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Your Company Reports

SHERWIN-WILLIAMS CO. OF CANADA LTD.

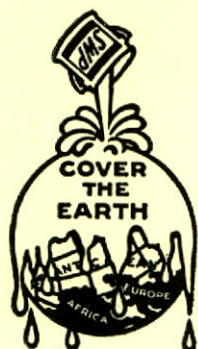
PURVIS HALL
TORONTO
ANNUAL REPORT TO SHAREHOLDERS

FOR THE YEAR ENDING AUGUST THIRTY-FIRST, 1947



Trade Mark
Registered

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P R E S E N T I N G T H E

Annual Report

T O T H E S H A R E H O L D E R S

F O R T H E Y E A R E N D I N G
A U G U S T 3 1 , 1 9 4 7

The Sherwin-Williams Co.

of Canada, Limited

HEAD OFFICE - MONTREAL, QUE.

Factories and Branches from Coast to Coast

PURVIS HALL
LIBRARIES
JUN 22 1954
MCGILL UNIVERSITY

Officers

A. W. STEUDEL
Chairman

D. A. WHITTAKER
President and Managing Director

A. G. PINARD
Executive Vice-President

L. C. DEMERRALL
Vice-President

P. W. HOLLINGWORTH
Secretary-Treasurer

Directors

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

Annual Report OF BOARD OF DIRECTORS FOR THE YEAR ENDING AUGUST 31, 1947

To the Shareholders:

The Consolidated Balance Sheet showing Assets and Liabilities of your Company and its Wholly Owned Subsidiary Companies at the close of its fiscal year ending August 31, 1947, is submitted herewith, together with the Consolidated Statement of Earned Surplus and Profits.

An examination of the books and accounts of the Company has been made by your auditors, Messrs. Price, Waterhouse & Company, and their certificate and report is attached.

All plants and properties of your Company have been maintained in good condition, as is our custom, and the sum of \$208,384.17 has been added to Reserve for Depreciation which now amounts to \$2,981,054.38.

The new building and equipment program referred to in two previous reports is now nearing completion, notwithstanding unforeseen delays and shortages in materials. The total cost of these plans over a period of the last three years amounted to \$2,000,000.00, which sum has been provided for out of the Working Capital of the business. Taking this fact into consideration, it is worthy of note that between August 31, 1944 and August 31, 1947 our Working Capital position has been affected by these charges to the extent of \$684,149.88.

Our indebtedness to our bankers at the end of the year just closed amounted to \$2,950,000.00, whereas there was no similar item a year ago. Increased inventory values arising from constantly increasing costs in both raw and manufactured goods, larger outstanding accounts, and the advent of new products, account for the use of these funds. Among added products are Kem-Tone, a new wall finish which is now being most successfully marketed in Canada, Green Cross Insecticides and Weed-No-More, a full line of insecticides and fungicides now in its second successful year, with wide-spread consumer acceptance, and Lin-X Home Brighteners, the new family of waxes, polishes and cleaners being sold now from coast to coast.

Once again our sales and profit figures reached new levels in the face of persistent shortages of raw materials and constantly increasing costs of operation. Price increases, which were found necessary during the year, only partially accounted for the higher sales volume obtained, and it should be pointed out that these price increases did not reflect the full additional costs of raw material, manufacturing and wages. Thus our gross margins of profit were lower than normal, the greater dollars and cents profit arising from the larger total sales volume. For the above reasons estimates of future results are difficult, but I am pleased to say that in the opening months of our current fiscal year gains in sales over last year's levels are again evident.

Our research facilities in Canada, together with those arising from our world-wide connections, are constantly providing our customers with improved products for their use, and we are also projecting into the future new and useful additions to our merchandising goods.

The Net Earnings of the Company, after making all deductions as shown in the Consolidated Statement of Earned Surplus and Profits, amounted to \$1,029,443.89 as compared with \$838,986.59 for the previous year, equivalent to \$29.68 per share on the Preferred Stock of your Company as against \$22.71 per share in the previous year, and to \$3.49 per share on the Ordinary Stock as against \$2.42 per share for the year before.

Attention is called to the provision of \$1,020,382.23 for Income and Excess Profits Taxes which, in spite of some relief, was only \$81,041.88 lower than the provision of a year ago.

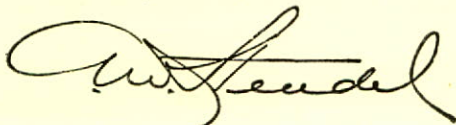
Total Current and Working Assets of your Company as shown on the Consolidated Balance Sheet amounted to \$11,888,796.92 and Current Liabilities stood at \$6,792,219.98, leaving Net Current Assets of \$5,096,576.94.

