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ANNUAL REPORT 1963

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JUL 13 1964

THE SHERWIN-WILLIAMS COMPANY

of Canada, Limited

McGILL UNIVERSITY



THE SHERWIN-WILLIAMS COMPANY *of Canada, Limited*

ANNUAL REPORT OF THE BOARD OF DIRECTORS *for the year ended August 31, 1963*

To the Shareholders:

The Consolidated Balance Sheet and the Consolidated Profit and Loss and Earned Surplus for The Sherwin-Williams Company of Canada, Limited and its wholly-owned subsidiaries at the close of the fiscal year August 31, 1963 is presented herewith. The report on the examination of the books and accounts 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 \$1,501,837.57 against \$1,166,669.77 last year. After provision for income tax net profit amounted to \$816,837.57 against \$665,369.77 last year, an increase of 22% approximately. On the Preferred stock net profit amounts to \$23.61 per share against \$19.23 last year, and after dividend on the Preferred, to \$2.56 per share on the Common stock against \$1.88 last year. The increase per share on the Common stock is 36%.

Explanatory comment about one or two significant Balance Sheet items might be helpful to shareholders especially because, this year, they are shown differently from previous years. Combined trade accounts payable and the amount due to an affiliated company are substantially lower, by a total of \$815,541.00. Last year trade accounts payable were \$4,321,840.00 and the amount due to an affiliated company was \$254,113.00. This year the comparative figures are \$3,726,630.00 and \$33,782.00 respectively. Cash at \$655,242.00 is higher this year than last by about \$52,500.00, trade accounts and other accounts receivable show a reduction of \$361,000.00.

In spite of the inclement weather experienced over certain areas of the country at the time when much exterior painting is normally done, trade sales showed an increase, industrial and automotive sales also were higher, and branch operating results showed a considerable improvement. During the year four new branches were opened and five were relocated.

Although operating expenses were well controlled throughout the year, and capital expenditures kept low, it is probable that both will show increases during the now current fiscal year because of decisions to expand our Electronic Data Processing Centre and to proceed still further with our plant modernization and branch expansion programs. However, in due course, reductions in total operating costs and con-

siderable improvements in management efficiencies will flow from these higher expenditures.

The Green Cross (Insecticides and Agricultural Chemicals) Division continues to improve its position in all respects. Its research and technical activities were changed some three years ago in order to provide the stimulus for increased market developments, and the results are now becoming apparent.

In the highly competitive atmosphere in which the Company operates it is essential to keep all our research and technical facilities at the highest possible level of efficiency. We are extremely fortunate in having available for our use in Canada the enormous volume of research and technical development work carried out by our American Company. In the recent past, and especially in the new Chicago Research and Development Laboratories this scientific activity has been increased very substantially which helps us considerably in our task of maintaining a commanding position in the Canadian markets in which we are interested.

Even so, we have a need in Canada to improve our own Research and Technical facilities and we have hopes that we may be able to do so in the very near future.

We regret very much to have to record the death of the Hon. Wilfrid Gagnon who was elected to the Board of Directors on January 4, 1940. During twenty-three years his advice and counsel were of inestimable value to your Company.


At the last Annual Shareholders' Meeting Mr. T. Rodgie McLagan, a well known and widely respected Canadian industrialist was elected to the Board. The Company is fortunate in having available to it the benefit of Mr. McLagan's considerable experience in industry and commerce.

Conditions in the paint manufacturing industry remain and are likely to persist in being highly competitive, constantly requiring revisions in sales, marketing and other policies in order to keep the Company's overall operations geared to the country's rapidly changing economic circumstances. These conditions make increasing demands on the efficiency of the staff and a tribute to the manner in which their duties have been performed this year is well deserved.

Respectfully submitted on behalf of the Board,



Chairman.



President.

MONTREAL, QUE.
October 24, 1963.

Consolidated Income and Earned Surplus

THE SHERWIN-WILLIAMS COMPANY
of Canada, Limited
 and wholly-owned subsidiaries
 Year ended August 31, 1963

Income

Income from operations for the year before provision for depreciation and other items shown below.....		\$ 2,433,477.76
Other income:		
Dividends received.....	\$ 45,000.00	
Profit on disposal of assets.....	10,466.77	55,466.77
		\$ 2,488,944.53
Other deductions:		
Interest.....	\$ 177,367.81	
Allowances paid to retired employees — Note.....	257,001.84	
Legal fees.....	17,573.13	
Remuneration of officers and directors' fees.....	161,513.20	
Provision for depreciation and amortization of leasehold improvements	373,650.98	987,106.96
		INCOME BEFORE TAXES ON INCOME \$ 1,501,837.57
Taxes on income — estimated.....		685,000.00
	NET INCOME	\$ 816,837.57

Earned Surplus

Balance at beginning of year.....		\$11,099,116.21
Net income for the year.....		816,837.57
		\$11,915,953.78
Cash dividends paid during the year:		
Preferred — \$7.00 per share.....	\$ 242,200.00	
Common — \$1.00 per share.....	224,720.00	466,920.00
		BALANCE AT END OF YEAR \$11,449,033.78

The note to the financial statement appears on the balance sheet.

