THE LYNE BROTHERS COMPANY LIMITED

ANNUAL REPORT OF THE PRESIDENT

FOR THE FISCAL YEAR ENDING AUGUST 31, 1958

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[illegible]
[illegible] - [illegible]
[illegible]

During this fiscal year all required quantities of raw materials have been available freely. In spite of the recession, prices in the aggregate displayed remarkable steadiness, although at the beginning of 1958 costs of a few materials showed a slight downward tendency.

The following table, listing indices of five categories, will illustrate the general price trend:

Raw Material Price Indices - [illegible]

	Prewar Aug. 15 [illegible]	Aug. 31 [illegible]	Aug. 30 1957	Aug. 29 [illegible]	Change over previous year %
All Commodities	[illegible]	[illegible]	[illegible]	177.8	- 2.0
Nonferrous Metals	[illegible]	213.5	[illegible]	187.4	- 7.4
Ferrous Metals	[illegible]	[illegible]	[illegible]	[illegible]	+ 2.3
Paper & Pulp	[illegible]	[illegible]	213.7	[illegible]	+ 1.0
Vegetable Oils	[illegible]	[illegible]	[illegible]	131.8	- 4.6

The further declines in prices for nonferrous metals were caused by lower world market rates for the "problem metals": copper, lead and zinc. Demand for these metals dropped off sharply and stocks continued to pile up. More details concerning lead and zinc products are given in the following pages. The higher price index for ferrous metals is reflected in increased costs of our paint cans. Though market rates for paper and pulp went up slightly, costs of cartons remained unchanged. Further particulars with regard to vegetable oils are contained in another part of this report.

Cans and 5 Gallon Drums: Higher steel prices resulted in further cost increases for metal containers. Prices for all cans and 5 gallon drums advanced 4% on January 1, 1968.

Our can suppliers, the Continental Can Company usually obtain about 60% of their raw material requirements (tin plate and cold rolled steel) from Stelco's Hamilton plant and the balance of 40% from Dominion Foundries & Steel Limited. Anticipating a strike at Stelco's plant, which started the middle of August 1968, Continental Can had laid in large stocks of the necessary raw materials which are expected to last at least till the end of 1968. Of course, a prolonged strike would necessitate larger purchases from Dominion Foundries and eventually our can suppliers would have to obtain raw materials also from sources in the United States. In the circumstances, a shortage of paint cans is not to be expected. However, prices for metal containers will most probably go up again in January 1969.

White Pigments: In this category, we are mainly concerned with Basic Carbonate White Lead, Basic Silicate White Lead, Zinc Oxide and Titanium pigments. The following paragraphs contain more details concerning these materials.

Titanium Pigments: During this fiscal year we used almost exclusively "Titanox" pigments from Canadian Titanium Pigments. The pure "Titanox" pigments are made in Canada at Varennes, Quebec and the reduced or calcium pigments are shipped from this company's plant at St. Louis, Mo. There has been no change in basic prices for "Titanox" pigments, only slight fluctuations occurred due to variations in the exchange rate for the U.S. dollar which influenced our costs of the American produced reduced "Titanox" pigments.

Our requirements of DuPont's "Ti-Pure" pigments were comparatively small and their prices remained practically unchanged.

Whereas market rates for the metal zinc declined further, zinc oxides had reached their lowest level in 1937 and prices did not fall further during our fiscal year 1937/38. Lead products, however, dropped in price as indicated by the percentages given below.

Basic Carbonate White Lead	Basic Silicate White Lead
- 10.4%	- 4.2%
[illegible] Red Lead	**Litharge**
- [illegible]	- 15%

Petroleum Solvents and Naphthas: Most of the many products falling under this classification remained unchanged in price; only the following three materials showed changes over previous costs:

Solid in tank cars	Benzene	Hi-Flash Naphtha
- 13%	- 2.7%	+ 4%

Linseed Oil: Obtained from Sherwin-Williams; registered sharp advances.

Soya Bean Oil and Castor Oil: Prices fluctuated as usual, but generally a fair downward tendency could be observed.

Tung Oil: Market rates dropped considerably.

Turpentine: Prices fairly steady.

Rosin: Prices steady.

Synthetic Resins: This group includes Pure Phenolics, Modified Phenolics, Resin Esters, Coumarin-Indene Resins, Nevindenes, Styrene-Butadiene Copolymers, Alkyd Resins, Glyptals and many others. Prices for these materials have been steady.

[redacted]: Prices steady.

[redacted]: Minor increases.

[redacted]: Prices unchanged.

[redacted]: Costs were steady with only a few minor price reductions.

[redacted]: i.e. mainly Stearates, Asbestines, Empyros, Whitings, Calcium Carbonate, Calcium Sulphate, China Clay, Mica, Silica and Talcs. Prices showed practically no changes.

[redacted]: There have been no changes in this department's functions and responsibilities with regard to purchasing operations and the auditing of invoices.

[redacted]

[redacted]

1. [redacted]	[redacted]		[redacted]
	[redacted]		[redacted]
	Increase over previous year	=	$ [redacted]
	" " " "	=	% [redacted]
2. [redacted]	[redacted]		[redacted]
	[redacted]		[redacted]
	Decrease over previous year	=	$ [redacted]
	" " " "	=	% [redacted]
3. [redacted]	[redacted]		[redacted]
	[redacted]		[redacted]
	Increase over previous year	=	$ [redacted]
	" " " "	=	% [redacted]

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DOLLAR VALUE OF RAW MATERIAL INVENTORY AUGUST [illegible]

(Grouped according to raw material accounts)

Raw Material Purchased	$ 91,[illegible].11
Varnish Manufactured Merchandise	70,[illegible].80
Linseed Oil Products	3,[illegible].30
Manufactured Dry Colours	10,[illegible]
Defective Material	1,[illegible].80
Paint & Lacquer Bases	18,[illegible]
Packing Material Cases	[illegible]
Packing Material Labels	[illegible].13
Raw Material Packages	[illegible].11
Total	[illegible].21

For practical purposes the above figures are about the same as for the previous year [illegible].

Tuesday: It seems that the recession which characterized the fiscal year [illegible], came to an end in August [illegible], and since then a definite improvement has made itself felt. A few prices have already gone up substantially. It remains to be seen, however, whether the inflationary trend still inherent in our economy will again produce a general price upswing.