



FORM 10-K405

WD 40 CO - WDFC

Filed: November 26, 1996 (period: August 31, 1996)

Annual report. The Regulation S-K Item 405 box on the cover page is checked

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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended
August 31, 1996

Commission File No.
0-6936-3

WD-40 COMPANY

(Exact Name of Registrant as specified in Charter)

California

95-1797918

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1061 Cudahy Place, San Diego, California

92110

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

(619) 275-1400

Securities registered pursuant to Section 12(b) of the Act:

Title of Class: None

Securities registered pursuant to Section 12(g) of the Act:

Title of Class: Common Stock, no par value

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K:

The aggregate market value (closing price) of the voting stock held by non-affiliates of the Registrant as of October 10, 1996 was \$319,060,000.

As of October 10, 1996 the Registrant had 7,725,653 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement for the annual meeting of shareholders on November 26, 1996 is incorporated by reference into PART III, Items 10-13. The Annual Report to Shareholders for the fiscal year ended August 31, 1996 is incorporated by reference into PART I, ITEM 1, PART II, ITEMS 5-8, and PART IV.

PART I

ITEM 1 - Business

- - - - -

(a) General Development of Business.

For more than four decades, WD-40 Company sold only one petroleum-based product, known as "WD-40". WD-40 is a multi-purpose product which acts as a lubricant, rust preventative, penetrant and moisture displacer. In December 1995 the Company acquired the 3-IN-ONE Oil brand from affiliates of Reckitt & Colman, P.L.C. 3-IN-ONE Oil is a lower cost general purpose lubricant. During the fiscal year ended August 31, 1996, the Company developed a third product, T.A.L 5, to be introduced to the market in fiscal year 1997. T.A.L 5 is an extra-strength synthetic lubricant for heavy-duty applications.

The acquisition of the 3-IN-ONE Oil brand was completed on December 8, 1995. WD-40 company acquired all of the worldwide trademarks and other intangible assets relating to the sale of 3-IN-ONE Oil brand lubricating oil products from Reckitt & Colman, Inc., a Delaware corporation, Reckitt & Colman (Overseas) Limited, an English corporation, and other affiliates of Reckitt & Colman P.L.C., an English corporation. The acquisition of assets included inventory and the rights to manufacture, sell and distribute this product line. No other physical property, plant or equipment was acquired. The Company paid cash in the amount of \$15,047,000 for the trademarks and other intangible assets and approximately \$400,000 for inventory.

The Company's objective is to dominate the entire category of lubrication products by combining the smaller niche markets targeted by 3-IN-ONE Oil and T.A.L 5 with the broad-based market held by the WD-40 brand. The three brands complement each other, providing the Company with a complete line of lubricants that is intended to obviate the need for distributors to stock, and consumers to buy, other brands.

The acquisition of the 3-IN-ONE Oil brand and the introduction of T.A.L 5 will allow the Company to pursue a comprehensive and targeted marketing strategy. The acquisition of the 3-IN-ONE Oil brand provided the Company with an existing network of distribution in 17 countries, including several markets in which the WD-40 brand had not been sold. The Company will be using this distribution network to introduce the WD-40 brand to these markets and to add distribution channels to markets that have been previously established.

At the same time, the 3-IN-ONE Oil brand will be introduced to the Company's existing distribution system on a targeted basis. The 3-IN-ONE Oil brand will offer the greatest potential in developing economies worldwide where it can be sold in small, affordable units that may provide people in these markets with an introduction to lubricants.

In maturing, industrial markets, including North America, the U.K. and Australia, the Company will focus on growth in sales of the WD-40 brand and the introduction of the T.A.L 5 brand to the distribution system. T.A.L 5 will be offered to industrial users and other consumers in need of an extra-strength lubricant.

(b) Financial Information About Industry Segments. Not applicable.

(c) Narrative Description of Business.

WD-40 Company manufactures and markets three multi-purpose lubricant products known as "WD-40", "3-IN-ONE Oil", and "T.A.L 5". WD-40 is sold primarily in aerosol cans through chain stores, hardware and sporting goods stores, automotive parts outlets as well as through industrial distributors and suppliers. It has a wide variety of consumer uses (including household use, the care and protection of sporting goods, and marine and automotive equipment) as well as numerous industrial applications.

3-IN-ONE Oil is a drip oil lubricant, sold primarily through the same distribution channels as the WD-40 brand. It is a low-cost, entry-level lubricant. The unique drip tip allows precise application for small mechanisms and assemblies, tool maintenance and threads on screws and bolts. 3-IN-ONE Oil is a market share leader among drip oils for household consumers. It also has wide industrial applications in such areas as locksmithing, HVAC, marine, farming, construction and jewelry manufacturing. The product's high quality and the established distribution network that was acquired with the brand trademarks have enabled the product to gain international acceptance.