Consolidated
THE SHERWIN-WILLIAMS COMPANY

AND WHOLLY-OWNED

August 31, 1964

Assets

CURRENT ASSETS

Cash.....	\$	655,242.70
Trade accounts receivable, less allowance for doubtful accounts.....		6,393,565.48
Other accounts receivable.....		24,829.05
Inventories of raw materials and supplies, in process and finished merchandise at the lower of cost or market..		8,137,703.24

TOTAL CURRENT ASSETS \$15,211,340.47

INVESTMENTS AND OTHER ASSETS

Investment in affiliated company.....	\$	200,000.00
Miscellaneous receivables and advances.....		70,007.15
		270,007.15

PROPERTY, PLANT AND EQUIPMENT

Land, buildings, machinery and equipment and leasehold improvements — principally at cost.....	\$11,876,033.01	
Less allowances for depreciation and amortization of leasehold improvements.....	8,192,510.97	3,683,522.04
		3,683,522.04

DEFERRED CHARGES

Advertising stock and other supplies..	\$	174,297.32
Prepaid insurance, taxes and other items.....		90,352.82
		264,650.14

\$19,429,519.80

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

Balance Sheet

COMPANY OF CANADA, LIMITED

AND SUBSIDIARIES

1, 1963

Liabilities, Capital Stock and Surplus

CURRENT LIABILITIES

Trade accounts payable and accrued liabilities	\$ 3,760,412.08
Taxes other than on income	65,630.95
Taxes on income — estimated	469,722.99
TOTAL CURRENT LIABILITIES	<u>\$ 4,295,766.02</u>

CAPITAL STOCK AND SURPLUS

Capital stock:

Preferred shares, 7% cumulative, par value \$100.00 per share:		
Authorized — 40,000 shares		
Outstanding — 34,600 shares . . .	\$ 3,460,000.00	
Common shares, no par value:		
Authorized — 225,000 shares		
Outstanding — 224,720 shares . . .	224,720.00	
Earned surplus	<u>11,449,033.78</u>	15,133,753.78

\$19,429,519.80

APPROVED ON BEHALF OF THE BOARD:

D. A. WHITTAKER *Director*

P. W. HOLLINGWORTH *Director*

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 wholly-owned subsidiaries as of August 31, 1963, and the related consolidated statements of 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 wholly-owned subsidiaries at August 31, 1963, 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 26, 1963.

THE SHERWIN-WILLIAMS COMPANY

of Canada, Limited

Directors

E. COLIN BALDWIN	C. E. RECKITT
A. M. HECTOR	A. W. STEUDEL
P. W. HOLLINGWORTH	R. C. VAUGHAN
SIDNEY LING	H. G. WELSFORD
T. R. MCLAGAN	D. A. WHITTAKER

Officers

A. W. STEUDEL	<i>Chairman</i>
E. COLIN BALDWIN	<i>President</i>
SIDNEY LING	<i>Vice-President and Managing Director</i>
C. E. RECKITT	<i>Secretary-Treasurer</i>

THE CANADA PAINT COMPANY LIMITED

Head Office, 2859 Centre Street, Montreal, P.Q.
President, E. COLIN BALDWIN—Vice-President and General Manager,
J. K. BROWN

THE LOWE BROTHERS COMPANY LIMITED

Head Office, 263 Sorauren Ave., Toronto, Ont.
President, E. COLIN BALDWIN—Vice-President and General Manager,
R. H. LECK

THE MARTIN-SENOUR COMPANY LIMITED

Head Office, 2875 Centre Street, Montreal, P.Q.
President, E. COLIN BALDWIN—Vice-President and General Manager,
J. H. W. LAWRENCE

THE WINNIPEG PAINT & GLASS COMPANY LIMITED

Head Office, 179 Pioneer Avenue East, Winnipeg, Man.
President, E. COLIN BALDWIN—Vice-President and General Manager,
A. C. LEWSEY

THE SHERWIN-WILLIAMS COMPANY

of Canada, Limited

Executive Offices

2875 CENTRE STREET, MONTREAL 22, CANADA

Factories and Warehouses in Montreal, Toronto, Winnipeg, and Vancouver

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 and KEM-GLO VELVET
— the world's largest selling paints for home owners

