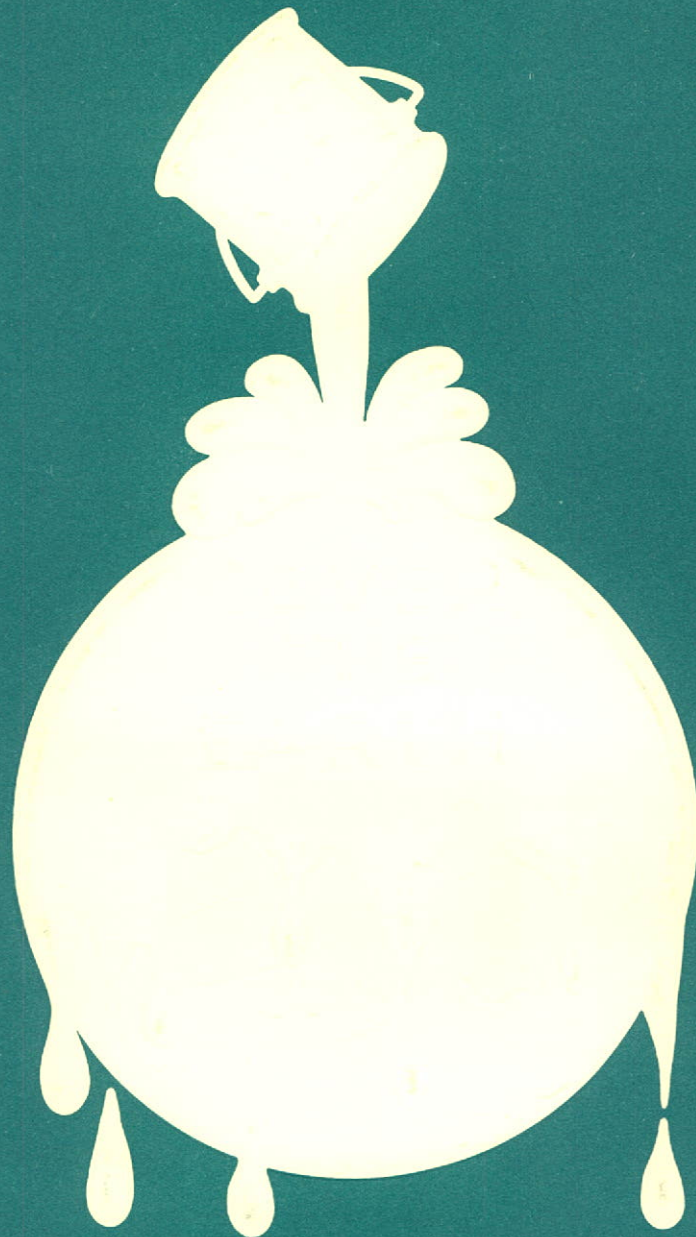


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# ANNUAL REPORT 1964



*THE SHERWIN-WILLIAMS COMPANY*  
*OF CANADA, LIMITED*



**THE SHERWIN-WILLIAMS COMPANY**  
OF CANADA, LIMITED

**AND SUBSIDIARIES**

**FINANCIAL HIGHLIGHTS**

	1964	1963
Net sales . . . . .	35,369,794	32,959,135
Income Before Taxes on Income . . . . .	1,869,927	1,501,838
Taxes on Income — estimated . . . . .	850,000	685,000
Net Income . . . . .	1,019,927	816,838
Per Share of Common Stock . . . . .	3.46	2.56
Cash Dividends Declared:		
Preferred . . . . .	242,200	242,200
Common . . . . .	292,136	224,720
Working Capital . . . . .	11,330,386	10,915,575
Ratio of Current Assets to Current Liabilities . . .	4.21 to 1	3.54 to 1
Expenditures for Plant Additions . . . . .	381,543	321,431
Provision for Depreciation . . . . .	383,726	373,651
Shareholders Equity:		
Preferred . . . . .	3,460,000	3,460,000
Common . . . . .	12,159,345	11,673,754
Outstanding Shares at August 31:		
Preferred . . . . .	34,600	34,600
Common . . . . .	224,720	224,720
Number of Shareholders at August 31:		
Preferred . . . . .	545	579
Common . . . . .	472	455
Number of Employees at August 31 . . . . .	1,752	1,765

## TO THE SHAREHOLDERS:

The Consolidated Balance Sheet and the Consolidated Income and Earned Surplus Statement for The Sherwin-Williams Company of Canada, Limited and its subsidiaries at the close of the fiscal year August 31, 1964 are presented herewith. The report on the examination of the financial statements of the Company by your auditors, Messrs. Ernst and Ernst, is also presented.

