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Annual Report

FOR THE YEAR ENDED AUGUST 31

1956

THE SHERWIN-WILLIAMS Co.
of Canada, Limited

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THE SHERWIN-WILLIAMS Co.
of Canada, Limited

*Annual Report of Board of Directors
for the year ended August 31, 1956*

To the Shareholders:

On behalf of your Directors I beg to submit the Consolidated Balance Sheet of your Company and its Wholly Owned Subsidiaries at the close of its fiscal year, August 31, 1956. Also submitted is the Consolidated Statement of Profit and Loss and Earned Surplus for the year.

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

In accordance with our usual custom, the properties and plants of your Company have been maintained in good condition and the sum of \$369,220.77 has been added to Allowance for Depreciation, which now amounts to \$6,110,410.37.

For the purpose of greater economy and efficiency in operation we have disposed of our de l'Épée Avenue property in Montreal to a purchaser outside of our industry, and the proceeds of this sale in excess of the depreciated value of the property have been included under the heading Profit on Sale of Fixed Assets on the Consolidated Statement of Profit and Loss.

Attached to the Consolidated Balance Sheet is a note with reference to the reduction in the stated value of the outstanding Common Shares and the concurrent reduction of the Goodwill Account to the nominal value of \$1.00. It should be pointed out that these steps dealing with the Goodwill Account have made possible the preparation of a Balance Sheet which more realistically sets forth the values in the Property Account, while at the same time the equity of the Shareholders of the Company has not been impaired.

Sales volume for the year was the greatest in the Company's history and reflects the high level of the Canadian economy. At the same time increases in our regular selling and operating expenses, together with a number of non-recurring costs produced a net profit showing only somewhat larger than that of the previous fiscal year.

Profit before taxes on income amounted to \$1,948,384.53 for the year just closed as compared with a profit of \$1,872,480.67 for the year before, and after taxes on income stood at \$1,149,384.53 this year or \$101,903.86 higher than the net profit of the preceding year.

Net Earnings amounted to \$33.21 on the Preferred Stock and, after the regular 7% dividend thereon, to \$4.03 on the Common Stock. During the year dividends paid to Shareholders amounted to \$702,876.00 as compared with \$680,404.00 in the preceding year.

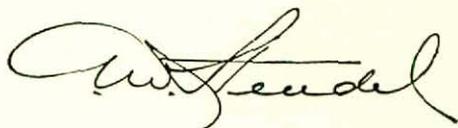
Total Current Assets of the Company as shown on the Consolidated Balance Sheet amounted to \$16,661,119.35 and Current Liabilities stood at \$6,885,480.61, leaving a balance of Net Current Assets amounting to \$9,775,638.74.

After adjustment on the Goodwill Account, referred to above, the Earned Surplus of the Company and its Wholly Owned Subsidiaries at August 31, 1956 amounted to \$9,718,019.25.

Our manufacturing, warehousing and distributing facilities have been maintained at peak efficiency and distribution of our products Dominion-wide is increasing year by year. Our Research and Product Development Departments are constantly on the alert for new methods and processing, and progress is being made with beneficial results in our selling efforts.

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,

A handwritten signature in dark ink, appearing to read 'W. Leudel', written in a cursive style.

Chairman.

MONTREAL, QUE.
November 8, 1956.

Consolidated Profit and Loss and Earned Surplus

THE SHERWIN-WILLIAMS COMPANY

of Canada, Limited

and wholly-owned subsidiaries

Year ended August 31, 1956

Profit and Loss

Profit from operations for the year before provision for depreciation and other items shown below		\$ 2,708,045.01
Other Income:		
Dividends received from unconsolidated subsidiaries	\$ 14,870.00	
Profit on sale of fixed assets	213,632.93	228,502.93
		\$ 2,936,547.94
Other deductions:		
Interest on bank loans	\$ 311,628.03	
Allowances paid to retired employees	97,610.40	
Legal fees	15,663.62	
Remuneration of executive officers and directors' fees	194,040.59	
Provision for depreciation	369,220.77	\$ 988,163.41
PROFIT BEFORE TAXES ON INCOME		\$ 1,948,384.53
Taxes on income for the year—estimated		799,000.00
NET PROFIT		\$ 1,149,384.53

Earned Surplus

Balance at September 1, 1955		\$10,538,368.39
Add net profit for the year		1,149,384.53
		\$11,687,752.92
<i>Deduct:</i>		
Dividends paid during the year:		
Preferred — \$7.00 per share	\$ 242,200.00	
Common — \$2.05 per share	460,676.00	
		\$ 702,876.00
Amount written off formulae, trade marks and good will (Note A)	1,266,857.67	1,969,733.67
BALANCE AT AUGUST 31, 1956		\$ 9,718,019.25

Note A appears on the consolidated balance sheet.

Consolidated
THE SHERWIN-WILLIAMS CO.