T.A.L 5 was developed during the Company's last fiscal year as an extra-strength synthetic spray lubricant for heavy-duty applications. Marketing for T.A.L 5, commencing in fiscal year 1997, will be targeted at specialized users in the trades and general industry, especially manufacturing. T.A.L 5, which stands for "Triple Additive Lubricant / 5 functions", resists breakdown due to corrosion, friction, temperature, load and motion. It provides long-lasting film strength and durability which can ultimately help prolong the life of equipment. There are numerous competing heavy-duty spray lubricant products, none of which are seen as being dominant. T.A.L 5 is designed to be competitive as a high quality multi-application product that can be funneled into the Company's existing distribution network.

WD-40 Company is subject to competition from many similar products which perform some or all of the functions of WD-40, 3-IN-ONE Oil and T.A.L 5. The Company is aware of at least 250 competing products, some of which sell for lower prices. Competition in international markets varies by country. The Company has no way of estimating the total size of the market or the proportion of the market held by the Company.

With the ongoing consolidation in the marketplace, many of the major retailers are aggressively pursuing additional trade allowances. These demands could produce a long-term negative impact on both sales and profits.

Alternate sources of constituent chemicals are readily available and there are no current or anticipated shortages of any raw materials essential to the business. There are no environmental laws or regulations currently affecting capital expenditures. Recent focus on environmental regulations relating to VOC's (Volatile Organic Compounds) have resulted in a change in the formulation of the WD-40 brand product resulting in increases in product cost and product pricing. Such increases could have an adverse effect on the Company's competitive position.

The Company has no patents, but relies upon its established trademarks, brand names and marketing efforts, including advertising and sales promotion, to compete effectively. The WD-40, 3-IN-ONE Oil and T.A.L 5 trademarks are registered in the United States and in various foreign countries.

Ninety-eight (98) persons are employed by the United States parent corporation, nine (9) by the Company's Canadian subsidiary, thirty-six (36) by the United Kingdom subsidiary and six (6) by the Australian subsidiary.

The Company operates in one business segment - the manufacture and sale of multi-purpose lubricants.

(d) Financial Information About Foreign and Domestic Operations and Export Sales.

The information required by this item is incorporated by reference from Pages 11 and 12 of the Annual Report to Shareholders for the fiscal year ended August 31, 1996 under Note 4 - Business Segment and Foreign Operations. There are no material risks attendant to the Registrant's foreign operations.

ITEM 2 - Properties

- -----

The Company owns and occupies an office and plant facility at 1061 Cudahy Place, San Diego, California 92110. The building consists of approximately 11,000 square feet of office space and 4,000 square feet of plant and storage area.

The Company owns and occupies an office and plant facility at Kiln Farm, Milton Keynes, MK11 3LF, England. The building consists of approximately 7,000 square feet of office space and 4,400 square feet of plant and storage area.

The Company leases approximately 1,300 square feet of office space for sales offices in each of the following cities: Atlanta, Georgia; Northbrook, Illinois; Philadelphia, Pennsylvania; and Thousand Oaks, California.

The Company leases approximately 1,900 square feet of office space in Etobicoke, Ontario, Canada.

The Company leases approximately 2,000 square feet of office space in Epping, New South Wales, Australia.

The Company leases approximately 1,800 square feet of office space in Kuala Lumpur, Malaysia.

The Company believes that these properties should be sufficient to meet the Company's needs for office and plant facilities for several years.

ITEM 3 - Legal Proceedings

Not Applicable.

ITEM 4 - Submission of Matters to a Vote of Security Holders

Not applicable.

Executive Officers of the Registrant

The following table sets forth the names and ages of, and the positions and offices held by, all executive officers within the Company:

Name	Age	Position
Gerald C. Schleif	61	President and Chief Executive Officer; Mr. Schleif joined the Company in 1969 and has held the elected offices of Vice President-Marketing, Executive Vice President, Chief Operating Officer and Treasurer. He has been President since 1990 and Chief Executive Officer since September 1992. Mr. Schleif has been a Director since 1989.
Paul A. Thompsen	60	Vice President-Sales; Mr. Thompsen joined the Company in 1982 as National Sales Manager and was elected Vice President-Sales in 1987.
Garry O. Ridge	40	Vice President-International; Mr. Ridge joined the Company's Australian subsidiary, WD-40 Company (Australia) Pty. Limited, in 1987 as Managing Director and was elected Vice President-International in June 1995.
Robert D. Gal	62	Former Treasurer and Assistant Secretary; Mr. Gal joined the Company in 1986 as Controller and Assistant Secretary. He was named Treasurer in 1993. Mr. Gal retired as of October 9, 1996.
Peter E. Williams	53	Treasurer; Mr. Williams joined the Company in August, 1996 as Controller and was named Treasurer on September 25, 1996.

All officers hold office at the pleasure of the Board of Directors.

