

*C. Stack* *P. H. H. H. H.*

# ANNUAL REPORT 1966



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

McGILL UNIVERSITY



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

**FINANCIAL HIGHLIGHTS**

|  | 1966         | 1965         |
|--|--------------|--------------|
| Net Sales . . . . .                                      | \$37,368,092 | \$36,120,471 |
| Income Before Income Taxes . . . . .                     | 943,114      | 1,468,359    |
| Income Taxes . . . . .                                   | 232,250      | 643,000      |
| Net Income . . . . .                                     | 710,864      | 825,359      |
| Per Share of Common Stock . . . . .                      | 2.09         | 2.60         |
| Cash Dividends Declared:                                 |              |              |
| Preferred . . . . .                                      | 242,200      | 242,200      |
| Common . . . . .   | 404,496      | 382,024      |
| Working Capital . . . . .                                | 10,815,441   | 11,540,634   |
| Ratio of Current Assets to Current Liabilities . . . . . | 2.64 to 1    | 3.18 to 1    |
| Expenditures for Plant Additions . . . . .               | 1,470,264    | 567,907      |
| Provision for Depreciation . . . . .                     | 378,890      | 363,098      |
| Shareholders Equity:                                     |              |              |
| Preferred . . . . .                                      | 3,460,000    | 3,460,000    |
| Common . . . . .   | 10,324,648   | 10,260,480   |
| Outstanding Shares at August 31:                         |              |              |
| Preferred . . . . .                                      | 34,600       | 34,600       |
| Common . . . . .   | 224,720      | 224,720      |
| Number of Shareholders at August 31:                     |              |              |
| Preferred . . . . .                                      | 493          | 509          |
| Common . . . . .   | 482          | 470          |
| Number of Employees at August 31 . . . . .               | 1,683        | 1,738        |

## TO THE SHAREHOLDERS:

The Consolidated Balance Sheet and the Consolidated Income and Earned Surplus Statement of The Sherwin-Williams Company of Canada, Limited and its subsidiaries at the close of the fiscal year August 31, 1966 are presented herewith. The report on the examination of the financial statement 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 \$943,114 against \$1,468,359 last year. After net income taxes, income amounted to \$710,864 against \$825,359 last year, a decrease of 14% approximately. Net income per share of Preferred Stock amounts to \$20.55 against \$23.85 last year, and after dividends on the Preferred Stock to \$2.09 per share on the Common Stock against \$2.60 last year.

Total sales, and particularly paint sales, exceeded all previous records. Profit declined considerably, however, as reference to the Consolidated Income Statement will show, due to a combination of unfavorable factors.

Competitive pressures on prices resulted in lower gross profit margins. There was a considerable increase in expenses because of the continually rising cost of doing business, and there were much higher bank interest and pensions expenses.

The increase in pensions cost was a result of the introduction of Federal

and Provincial Government Pensions Plans. Interest expenses rose largely because of the construction of our new Research and Technical Development Laboratory. As this project was undertaken when an amendment was made to Income Tax Legislation, the effect was to enable most of the cost of this project to rank for accelerated depreciation.

We expect to show a significant reduction in indebtedness to bankers at the end of this now current fiscal year. Measures have been or will be taken to endeavor to improve considerably on last year's results.

Mention has been made of the new Laboratory which provides facilities ranking among the most modern and efficient in the industry. They will enable us constantly to improve the quality standards of our products and to extend the already wide range of them so that we can maintain or improve our position in the numerous markets we serve.

The results obtained by our branches were very gratifying and improvements in sales came from all the markets in which they are active, even though only three new branches were opened during the year. This group of stores, now numbering 129, is quite the largest of its kind in the country and provides unrivaled service to paint dealers and to many different kinds of paint and associated product users.

Sales to our many thousands of dealers, industrial, painter and main-

tenance accounts were higher and introduction of several new products enabled us to obtain deeper penetration of important markets.

The Green Cross (Agricultural Chemicals) Division continued its excellent progress both in sales and in product innovation. It is now surveying overseas markets, some of which appear to offer good prospects for the future.

Improved results came from two other subsidiary operations, The Winnipeg Paint and Glass Company Limited, and The E. Harris Company

which specializes in the sale of Graphic Arts materials.

At the last Annual Shareholders' Meeting Mr. Claude Robillard was elected to the Board of Directors. We take this opportunity of expressing our pleasure that such a distinguished Canadian engineer and businessman is able to include the interests of our Company in the wide range of his activities.

Our thanks are extended to all our employees for their efforts which in some areas had to be carried out in face of many difficulties.