Dividends were paid on the Preferred Stock during the year in the amount of \$242,200.00 and on the Ordinary Stock in the amount of \$213,484.00.

The Earned and Deferred Surplus at the end of the fiscal year amounted to \$6,494,681.99 as compared with \$6,134,155.03 at August 31, 1946, an increase of \$360,526.96.

I am pleased to report that the employees of the Organization have discharged their duties during the year with loyalty and efficiency and the thanks of the Management are gratefully extended to them.

Respectfully submitted,



Chairman.

THE SHERWIN-WILLIAMS CO
AND WHOLLY OWNED
CONSOLIDATED BALANCE

ASSETS

CURRENT AND WORKING ASSETS:

| | | |
|---|---------------|-----------------|
| Cash on hand and in bank..... | \$ 243,393.23 | |
| Trade accounts and bills receivable, less reserve..... | 3,703,837.99 | |
| Other accounts receivable..... | 116,996.25 | |
| Inventories as determined and certified by the management and valued on the basis of the lower of cost or market | 7,663,701.73 | |
| Insurance, taxes and other prepaid ex- penses..... | 160,867.72 | \$11,888,796.92 |
| | | |

OTHER ASSETS:

| | | |
|--|---------------|------------|
| Refundable portion of excess profits tax | \$ 601,303.94 | |
| Sundry accounts receivable, including \$16,736.94 due from shareholders | 56,554.44 | 657,858.38 |
| | | |

**INVESTMENTS IN AND ADVANCES TO
PARTLY OWNED SUBSIDIARY COM-
PANIES:**

| | | |
|---------------------------------------|---------------|------------|
| Investments, at cost, less reserve... | \$ 351,175.20 | |
| Advances..... | 12,465.86 | 363,641.06 |
| | | |

| | | |
|-----------------------------------|-----------------|--------------|
| PROPERTY ACCOUNT:..... | \$11,622,608.54 | |
| Less: RESERVE FOR DEPRECIATION... | 2,981,054.38 | 8,641,554.16 |
| | | |

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 \$5,025,884.96. The balance of the book value of Property Account is represented by formulae, trade marks, processes and goodwill.

Approved on behalf of the Board:

V. M. DRURY, *Director*
WILFRID GAGNON, *Director*

\$21,551,850.52

AUDITORS' REPORT

We have examined the consolidated balance sheet of The Sherwin-Williams as at August 31 1947 and the consolidated statement of profit and loss with them with the books of the companies. We have obtained all the information, the above balance sheet as at August 31 1947 is properly drawn up and explanations given to us and as shown by the books of the companies. We also report that in respect to two of the partly owned subsidiary companies that dividends were declared therefrom; profits earned by the other part-

PANY OF CANADA, LIMITED
UBSIDIARY COMPANIES
SHEET, AUGUST 31, 1947

LIABILITIES

CURRENT LIABILITIES:

| | | |
|---|-----------------|-----------------|
| Bank loans..... | \$ 2,950,000.00 | |
| Trade accounts payable and accrued liabilities..... | 2,985,050.19 | |
| Deposit accounts..... | 13,539.03 | |
| Income and other taxes..... | 843,630.76 | \$ 6,792,219.98 |
| | | <hr/> |

| | | |
|---|--|------------|
| OWING TO PARTLY OWNED SUBSIDIARY COMPANY..... | | 240,548.55 |
|---|--|------------|

RESERVES:

| | | |
|---|--------------|-----------|
| Allowances to retired employees.... | \$ 20,000.00 | |
| Future depreciation in inventory values | 50,000.00 | 70,000.00 |
| | | <hr/> |

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 | <u>6,494,681.99</u> | <u>10,989,081.99</u> | <u>14,449,081.99</u> |
| | | | <u>\$21,551,850.52</u> |

THE SHAREHOLDERS

Company of Canada, Limited and its wholly owned subsidiary companies earned surplus for the year ending on that date and have compared on and explanations which we have required and we report that, in our up so as to exhibit a true and correct view of the state of the combined y owned subsidiary companies, according to the best of our information

nies the profits for the year are taken up in these accounts to the extent owned subsidiary company are not reflected in these accounts.