PART II

ITEM 5 - Market For Registrant's Common Equity and Related Stockholder

Matters

The Company's common stock is traded in the over-the-counter market (Nasdaq National Market System). As of August 31, 1996, the approximate number of holders of record of the Company's common stock was 2,280. Other information required in this item is incorporated by reference from Page 16 of the Annual Report to Shareholders for the year ended August 31, 1996 under the heading, "Stock Information".

ITEM 6 - Selected Financial Data

See ITEM 7.

ITEM 7 - Management's Discussion and Analysis of Financial Condition and

Results of Operations

The information required in ITEMS 6 and 7 is incorporated by reference from Pages 19 and 20 and Pages 17 and 18, respectively, of the Annual Report to Shareholders for the fiscal year ended August 31, 1996.

ITEM 8 - Financial Statements and Supplementary Data

See the Index to Consolidated Financial Statements and Financial Statement Schedule on Page 7 of this report (ITEM 14(a)). Other information required by this item is incorporated by reference from Page 16 of the Annual Report to Shareholders for the fiscal year ended August 31, 1996.

ITEM 9 - Changes in and Disagreements With Accountants on Accounting and

Financial Disclosure

Not applicable.

PART III

ITEM 10 - Directors and Executive Officers of the Registrant

See ITEM 13.

ITEM 11 - Executive Compensation

See ITEM 13.

ITEM 12 - Security Ownership of Certain Beneficial Owners and Management

See ITEM 13.

ITEM 13 - Certain Relationships and Related Transactions

The information required in ITEMS 10, 11, 12 and 13 is incorporated by reference from Pages 3, 4 and 5, Pages 5, 6, 7, 8 and 9, Pages 2 and 3, and Page 5, respectively, of the Proxy Statement for the annual meeting of shareholders, November 26, 1996.

PART IV

ITEM 14 - Exhibits, Financial Statement Schedule, and Reports on

Form 8-K

- (a) Documents filed as part of this report

WD-40 COMPANY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statements of WD-40 Company and its subsidiaries, included in PART II, ITEM 8, are incorporated by reference from Pages 6-16 of the Annual Report to Shareholders for the fiscal year ended August 31, 1996:

1. Financial Statements

Report of Independent Accountants

Consolidated Statement of Income for the three years
ended August 31, 1996

Consolidated Balance Sheet at August 31, 1996 and 1995

Consolidated Statement of Shareholders' Equity for the
three years ended August 31, 1996

Consolidated Statement of Cash Flows for the three
years ended August 31, 1996

Notes to Consolidated Financial Statements

The following financial statement schedule of WD-40 Company for the three years ended August 31, 1996 is included in PART II, ITEM 8:

	Page ----
2. Financial Statement Schedule	
Report of Independent Accountants on Financial Statement Schedule	11
II - Consolidated Valuation and Qualifying Accounts and Reserves	12

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

Exhibit No.	Description
	Articles of Incorporation and By-Laws.
	Articles of Incorporation.
3(a)	Restated Articles of Incorporation are incorporated by reference from the Form 10-K Annual Report dated November 9, 1995, Exhibit 3(a) thereto.
3(b)	Restated By-Laws are incorporated by reference from the Form 10-K Annual Report dated November 9, 1995, Exhibit 3(b) thereto.
	Material contracts.
	Executive Compensation Plans and Arrangements (Exhibits 10(a) through 10(d) are management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to ITEM 14(c)).
10(a)	The Restated WD-40 Company Incentive Stock Option Plan is incorporated by reference from the Form 10-K Annual Report dated November 9, 1995, Exhibit 10(a) thereto.
10(b)	The WD-40 Company Supplemental Death Benefit Plan is incorporated by reference from the Form 10-K Annual Report dated November 9, 1995, Exhibit 10(b) thereto.
10(c)	The WD-40 Company Supplemental Retirement Benefit Plan is incorporated by reference from the Form 10-K Annual Report dated November 9, 1995, Exhibit 10(c) thereto.
10(d)	The Restated WD-40 Company 1990 Incentive Stock Option Plan is incorporated by reference from the Form 10-K Annual Report dated November 9, 1995, Exhibit 10(d) thereto.
13	Annual Report to Shareholders for the fiscal year ended August 31, 1996; incorporated by reference in this report.
21	Subsidiaries of the Registrant.
23	Consent of Independent Accountants.
27	Financial Data Schedule (electronic filing only).