*E. C. Baldwin*  
Chairman

*Sidney King*  
President

MONTREAL, QUEBEC

October 14, 1966

## THE SHERWIN-WILLIAMS COMPANY OF

|   | <i>Assets</i>       |                     |
|---|---------------------|---------------------|
|   | August 31,          |                     |
|   | 1966                | 1965                |
| <i>Current Assets</i>   |                     |                     |
| Cash . . . . .  | \$ 52,200           | \$ 51,500           |
| Trade accounts receivable, less allowances for<br>doubtful accounts of \$142,700 in 1966 and<br>\$142,000 in 1965 . . . . . | 7,518,888           | 7,018,828           |
| Inventories — principally at the lower of cost<br>(average or first-in, first-out method) or<br>market:                     |                     |                     |
| Finished merchandise . . . . .  | 7,135,842           | 7,366,467           |
| Work in process, raw materials and supplies   | 2,399,300           | 2,399,986           |
|   | <u>\$ 9,535,142</u> | <u>\$ 9,766,453</u> |
| Recoverable income taxes . . . . .  | 296,905             | —                   |
| TOTAL CURRENT ASSETS . . . . .  | <u>\$17,403,135</u> | <u>\$16,836,781</u> |
| <i>Investment and Other Assets</i>  |                     |                     |
| Common shares of The Carter White Lead<br>Company of Canada Limited (50% owned)<br>— at cost . . . . .                      | \$ 200,000          | \$ 200,000          |
| Miscellaneous receivables and advances . . . . .  | 58,896              | 58,094              |
|   | <u>\$ 258,896</u>   | <u>\$ 258,094</u>   |
| <i>Property, Plant and Equipment</i>  |                     |                     |
| — on the basis of cost:   |                     |                     |
| Land . . . . .  | \$ 607,442          | \$ 591,893          |
| Buildings . . . . .   | 5,608,777           | 4,524,308           |
| Machinery and equipment . . . . .   | 7,685,494           | 7,398,541           |
| Less allowances for depreciation . . . . .  | 8,982,477           | 8,714,636           |
|   | <u>\$ 4,919,236</u> | <u>\$ 3,800,106</u> |
| <i>Deferred Charges</i>   |                     |                     |
| Advertising stock and supplies . . . . .  | \$ 188,299          | \$ 180,748          |
| Prepaid insurance and other items . . . . .   | 135,880             | 127,098             |
|   | <u>\$ 324,179</u>   | <u>\$ 307,846</u>   |
|   | <u>\$22,905,446</u> | <u>\$21,202,827</u> |

Note — During the year ended August 31, 1966, the Company elected to record tax reductions (permitted under Section 72A of the Income Tax Act) as income in the year received rather than to amortize such tax reductions over the lives of certain research facilities. This election had the effect of increasing net income for the year 1966 by \$258,750 of which amount \$38,250 applied to the year 1965.

CANADA, LIMITED AND SUBSIDIARIES

*Liabilities, Capital Stock and Surplus*

August 31,

|   | 1966                           | 1965                           |
|---|--------------------------------|--------------------------------|
| <i>Current Liabilities</i>                                      |                                |                                |
| Owing to bank . . . . .   | \$ 1,849,015                   | \$ 568,988                     |
| Trade accounts payable . . . . .                                | 3,505,598                      | 3,453,716                      |
| Payrolls, compensation and other accruals . . . . .             | 807,104                        | 714,181                        |
| Taxes, other than income taxes . . . . .                        | 383,852                        | 372,952                        |
| Income taxes . . . . .  | 42,125                         | 186,310                        |
| TOTAL CURRENT LIABILITIES. . . . .                              | <u>\$ 6,587,694</u>            | <u>\$ 5,296,147</u>            |
| <br><i>Unfunded Pension Costs Reduced to a Net of Tax Basis</i> | <br>2,039,654                  | <br>2,100,000                  |
| <br><i>Deferred Income Taxes</i> . . . . .                      | <br>493,450                    | <br>86,200                     |
| <br><i>Capital Stock and Surplus</i>                            |                                |                                |
| Capital stock:  |                                |                                |
| Preferred shares, 7% cumulative, par value<br>\$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 . . . . .  | 10,099,928                     | 10,035,760                     |
|   | <u>\$13,784,648</u>            | <u>\$13,720,480</u>            |
|   | <br><u><u>\$22,905,446</u></u> | <br><u><u>\$21,202,827</u></u> |

Approved on behalf of the Board:

Claude Robillard, Director

J. A. Fuller, 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> |              |
|---|------------------------------|--------------|
|   | 1966                         | 1965         |
| Net sales . . . . .   | \$37,368,092                 | \$36,120,471 |
| Dividends received . . . . .  | 50,000                       | 50,000       |
| Miscellaneous . . . . .   | —                            | 28,796       |
|   | \$37,418,092                 | \$36,199,267 |
| Deductions from income:   |                              |              |
| Cost of products sold . . . . .   | \$24,179,728                 | \$23,156,329 |
| Selling, general and administrative expenses . . . . .  | 11,428,493                   | 10,960,448   |
| Company and government pension cost . . . . .   | 504,835                      | 314,578      |
| Interest expense . . . . .  | 285,830                      | 197,707      |
| Remuneration of officers and directors' fees . . . . .  | 76,092                       | 101,846      |
|   | \$36,474,978                 | \$34,730,908 |
| INCOME BEFORE INCOME TAXES . . . . .  | \$ 943,114                   | \$ 1,468,359 |
| Income taxes:   |                              |              |
| Payable currently . . . . .   | \$ 180,250                   | \$ 518,550   |
| Recoverable due to loss carry-back . . . . .  | (317,000)                    | —            |
| Deferred . . . . .  | 369,000                      | 124,450      |
|   | \$ 232,250                   | \$ 643,000   |
| NET INCOME . . . . .  | \$ 710,864                   | \$ 825,359   |
| Provisions for depreciation included above<br>amount to \$378,890 in 1966 and \$363,098<br>in 1965. |                              |              |
| <i>Earned Surplus</i>   |                              |              |
| Balance at beginning of year . . . . .  | \$10,035,760                 | \$11,934,625 |
| Deduct amount of unfunded pension costs reduced to<br>a net of tax basis . . . . .                  | —                            | 2,100,000    |
|   | \$10,035,760                 | \$ 9,834,625 |
| Net income for the year . . . . .   | 710,864                      | 825,359      |
|   | \$10,746,624                 | \$10,659,984 |
| Cash dividends declared:  |                              |              |
| Preferred — \$7.00 per share . . . . .  | \$ 242,200                   | \$ 242,200   |
| Common — \$1.80 per share (1965 — \$1.70) . . . . .   | 404,496                      | 382,024      |
|   | \$ 646,696                   | \$ 624,224   |
| Balance at end of year . . . . .  | \$10,099,928                 | \$10,035,760 |

See note to the consolidated financial statement.



## ACCOUNTANTS' REPORT

*To the Shareholders,  
The Sherwin-Williams Company  
of Canada, Limited.*

We have examined the consolidated financial statement of The Sherwin-Williams Company of Canada, Limited and its subsidiaries for the year ended August 31, 1966, comprising the consolidated balance sheet as at that date and the 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 consolidated financial statement presents fairly the consolidated financial position of The Sherwin-Williams Company of Canada, Limited and its subsidiaries at August 31, 1966, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change, in which we concur, in the treatment of certain tax reductions as described in the note to the financial statement, have been applied on a basis consistent with that of the preceding year.

ERNST & ERNST  
*Chartered Accountants.*

*September 28, 1966.*

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

*Executive Offices* 2875 CENTRE STREET, MONTREAL 22, CANADA

*Factories* Montreal, Toronto, Winnipeg, and Vancouver  
*and Warehouses* Distributing Warehouses and Branches in principal cities

*Manufacturers of* PAINTS, VARNISHES and ENAMELS for buildings,  
for industry, for automobiles, and for marine uses  
GREEN CROSS INSECTICIDES, PESTICIDES  
and AGRICULTURAL CHEMICALS

The E. Harris Company range of GRAPHIC ARTS products  
SUPER KEM-TONE, KEM-GLO, KEM-GLO VELVET and  
KEM HI-GLOSS, the world's largest selling paints for home owners

---

*Directors* E. COLIN BALDWIN      SIDNEY LING      CLAUDE ROBILLARD  
R. F. CURLEY      T. R. McLAGAN      A. W. STEUDEL  
J. A. FULLER      C. E. RECKITT      H. G. WELSFORD  
A. M. HECTOR

*Officers* A. W. STEUDEL      *Honorary Chairman*  
E. COLIN BALDWIN      *Chairman*  
SIDNEY LING      *President and Managing Director*  
R. F. CURLEY      *Executive Vice-President and Director of Sales*  
C. E. RECKITT      *Vice-President and Secretary-Treasurer*  
A. M. HECTOR      *Vice-President and Director of Distribution*

**THE CANADA PAINT COMPANY LIMITED**

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

**THE E. HARRIS COMPANY LIMITED**

*Head Office, 1 Leslie Street, Toronto, Ont.*

**THE LOWE BROTHERS COMPANY LIMITED**

*Head Office, 263 Sorauren Ave., Toronto, Ont.*

**THE MARTIN-SENOUR COMPANY LIMITED**

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

**THE WINNIPEG PAINT AND GLASS COMPANY LIMITED**

*Head Office, 179 Pioneer Ave., Winnipeg, Man.*