After depreciation and after all deductions but before taxes on income, profits from operations amounted to \$1,869,927 against \$1,501,838 last year. After provision for income tax net profit amounted to \$1,019,927 against \$816,838 last year, an increase of 25% approximately. On the Preferred Stock net profit amounts to \$29.47 per share against \$23.61 last year, and after dividend on the Preferred to \$3.46 per share on the Common Stock against \$2.56 last year. The increase per share on the Common Stock is 35%.

The Income Statement shows that a sales total of \$35,369,794 was achieved, the highest in the Company's history. The increase over 1963 sales was \$2,410,659 or more than 7%. Sales were higher in all the geographical areas and in all the various divisions of the Company's operations. Branch operating results were better than in the previous year when also we reported a considerable improvement.

The increase in operating expenses of about \$294,000 is reasonable having regard to substantially higher sales, the expenses of new branch openings and branch relocations, of which there were four and four respectively, and to other increases in operating costs, which tend to fluctuate with sales volume. Those associated with the expansion of our Electronic Data Processing Centre are already being recompensed by the rapid production of accurate control data which facilitate day-to-day operations and stimulate improvements in management techniques. Several additional data processing applications are now in process of being implemented which will, for the time being, cause this type of expense to increase, but in the near future they will bring reductions in costs and very many other benefits.

Reference to the Balance Sheet will indicate that although sales were considerably higher as has been noted, Accounts Receivable show a small reduction, and total inventories were reduced by about \$230,000. For the second consecutive year we record a substantial reduction in Trade Accounts Payable. This year's reduction of about \$882,000 plus last year's reduction of \$1,060,000 brings the total reduction for the two years to about \$1,942,000.

Once again, plant expenditures were modest but sufficient to ensure that our manufacturing equipment is the most modern and efficient. It is to be expected, however, that as plans for increased production capacity are put into effect, capital expenditures will rise well above the levels maintained in recent years.

During the year the Green Cross (Insecticides and Agricultural Chemicals) Division placed on the market our new, patented herbicide called Kil-Mor which may truly be described as a breakthrough in this field of technology as its use has brought increases in wheat crop yields of as high as 25%. Sales of it were very satisfactory and we have high hopes of a much greater demand for it, and for other recently patented herbicides, in the now current fiscal year.

A new Research and Development Laboratory is in an advanced stage of planning. We have reasonable hopes of being able to build it and to bring it into operation within the next few months and so to ensure that our products, which maintain a commanding sales position in the markets in which we are interested, are kept at the highest possible standards of quality.

We are sorry to have to record the death during the year of Mr. P. W. Hollingworth, one of our Directors who, prior to his retirement had served the Company for 52 years, latterly as Secretary-Treasurer. Mr. D. A. Whittaker, President of the Company prior to his retirement in 1958, retired from the Board after having been associated with the Company for 58 years, and Mr. R. C. Vaughan, a Director for 12 years, also expressed a wish to retire. We pay tribute to these gentlemen and express our gratitude for very many years of devotion to the Company's interests.

At the Annual Shareholders' Meeting held in December 1963, Mr. Hubert G. Welsford was elected to the Board of Directors for a full term after having served as a Director for part of the 1963 fiscal year. We are, indeed, very privileged to have his long experience of Canadian industry available to the Board.

An important re-organization of management responsibilities was carried out without any dislocation or hindrance to the achievement of defined objectives, and this in itself is a measure of the ability of our staff to respond to the continuing need for flexibility in constantly changing economic circumstances. The improvements made during the year to the Company's position in so many respects could not have been accomplished without the enthusiastic and capable efforts of its staff.



*Chairman*



*President*

MONTREAL, QUEBEC

*October 28, 1964.*

## THE SHERWIN-WILLIAMS COMPANY OF

	<i>Assets</i>	
	August 31,	
	1964	1963
<i>Current Assets</i>		
Cash . . . . .	\$ 607,787	\$ 655,243
Trade accounts receivable, less allowances for doubtful accounts of \$140,000 in 1964 and \$167,300 in 1963 . . . . .	6,344,226	6,418,395
Inventories — principally at lower of cost (average or first-in, first-out method) or market:		
Finished merchandise . . . . .	\$ 5,790,977	\$ 5,776,885
Work in process, raw materials, and supplies	2,116,760	2,360,818
	<u>\$ 7,907,737</u>	<u>\$ 8,137,703</u>
TOTAL CURRENT ASSETS . . . . .	\$14,859,750	\$15,211,341
<i>Investments and Other Assets</i>		
Investment in affiliated company . . . . .	\$ 200,000	\$ 200,000
Miscellaneous receivables and advances . . . . .	123,905	70,007
	<u>\$ 323,905</u>	<u>\$ 270,007</u>
<i>Property, Plant and Equipment</i>		
— on the basis of cost		
Land . . . . .	\$ 639,879	\$ 625,412
Buildings . . . . .	4,380,852	4,365,937
Machinery and equipment . . . . .	7,142,750	6,884,684
Less allowances for depreciation . . . . .	8,504,248	8,192,511
	<u>\$ 3,659,233</u>	<u>\$ 3,683,522</u>
<i>Deferred Charges</i>		
Advertising stock and supplies . . . . .	\$ 182,271	\$ 174,297
Prepaid insurance and other items . . . . .	123,550	90,353
	<u>\$ 305,821</u>	<u>\$ 264,650</u>
	<u>\$19,148,709</u>	<u>\$19,429,520</u>