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the Registrant's fiscal year ended August 31, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

WD-40 COMPANY
Registrant

By /s/ Peter E. Williams

PETER E. WILLIAMS, Treasurer
(Principal Financial Officer and
Principal Accounting Officer)
November 26, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Gerald C. Schleif

GERALD C. SCHLEIF
Chief Executive Officer and Director
(Principal Executive Officer)
November 26, 1996

/s/ John S. Barry

JOHN S. BARRY, Director
November 26, 1996

/s/ Harlan E. Harmsen

HARLAN F. HARMSSEN, Director
November 26, 1996

/s/ Mario L. Crivello

MARIO L. CRIVELLO, Director
November 26, 1996

/s/ Margaret L. Roulette

MARGARET L. ROULETTE, Director
November 26, 1996

/s/ C. Fredrick Sehnert

C. FREDRICK SEHNERT, Director
November 26, 1996

/s/ Daniel W. Derbes

DANIEL W. DERBES, Director
November 26, 1996

/s/ Jack L. Heckel

JACK L. HECKEL, Director
November 26, 1996

/s/ Edward J. Walsh

EDWARD J. WALSH, Director
November 26, 1996

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of WD-40 Company

Our audits of the consolidated financial statements referred to in our report dated October 4, 1996 appearing on Page 6 of the 1996 Annual Report to Shareholders of WD-40 Company (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE LLP

San Diego, California
October 4, 1996

WD-40 COMPANY

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS*	BALANCE AT END OF PERIOD
Reserve for bad debts and sales discounts:				
Year ended August 31, 1994	\$ 553,000 =====	\$ 1,116,000 =====	\$ 1,226,000 =====	\$ 443,000 =====
Year ended August 31, 1995	\$ 443,000 =====	\$ 984,000 =====	\$ 951,000 =====	\$ 476,000 =====
Year ended August 31, 1996	\$ 476,000 =====	\$ 1,085,000 =====	\$ 1,141,000 =====	\$ 420,000 =====

* Write-off of doubtful accounts and sales discounts taken.

INDEX TO EXHIBITS

No.	Exhibit	Incorporated By Reference Page
- - -	-----	-----
3 (a)	Restated Articles of Incorporation	8
3 (b)	Restated By-Laws	8
10 (a)	Restated WD-40 Company Incentive Stock Option Plan	8
10 (b)	WD-40 Company Supplemental Death Benefit Plan	8
10 (c)	WD-40 Company Supplemental Retirement Benefit Plan	8
10 (d)	Restated WD-40 Company 1990 Incentive Stock Option Plan	8
13	Annual Report to Shareholders for the fiscal year ended August 31, 1996	
21	Subsidiaries of the Registrant	
23	Consent of Independent Accountants	
27	Financial Data Schedule (electronic filing only).	

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REPORT OF INDEPENDENT ACCOUNTANTS

PRICE WATERHOUSE LLP

To the Board of Directors and
Shareholders of WD-40 Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of WD-40 Company and its subsidiaries at August 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

San Diego, California
October 4, 1996

WD-40 COMPANY CONSOLIDATED STATEMENT OF INCOME

	Year ended August 31,		
	1996	1995	1994
Net sales	\$ 130,912,000	\$ 116,776,000	\$ 112,166,000
Cost of product sold	57,925,000	50,229,000	47,028,000
Gross profit	72,987,000	66,547,000	65,138,000
Operating expenses:			
Selling, general and administrative ..	27,027,000	23,759,000	21,896,000
Advertising and sales promotion	12,219,000	10,973,000	10,570,000
Amortization expense	1,065,000	333,000	289,000
Litigation settlement (Note 11)			12,628,000
	40,311,000	35,065,000	45,383,000
Income from operations	32,676,000	31,482,000	19,755,000
Interest income, net	398,000	1,118,000	621,000
Other income, net	338,000	53,000	107,000
Income before income taxes	33,412,000	32,653,000	20,483,000
Provision for income taxes	12,115,000	12,200,000	7,800,000
Net income	\$ 21,297,000	\$ 20,453,000	\$ 12,683,000
Earnings per share	\$ 2.76	\$ 2.66	\$ 1.65
Average number of shares outstanding	7,711,864	7,700,239	7,686,124

See accompanying notes to consolidated financial statements.

WD-40 COMPANY ANNUAL REPORT

WD-40 COMPANY CONSOLIDATED BALANCE SHEET

Assets

	August 31,	
	1996	1995
Current assets:		
Cash and cash equivalents.....	\$ 6,748,000	\$11,090,000
Short-term investments.....	104,000	13,227,000
Trade accounts receivable, less allowance for cash discounts and doubtful accounts of \$420,000 and \$476,000.....	21,440,000	17,088,000
Product held at contract packagers.....	2,304,000	2,307,000
Inventories.....	3,867,000	2,570,000
Other current assets.....	3,170,000	3,298,000
Total current assets.....	37,633,000	49,580,000
Property, plant and equipment, net.....	3,938,000	3,467,000
Long-term investments.....	4,044,000	4,378,000
Goodwill, net.....	14,392,000	
Other assets.....	1,651,000	2,154,000
	\$61,658,000	\$59,579,000
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 5,784,000	\$ 4,749,000
Accrued payroll and related expenses.....	2,737,000	2,619,000
Income taxes payable.....	1,879,000	3,053,000
Current portion of long-term debt.....	706,000	659,000
Total current liabilities.....	11,106,000	11,080,000
Long-term debt.....	2,427,000	3,132,000
Deferred employee benefits.....	954,000	862,000
	3,381,000	3,994,000
Shareholders' equity:		
Common stock, no par value, 9,000,000 shares authorized - 7,720,953 and 7,703,155 shares issued and outstanding.....	6,603,000	6,083,000
Paid-in capital.....	321,000	321,000
Retained earnings.....	40,425,000	38,251,000
Cumulative translation adjustment.....	(178,000)	(150,000)
Total shareholders' equity.....	47,171,000	44,505,000
Commitments and contingencies (Note 12)		
	\$61,658,000	\$59,579,000
	=====	=====

See accompanying notes to consolidated financial statements.