AND WHOLLY-OWNED

August

Assets

CURRENT ASSETS

Cash on hand.....	\$ 34,675.00	
Trade accounts receivable, less allowance for doubtful accounts.....	6,892,481.46	
Other accounts receivable.....	202,086.54	
Inventories of raw materials and supplies, in process and finished merchandise at the lower of cost or market prices.....	9,195,068.11	
Insurance, taxes and other expenses prepaid....	124,185.63	
Advertising stock, stationery and other supplies.	212,622.61	\$16,661,119.35

INVESTMENTS AND OTHER ASSETS

Investment in partly-owned subsidiary companies not consolidated.....	\$ 98,757.37	
Capital stock of affiliated company.....	200,000.00	
Miscellaneous accounts receivable.....	96,699.37	395,456.74

PROPERTY, PLANT AND EQUIPMENT

Land, buildings, machinery and equipment — generally at cost.....	\$9,362,053.14	
Less allowances for depreciation.....	6,110,410.37	3,251,642.77

INTANGIBLE ASSETS

Formulae, trade marks and good will (Note A)..		1.00
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\$20,308,219.86

Note A: Pursuant to Supplementary Letters Patent dated April 3, 1956, the stated value of the outstanding common shares has been reduced from \$4,494,400.00 to \$224,720.00. Formulae, trade marks and good will in the amount of \$5,536,538.67 have been reduced to \$1.00 by application thereto of the reduction of \$4,269,680.00 in the stated value of the common stock and a charge of \$1,266,857.67 to earned surplus.

Balance Sheet

COMPANY OF CANADA, LIMITED

AND SUBSIDIARIES

31, 1956

Liabilities, Capital Stock and Surplus

CURRENT LIABILITIES

Bank overdrafts (net).....	\$1,524,571.24	
Trade accounts payable and accrued liabilities..	4,864,675.87	
Owing to affiliated company.....	58,846.48	
Income and other taxes — estimated.....	<u>437,387.02</u>	\$ 6,885,480.61

RESERVE FOR ALLOWANCES TO RETIRED EMPLOYEES

20,000.00

CAPITAL STOCK AND SURPLUS (Note A)

Capital Stock:

Seven per cent cumulative preferred, par
value \$100.00 per share:

Authorized — 40,000 shares

Outstanding — 34,600 shares..... \$3,460,000.00

No par value common:

Authorized — 225,000 shares

Outstanding — 224,720 shares..... 224,720.00

Earned Surplus..... 9,718,019.25 13,402,739.25

\$20,308,219.86

SIGNED ON BEHALF OF THE BOARD:

V. M. DRURY, *Director*

J. A. SIMARD, *Director*

Auditors' Report

To the Shareholders,

THE SHERWIN-WILLIAMS COMPANY OF CANADA, LIMITED,
MONTREAL, QUEBEC.

We have examined the consolidated financial statements of The Sherwin-Williams Company of Canada, Limited, and its wholly-owned subsidiaries for the year ending August 31, 1956, and have obtained all the information and explanations which we have required. 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 statements of profit and loss and surplus are 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 subsidiaries at August 31, 1956, and the consolidated results of their operations for the year then ended, according to the best of our information and the explanations given us, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and as shown by the books of the companies.

In accordance with the provisions of The Companies Act, 1934, we report that earnings of subsidiary companies not consolidated are reflected in the accompanying financial statements only to the extent of dividends received.

ERNST & ERNST

MONTREAL,

October 19, 1956.

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

Executive Offices

2875 CENTRE STREET

MONTREAL 22, CANADA

Factories, Offices and Branches in principal cities

Manufacturers of

Paints, Varnishes, Colours, Stains, Enamels, Lacquers,
Super Kem-Tone, Kem-Tone, Kem-Glo, Kem-Var,
Lead Products, Dyes, Chemicals, Litharge, Linseed Oil, Dry Colours,
Insecticides, Herbicides, Fungicides,
Industrial, Railway, Marine, Automotive and Transportation Finishes.

Directors

L. C. DEMERRALL
V. M. DRURY
WILFRID GAGNON

P. W. HOLLINGWORTH
A. G. PINARD
JOS. A. SIMARD

A. W. STEUDEL
R. C. VAUGHAN
D. A. WHITTAKER

Officers

A. W. STEUDEL
D. A. WHITTAKER
A. G. PINARD
L. C. DEMERRALL
P. W. HOLLINGWORTH

Chairman
President and Managing Director
Executive Vice-President
Vice-President
Secretary-Treasurer

THE CANADA PAINT COMPANY LIMITED

Head Office, 2859 Centre Street, Montreal, P.Q.

President, D. A. WHITTAKER Vice-President and General Manager, W. J. TARDIFF

THE LOWE BROTHERS COMPANY LIMITED

Head Office, 263 Spadina Ave., Toronto, Ont.

President, A. G. PINARD Vice-President and General Manager, R. G. MONTEITH

THE MARTIN-SENOUR COMPANY LIMITED

Head Office, 2875 Centre Street, Montreal, P.Q.

President, A. G. PINARD Vice-President and General Manager, H. C. CULLEY

THE WINNIPEG PAINT & GLASS COMPANY LIMITED

Head Office, 179 Notre Dame Avenue East, Winnipeg, Man.

President, D. A. WHITTAKER Vice-President and General Manager, W. A. STAPLEY

Dividends, Salaries and Wages