Note — Allowances paid to retired employees under the Company's non-funded, terminable retirement plan are charged to operations at the time of payment.

Comparative accounts for the year ended August 31, 1963, have been reclassified to conform with the current year presentation.

CANADA, LIMITED AND SUBSIDIARIES

*Liabilities, Capital Stock, and Surplus*

August 31,

	1964	1963
<i>Current Liabilities</i>		
Trade accounts payable . . . . .	\$ 1,869,369	\$ 2,751,797
Payrolls, compensation, and miscellaneous items	1,006,538	908,575
Accrued taxes other than taxes on income . . .	200,401	165,671
Taxes on income — estimated . . . . .	453,056	469,723
TOTAL CURRENT LIABILITIES . . . . .	<u>\$ 3,529,364</u>	<u>\$ 4,295,766</u>
 <i>Capital Stock and Surplus</i>		
Capital stock:		
Preferred shares, 7% cumulative, par value		
\$100 per share:		
Authorized — 40,000 shares		
Outstanding — 34,600 shares . . . . .	\$ 3,460,000	\$ 3,460,000
Common shares, no par value:		
Authorized — 225,000 shares		
Outstanding — 224,720 shares . . . . .	224,720	224,720
Earned surplus . . . . .	11,934,625	11,449,034
	<u>\$15,619,345</u>	<u>\$15,133,754</u>
	 <u><u>\$19,148,709</u></u>	 <u><u>\$19,429,520</u></u>

Approved on behalf of the Board:

T. R. McLAGAN Director

H. G. WELSFORD Director

## STATEMENTS OF CONSOLIDATED INCOME AND EARNED SURPLUS

**THE SHERWIN-WILLIAMS COMPANY**  
*OF CANADA, LIMITED*  
 and subsidiaries

<i>Income</i>	<i>Year Ended August 31,</i>	
	1964	1963
Net sales . . . . .	\$35,369,794	\$32,959,135
Dividends received . . . . .	45,000	45,000
Miscellaneous . . . . .	139,016	51,491
	\$35,553,810	\$33,055,626
Deductions from income:		
Cost of products sold . . . . .	\$22,245,419	\$20,400,963
Selling, general, and administrative expenses . . . . .	10,833,643	10,539,369
Allowances paid to retired employees — Note . . . . .	257,436	257,002
Interest expense . . . . .	143,940	177,368
Remuneration of officers and directors' fees . . . . .	173,948	161,513
Legal fees . . . . .	29,497	17,573
	\$33,683,883	\$31,553,788
INCOME BEFORE TAXES ON INCOME . . . . .	\$ 1,869,927	\$ 1,501,838
Taxes on income — estimated . . . . .	850,000	685,000
NET INCOME . . . . .	\$ 1,019,927	\$ 816,838

Provisions for depreciation included above amount to \$383,726 in 1964 and \$373,651 in 1963

<i>Earned Surplus</i>		
Balance at beginning of year . . . . .	\$11,449,034	\$11,099,116
Net income for the year . . . . .	1,019,927	816,838
	\$12,468,961	\$11,915,954
Cash dividends declared:		
Preferred — \$7.00 per share . . . . .	\$ 242,200	\$ 242,200
Common — \$1.30 per share (1963 — \$1.00) . . . . .	292,136	224,720
	\$ 534,336	\$ 466,920
Balance at end of year . . . . .	\$11,934,625	\$11,449,034

Note to financial statements appears on the balance sheet.



## AUDITORS' REPORT

*To the Shareholders,*

### ***THE SHERWIN-WILLIAMS COMPANY*** ***OF CANADA, LIMITED***

We have examined the consolidated balance sheet of The Sherwin-Williams Company of Canada, Limited and its subsidiaries as of August 31, 1964, and the related statements of consolidated income and earned surplus for the year then ended. 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 income and earned surplus present fairly the consolidated financial position of The Sherwin-Williams Company of Canada, Limited and its subsidiaries at August 31, 1964, and the consolidated results of their operations for the year then ended, 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.

ERNST & ERNST

*Chartered Accountants.*

MONTREAL, QUE.

*September 25, 1964.*