WD-40 COMPANY ANNUAL REPORT

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WD-40 COMPANY CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Stock		Paid-in capital	Retained earnings	Cumulative translation adjustment
	Shares	Amount			
Balance at August 31, 1993	7,670,781	\$5,180,000	\$221,000	\$41,428,000	\$(1,136,000)
Issuance of common stock upon exercise of options	30,965	961,000			
Repurchase of common stock upon exercise of options	(8,771)	(421,000)			
Cash dividends				(17,678,000)	
Compensatory stock options			71,000		
Change in cumulative translation adjustment					786,000
Net income				12,683,000	
Balance at August 31, 1994	7,692,975	5,720,000	292,000	36,433,000	(350,000)
Issuance of common stock upon exercise of options	10,180	363,000			
Cash dividends				(18,635,000)	
Compensatory stock options			29,000		
Change in cumulative translation adjustment					200,000
Net income				20,453,000	
Balance at August 31, 1995	7,703,155	6,083,000	321,000	38,251,000	(150,000)
Issuance of common stock upon exercise of options	22,696	747,000			
Repurchase of common stock upon exercise of options	(4,898)	(227,000)			
Cash dividends				(19,123,000)	
Change in cumulative translation adjustment					(28,000)
Net income				21,297,000	
Balance at August 31, 1996	7,720,953	\$6,603,000	\$321,000	\$40,425,000	\$(178,000)

See accompanying notes to consolidated financial statements.

WD-40 COMPANY ANNUAL REPORT

WD-40 COMPANY CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended August 31,		
	1996	1995	1994
Cash flows from operating activities:			
Net income	\$ 21,297,000	\$ 20,453,000	\$ 12,683,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,760,000	996,000	844,000
Loss on sale of equipment	32,000	124,000	39,000
Non-cash compensation		29,000	71,000
Decrease (increase) in long-term deferred income taxes	585,000	(639,000)	(37,000)
Changes in assets and liabilities:			
Trade accounts receivable	(4,276,000)	(2,205,000)	(838,000)
Product held at contract packagers	3,000	1,460,000	(3,767,000)
Inventories	(1,270,000)	(78,000)	3,103,000
Other assets	(308,000)	(1,585,000)	47,000
Accounts payable and accrued expenses	1,109,000	650,000	(427,000)
Income taxes payable	(832,000)	2,166,000	(1,483,000)
Long-term deferred employee benefits	92,000	63,000	98,000
Net cash provided by operating activities	18,192,000	21,434,000	10,333,000
Cash flows from investing activities:			
Decrease (increase) in short-term investments	13,123,000	(4,077,000)	1,739,000
Non-cash intangible assets of business acquired	(15,047,000)		
Decrease in investment with bonding agency			8,117,000
Proceeds from sale of equipment	163,000	307,000	170,000
Capital expenditures	(1,353,000)	(1,371,000)	(796,000)
Net cash (used in) provided by investing activities	(3,114,000)	(5,141,000)	9,230,000
Cash flows from financing activities:			
Proceeds from issuance of common stock	520,000	363,000	540,000
Repayments of long-term debt	(658,000)	(615,000)	(594,000)
Dividends paid	(19,123,000)	(18,635,000)	(17,678,000)
Net cash used in financing activities	(19,261,000)	(18,887,000)	(17,732,000)
Effect of exchange rate changes on cash	(159,000)	169,000	802,000
(Decrease) increase in cash and cash equivalents	(4,342,000)	(2,425,000)	2,633,000
Cash and cash equivalents at beginning of year	11,090,000	13,515,000	10,882,000
Cash and cash equivalents at end of year	\$ 6,748,000	\$ 11,090,000	\$ 13,515,000
Non-cash investing and financing activities:			
Repurchase of common stock upon exercise of options	\$ 227,000	\$ -0-	\$ 421,000
Long-term investment in low income housing (Note 9)	\$ -0-	\$ -0-	\$ 2,000,000
Long-term debt related to low income housing investment (Note 9)	\$ -0-	\$ -0-	\$ 2,000,000

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, WD-40 Products (Canada) Ltd., WD-40 Company Ltd. (U.K.), and WD-40 Company (Australia) Pty. Ltd. All significant intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Diversification of Credit Risk

The Company's policy is to place its cash, cash equivalents and investments in high credit quality financial institutions, government agencies and corporate entities and to limit the amount of credit exposure.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition

Revenues are recognized upon the shipment of product to third party wholesalers.