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 1947

| | | |
|--|-----------------|-----------------|
| Combined profit from operations— | | |
| After deducting all manufacturing, selling and general expenses (except those detailed below) including remuneration, amounting in the aggregate to \$166,060.92 for services of solicitors and counsel, executive officers and directors, and after providing for bad debts, but before charging depreciation of buildings and equipment..... | | \$ 2,361,975.93 |
| Add: | | |
| Dividends from partly owned subsidiary companies and interest on investments..... | \$ 53,910.89 | |
| Profit on disposal of investments and capital assets..... | 2,489.09 | 56,399.98 |
| | | <hr/> |
| Deduct: | | \$ 2,418,375.91 |
| Interest on bank loans..... | \$ 120,915.32 | |
| Provision for depreciation..... | 208,384.17 | |
| Allowances paid to retired employees | 39,250.30 | 368,549.79 |
| | | <hr/> |
| | | \$ 2,049,826.12 |
| Deduct: Provision for Dominion and Provincial taxes on income..... | | <hr/> |
| | | 1,020,382.23 |
| | | <hr/> |
| Net profit for the year ending August 31 1947..... | | \$ 1,029,443.89 |
| Earned Surplus, balance at August 31 1946..... | \$ 5,562,684.57 | |
| Deduct: Adjustments in respect of taxes, subsidy refund, etc., applicable to prior years..... | 198,631.81 | 5,364,052.76 |
| | | <hr/> |
| | | \$ 6,393,496.65 |
| Deduct also: | | |
| Dividends of \$7.00 per share on preferred stock..... | \$ 242,200.00 | |
| Dividends on no par value ordinary stock..... | 213,484.00 | 455,684.00 |
| | | <hr/> |
| | | \$ 5,937,812.65 |
| Add: Amount transferred from deferred surplus, representing refundable portion of excess profits tax..... | | <hr/> |
| | | 556,869.34 |
| | | <hr/> |
| Earned surplus, balance August 31 1947..... | \$ 6,494,681.99 | <hr/> |

Accomplishment

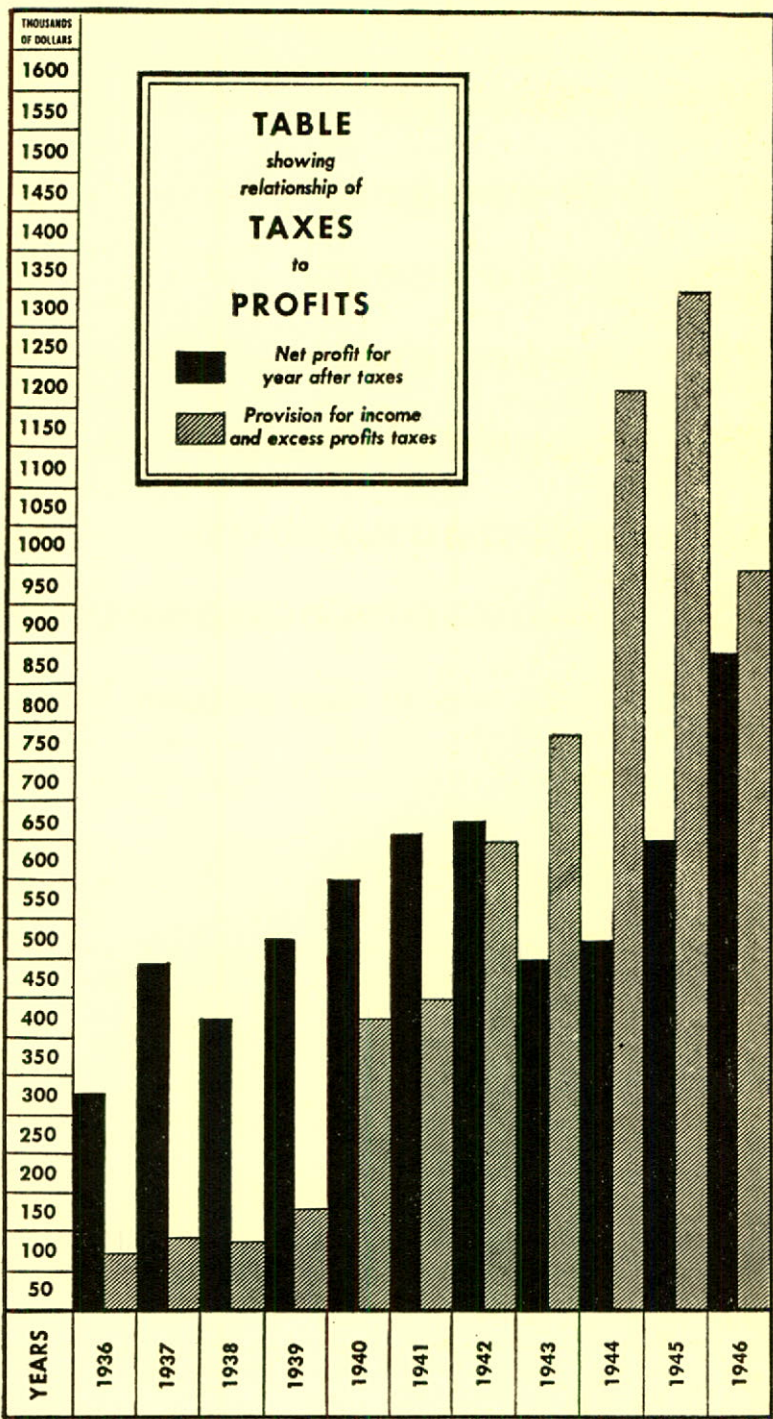
At the close of our 1947 fiscal year, we can look back with pride on one of the great transition years of our Company, a time of many accomplishments, all of which will prove their importance to our continued progress in the years to come.

