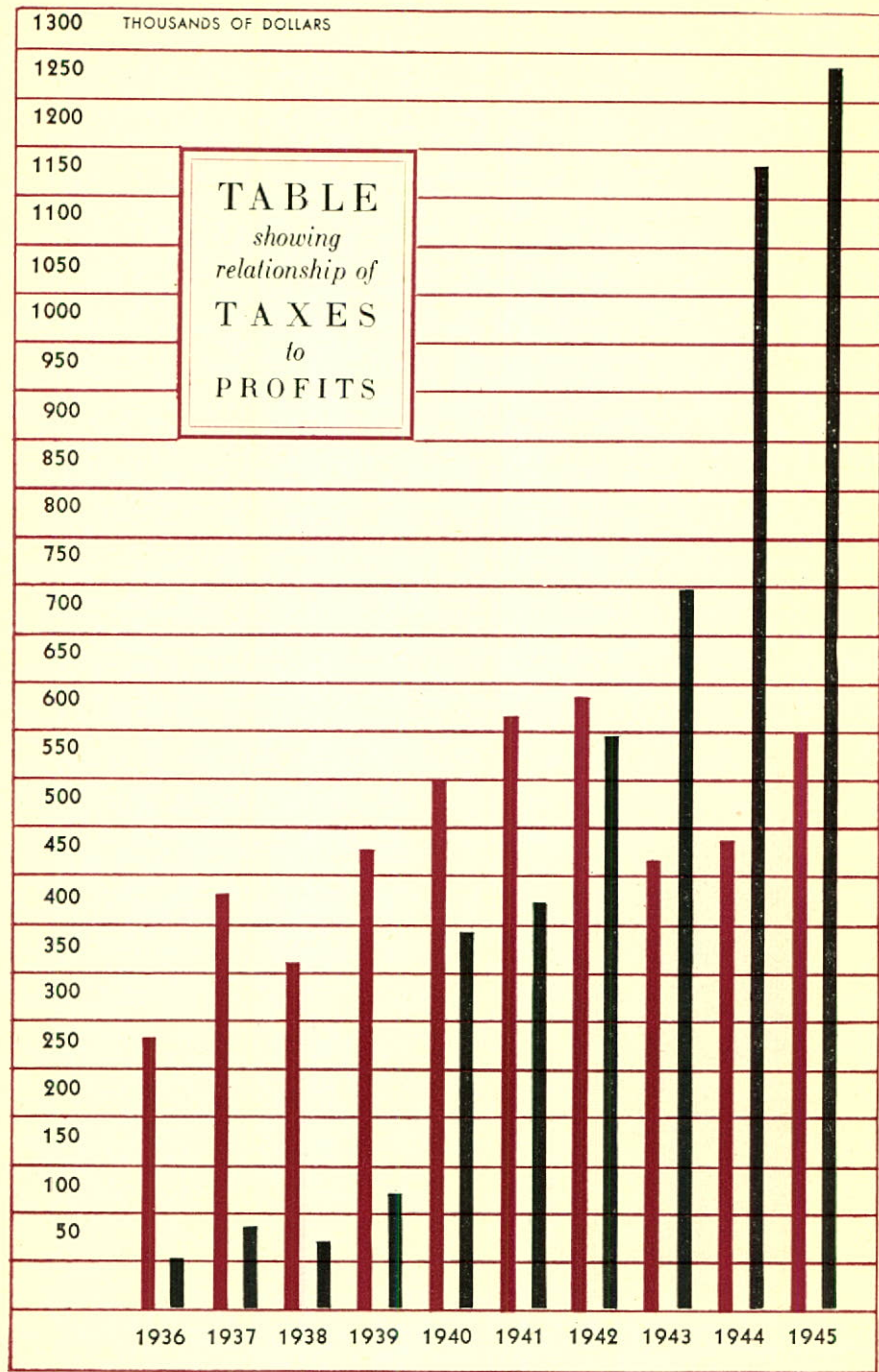
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TABLE  
*showing  
relationship of*  
TAXES  
*to*  
PROFITS

1936 1937 1938 1939 1940 1941 1942 1943 1944 1945

NET PROFIT FOR YEAR AFTER TAXES

PROVISION FOR INCOME AND PROFITS TAXES



# *Expansion*

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Our plans for reconstruction and expansion have progressed in spite of many delaying factors beyond our control. In addition to the construction, alterations, and re-equipping of plants, offices and warehouses, we have expanded and reorganized our Technical Services, Research Facilities, Administrative Systems and Traffic control. In fact, there is scarcely a department or system in our organization which has not been improved.