Product Held at Contract Packagers

Product held at contract packagers represents the inventory held at United States, Australian, and Canadian contract packagers underlying their obligation to pay the Company for the inventory acquired.

These contract packagers will continue to package WD-40 products to rigid specifications, and upon order from WD-40 Company, ship ready-to-sell inventory to the Company's customers. The United States contract packagers, rather than the Company, are responsible for inventory control. The Company does not record a sale of the inventory until such inventory is purchased by third party wholesalers.

Inventories

Inventories are stated at the lower of average cost or market. The inventory balance primarily represents inventory owned by WD-40 Company Ltd. (U.K.) and concentrate owned by WD-40 Company (U.S.).

Property, Plant and Equipment

Property, plant, and equipment are stated at cost. Depreciation has been computed principally using the straight-line method based upon estimated useful lives of thirty to forty years for buildings and improvements and three to fifteen years for machinery and equipment.

Goodwill

Goodwill represents the excess of purchase cost over the fair value of identifiable assets at the date of acquisition (Note 2) and is amortized on a straight-line basis over its estimated useful life of fifteen years. The Company evaluates the carrying value of goodwill at each balance sheet date as well as the amortization period to determine whether adjustments are required. No such adjustments have been recorded by the Company.

Advertising Costs

The Company expenses advertising costs when the liabilities arise.

Fair Value of Financial Instruments

At August 31, 1996, the carrying amounts of the Company's financial instruments, including cash equivalents, short-term investments, trade receivables and accounts payable, approximated their fair values due to their short-term maturities. Management believes that the estimated fair value of the Company's long-term investments and debt approximated their carrying values at August 31, 1996.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. Deferred income tax expense is the change during the year in the deferred income tax liability or asset.

Foreign Currency

The accounts of the Company's foreign subsidiaries have been translated into United States dollars at appropriate rates of exchange. Cumulative translation gains or losses are recorded as a separate component of shareholders' equity. Gains or losses resulting from foreign currency transactions (transactions

denominated in a currency other than the entity's local currency) are included in the consolidated statement of income and are not material.

Earnings Per Share

Earnings per share are based upon the weighted average number of shares outstanding during each year increased by the effect of dilutive stock options, when applicable, using the treasury stock method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." SFAS 123 will be adopted by the Company as required for its fiscal 1997 financial statements. Upon adoption of SFAS 123, the Company will continue to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," and will provide pro forma disclosure of net income and earnings per share as if the fair value-based method prescribed by SFAS 123 had been applied in measuring compensation expense. Accordingly, the adoption of SFAS 123 will not impact the Company's financial position or results of operations.

Long-Lived Assets

In March 1995, the Financial Accounting Standards Board Issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which the Company will adopt prospectively as required in fiscal 1997. Pursuant to this Statement, companies are required to investigate potential impairments of long-lived assets, certain identifiable intangibles, and associated goodwill, on an exception basis, when there is evidence that events or changes in circumstances have made recovery of an asset's carrying value unlikely. An impairment loss would be recognized when the sum of the undiscounted expected future net cash flows is less than the carrying amount of the asset. The adoption of SFAS 121 is not expected to have a significant impact on the Company's financial position or results of operations.

Reclassifications

Certain 1995 and 1994 balances have been classified to conform to the 1996 presentation.

NOTE 2 - ACQUISITION

On December 8, 1995, the Company acquired all of the worldwide trademarks and other intangible assets relating to the sale of 3-IN-ONE brand lubricating oil products from Reckitt & Colman, Inc., a Delaware corporation, Reckitt & Colman (Overseas) Limited, an English corporation, and other affiliates of Reckitt & Colman P.L.C., an English corporation, (collectively, Reckitt & Colman) under an asset purchase and sale agreement. The acquisition of assets included inventory and the rights to manufacture, sell and distribute this product line. No other physical property, plant or equipment was acquired. The Company paid cash in the amount of \$15,047,000 for the trademarks and other intangible assets and approximately \$400,000 for inventory. None of the funds required for the acquisition were borrowed. Accumulated amortization of goodwill at August 31, 1996 and the related amortization expense for the year then ended was \$732,000.

NOTE 3 - SELECTED FINANCIAL STATEMENT INFORMATION

	August 31,	
	1996	1995
	-----	-----
Inventories:		
Raw materials.....	\$ 333,000	\$ 373,000
Finished goods.....	3,534,000	2,197,000
	-----	-----
	\$3,867,000	\$2,570,000
	=====	=====
Property, plant and equipment:		
Land.....	\$ 254,000	\$ 254,000
Building and improvements.....	1,746,000	1,721,000
Machinery and equipment.....	5,141,000	4,529,000
	-----	-----
	7,141,000	6,504,000
Accumulated depreciation.....	(3,203,000)	(3,037,000)
	-----	-----
	\$3,938,000	\$3,467,000
	=====	=====

NOTE 4 - BUSINESS SEGMENT AND FOREIGN OPERATIONS

The Company operates in one business segment - the manufacture and sale of multi-purpose lubricants principally through retail chain stores, automotive parts outlets, and industrial distributors and suppliers.