The year 1947 has given us the opportunity to implement many of the plans which, up to this time, have been mainly in the blue-print stage and it gives us a great deal of pleasure to see these projects, which have been held up so long by the war, now coming to fruition.

These finished projects, which are helping to launch this Company on perhaps a new and extended phase, prophesy a history-making era for this Organization.

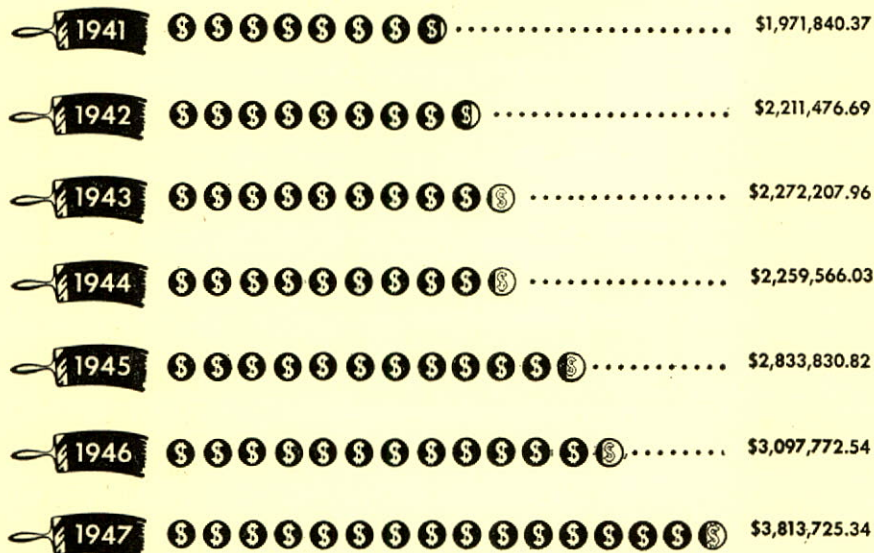
Today, we stand at the threshold of a remarkable achievement. The more than two million dollars which we have invested in our expansion program gives ample evidence of the magnitude of the task, but hardly indicates the extent of the time, the effort and the energy which have been shown by every member of this Company in carrying out what can only be called, "The most far reaching program The Sherwin-Williams Company of Canada, Limited has ever undertaken".

At no time in the history of this Company have our facilities in research, equipment, production, and merchandising achieved such a peak, and we look forward with confidence that our premiere position in the industry will be maintained.



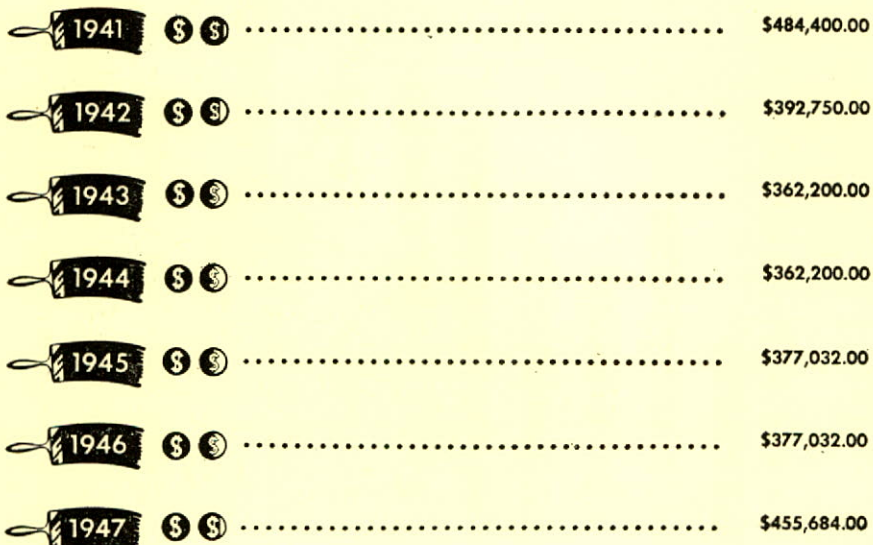
WAGES PAID TO EMPLOYEES

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.



ANNUAL REPORT TO SHAREHOLDERS

FOR THE YEAR ENDING AUGUST THIRTY-FIRST, 1947

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