Our expansion plans have given and will give opportunity to Chemists, Engineers, Entomologists, Plant Pathologists, Psychologists, Accountants and a host of other individuals. As a result of the studies and research of this group of Technological experts, our organization has been able to enter and capture several new and important markets.

To service these new markets we have established two new Sales Divisions, Green Cross Insecticide Division and the "Home Brightener" Division which distributes a high quality line of waxes and polishes. Both of these Divisions made very creditable showings in their first year of operations, and have built up in a short space of time much consumer goodwill and acceptance, which will eventually result in an increasing volume of sales accruing to the organization.

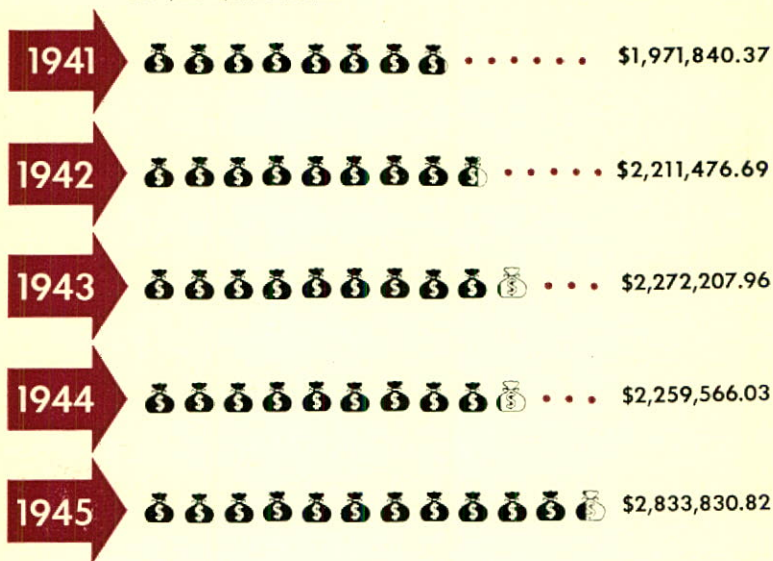
In addition to these we have more plans for sales development in the new business year, when it is hoped many of the raw materials required will be in more abundant supply.

These Expansion Plans will enable our organization to meet the competitive struggle which present economic conditions indicate is not too far distant. They are plans which will bring many benefits to our jobbers, distributors, dealers, and our consumers in the form of new and improved merchandise, increased sales volume, increased employment and **GREATER OPPORTUNITY FOR ALL.**

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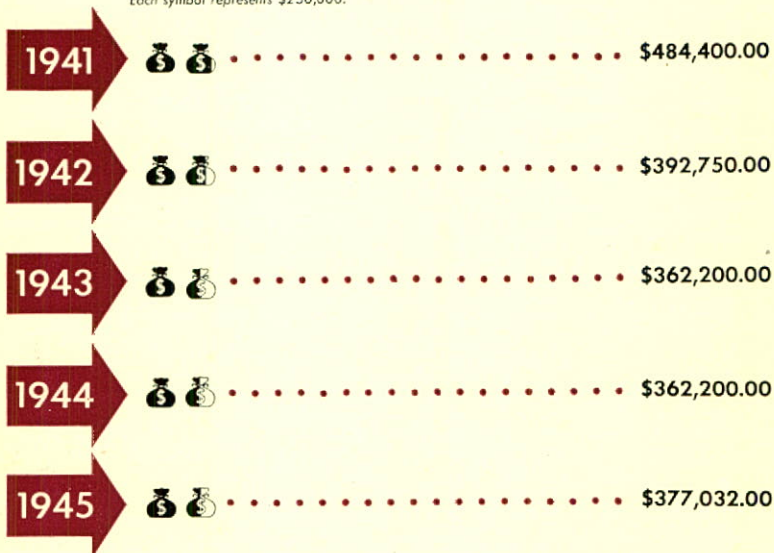
## WAGES PAID TO EMPLOYEES