Information regarding the Company's operations in different geographic areas is summarized below. WD-40 Company (U.S.) includes all domestic and intercompany sales, as well as sales to the Caribbean, Mexico, South America, and the Pacific Rim, except for Australia and New Zealand. WD-40 Company (U.S.) export sales were \$18,163,000, \$13,413,000, and \$10,663,000 in fiscal 1996, 1995, and 1994, respectively. WD-40 Company Ltd. (U.K.) includes sales to Europe, the Middle East, and Africa. WD-40 Products (Canada) Ltd. and WD-40 Company (Australia) Pty. Ltd. are included in other foreign subsidiaries. Substantially all sales by these operations are to customers within Canada, Australia, and New Zealand.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year ended August 31,		
	1996	1995	1994
Net sales:			
WD-40 Company (U.S.)	\$ 93,487,000	\$ 86,547,000	\$ 83,550,000
WD-40 Company Ltd. (U.K.)	29,949,000	24,116,000	20,129,000
Other foreign subsidiaries	8,751,000	6,978,000	9,577,000
Intercompany	(1,275,000)	(865,000)	(1,090,000)
	=====	=====	=====
	\$130,912,000	\$116,776,000	\$112,166,000

	Year ended August 31,		
	1996	1995	1994
Operating profit:			
WD-40 Company (U.S.)	\$ 22,352,000	\$ 23,391,000	\$ 24,480,000
WD-40 Company Ltd. (U.K.)	8,134,000	6,693,000	5,462,000
Other foreign subsidiaries	2,190,000	1,398,000	2,441,000
Interest income, net	398,000	1,118,000	621,000
Other income, net	338,000	53,000	107,000
Litigation settlement			(12,628,000)
	=====	=====	=====
Income before income taxes	\$ 33,412,000	\$ 32,653,000	\$ 20,483,000

	August 31,		
	1996	1995	1994
Identifiable assets:			
WD-40 Company (U.S.)	\$ 44,876,000	\$ 45,587,000	\$ 42,421,000
WD-40 Company Ltd. (U.K.)	14,949,000	12,443,000	8,810,000
Other foreign subsidiaries	1,833,000	1,549,000	3,641,000
	=====	=====	=====
	\$ 61,658,000	\$ 59,579,000	\$ 54,872,000

NOTE 5 - INCOME TAXES

The provision for income taxes includes the following:

	Year ended August 31,		
	1996	1995	1994
Current tax provision:			
United States	\$ 6,812,000	\$ 8,021,000	\$ 3,531,000
State	1,818,000	1,971,000	1,600,000
Foreign	2,866,000	2,995,000	2,796,000
	=====	=====	=====
Total current	11,496,000	12,987,000	7,927,000
Deferred tax provision (benefit):			
United States	563,000	(792,000)	(131,000)
Foreign	56,000	5,000	4,000
	=====	=====	=====
Total deferred	619,000	(787,000)	(127,000)
	=====	=====	=====
	\$ 12,115,000	\$ 12,200,000	\$ 7,800,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets included in other current assets are comprised of the following:

	August 31, 1996	August 31, 1995
	-----	-----
Accrued employee benefits	\$ 375,000	\$ 329,000
State income taxes	273,000	275,000
Reserves and allowances	104,000	180,000
	-----	-----
	\$ 752,000	\$ 784,000
	=====	=====

Long-term deferred tax assets and (liabilities) included in other assets are comprised of the following:

	August 31, 1996	August 31, 1995
	-----	-----
Depreciation	\$ (283,000)	\$ (216,000)
Foreign tax credit		586,000
Deferred compensation	395,000	362,000
Other	118,000	85,000
	-----	-----
	\$ 230,000	\$ 817,000
	=====	=====

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes follows:

	Year ended August 31,		
	1996	1995	1994
	-----	-----	-----
Amount computed at U.S. statutory federal rate	\$ 11,694,000	\$ 11,429,000	\$ 7,169,000
State income taxes, net of federal benefit	1,182,000	1,235,000	1,040,000
Affordable housing credits	(499,000)	(111,000)	(85,000)
Competent authority refund			(345,000)
Other	(262,000)	(353,000)	21,000
	-----	-----	-----
	\$ 12,115,000	\$ 12,200,000	\$ 7,800,000
	=====	=====	=====

Income taxes paid in fiscal 1996, 1995, and 1994 amounted to \$12,329,000, \$11,643,000 and \$9,221,000, respectively.

NOTE 6 - STOCK OPTIONS

The Company has an incentive stock option plan whereby the Board of Directors may grant officers and key employees options to purchase an aggregate of not more than 440,000 shares of the Company's common stock at a price not less than 100 percent of the fair market value of the stock at the date of grant. Options are generally exercisable one year after grant and may not be granted for terms in excess of ten years. At August 31, 1996 options for 148,453 shares were exercisable and options for 140,700 shares were available for future grants.