Each symbol represents \$250,000

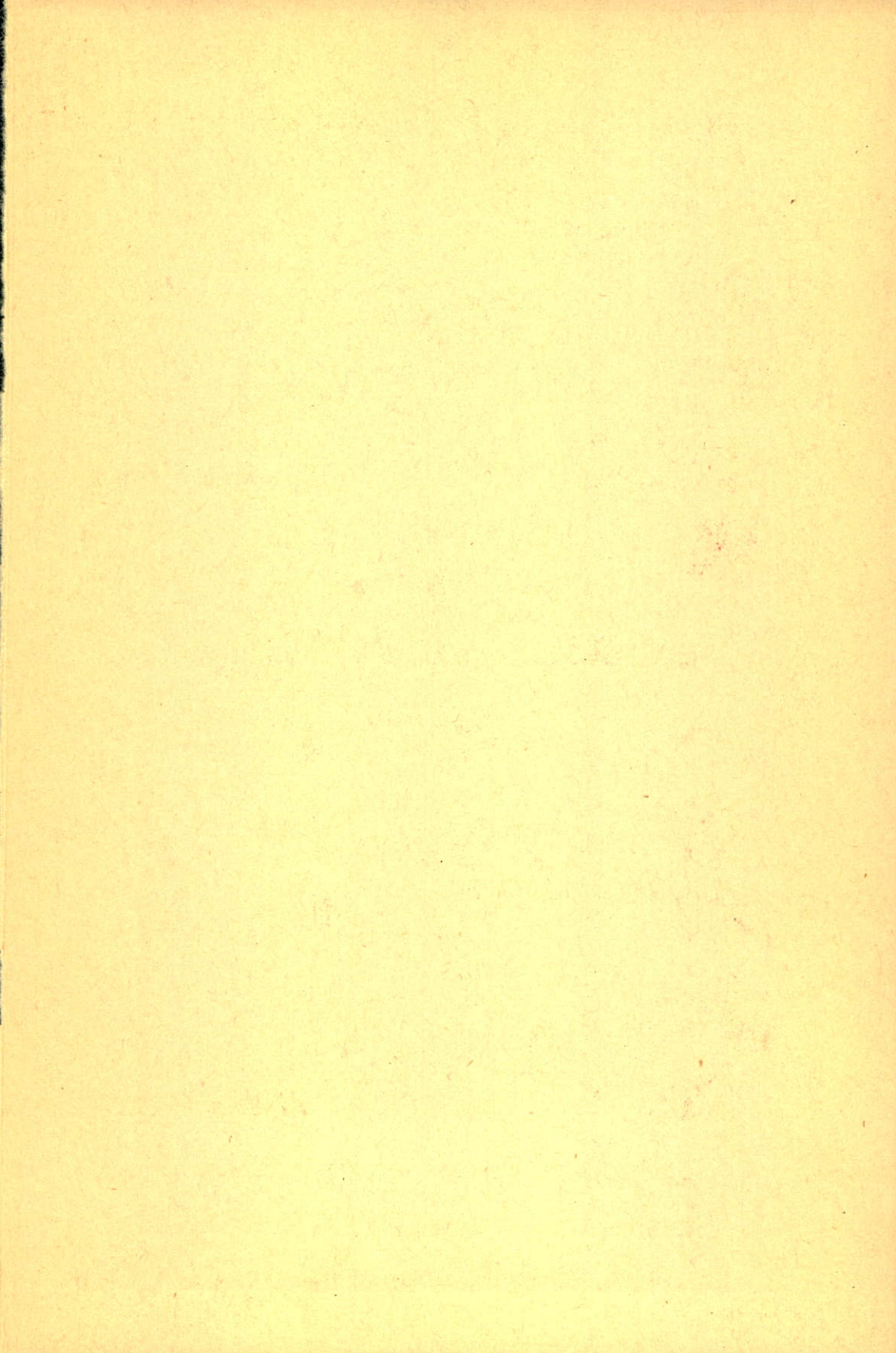


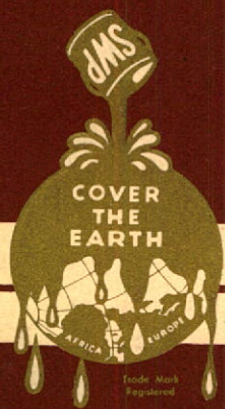
## DIVIDENDS PAID TO SHAREHOLDERS

Each symbol represents \$250,000.



The amounts of the wages specified in this chart have been paid out of the cash resources of the Company before the dividends shown have been paid.





Trade Mark  
Registered

**ANNUAL REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDING AUGUST THIRTY-FIRST, 1946**