A summary of the changes in options outstanding under the Company's Stock Option Plan during the three years ended August 31, 1996 is as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Number of shares	Option price per share
	-----	-----
Outstanding at August 31, 1993.....	132,596	\$24.50 - \$40.00
Options granted.....	54,700	\$47.50
Options exercised.....	(30,965)	\$24.50 - \$40.00
Options canceled.....	(7,011)	\$30.88 - \$47.50
	-----	-----
Outstanding at August 31, 1994.....	149,320	\$24.50 - \$47.50
Options granted.....	58,900	\$42.50
Options exercised.....	(10,180)	\$30.68 - \$40.00
Options canceled.....	(5,381)	\$40.00 - \$47.50
	-----	-----
Outstanding at August 31, 1995.....	192,659	\$24.50 - \$47.50
Options granted.....	62,400	\$42.38
Options exercised.....	(22,696)	\$24.50 - \$42.50
Options canceled.....	(11,497)	\$42.38 - \$47.50
	-----	-----
Outstanding at August 31, 1996.....	220,866	\$24.50 - \$47.50
	=====	=====

NOTE 7 - EMPLOYEE BENEFIT PLANS

The Company has a combined Money Purchase Pension Plan and Profit Sharing Plan for the benefit of its regular full-time employees who meet certain minimum criteria. The Plans provide for annual contributions into a trust to the extent of 10% of covered employee compensation for the Money Purchase Pension Plan and as approved by the Board of Directors for the Profit Sharing Plan, but which may not exceed the amount deductible for income tax purposes. The Plans may be amended or discontinued at any time by the Company. Contributions charged to income under the plans for fiscal 1996, 1995, and 1994 approximated \$1,029,000, \$1,029,000 and \$987,000, respectively.

The Company has a Salary Deferral Employee Stock Ownership Plan whereby regular full-time employees who have completed at least one year of service can defer a portion of their income through contributions to a trust. The Plan provides for Company contributions to the trust, as approved by the Board of Directors, equal to fifty percent or more of the compensation deferred by employees, but not in excess of the amount deductible for income tax purposes. Company contributions to the trust are invested in the Company's common stock. The Plan may be amended or discontinued at any time by the Company. Company contribution expense for fiscal 1996, 1995, and 1994 was approximately \$118,000, \$104,000, and \$118,000, respectively.

The Company has agreed to provide fixed retirement benefits to certain of its key executives. The Company's gross liability related to these agreements approximates \$2,461,000 of which \$954,000, representing the present value of these obligations to employees for service through August 31, 1996, has been accrued.

The Company has life insurance policies on certain of its key executives. As of August 31, 1996, the aggregate cash surrender value of these policies is \$1,421,000 which is included in other assets. Keyman Life Insurance Premiums paid by the Company in fiscal 1996, 1995, and 1994 were \$46,000, \$91,000, and \$91,000, respectively.

NOTE 8 - INVESTMENTS

Effective September 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Investments subject to the standard are required to be carried at fair value, unless they are held-to-maturity. Adoption of this accounting treatment had no effect on the Company's financial position or results of operations as all of the Company's investments that are subject to this standard are classified as held-to-maturity and are carried at amortized cost.

Following is a summary of held-to-maturity securities all of which mature in one year or less:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Held-to-Maturity Securities			Estimated Fair Values
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
August 31, 1996				
U.S. Corporate Securities.....	\$ 104,000	\$ -0-	\$ -0-	\$ 104,000

	Held-to-Maturity Securities			Estimated Fair Values
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
August 31, 1995				
U.S. Treasury Securities.....	\$ 5,883,000	\$171,000	\$ 1,000	\$ 6,053,000
State and local government securities.....	5,045,000	1,000	13,000	5,033,000
U.S. Corporate securities.....	2,299,000	42,000		2,341,000
	<u>\$13,227,000</u>	<u>\$214,000</u>	<u>\$14,000</u>	<u>\$13,427,000</u>

NOTE 9 - LONG-TERM INVESTMENT AND RELATED DEBT

On August 31, 1993 and December 13, 1994, the Company purchased partnership units in an affordable housing tax credit fund for \$3,000,000 and \$2,000,000, respectively. The Company's decision to invest in the fund was due to the favorable tax credits that are available over the investment period of 15 years, subject to certain tax restrictions. The investment is accounted for at historical cost, amortized on a straight-line basis over 15 years. Amortization expense for the years ended August 31, 1996, 1995, and 1994 was \$333,000, \$333,000, and \$289,000, respectively.

The Company entered into seven-year promissory notes to fund its investments in the affordable housing tax credit fund. Each note is secured by the corresponding investment and bears interest at 7.0%. Interest and principal payments on each note are \$559,000 and \$370,000, respectively, due annually each January through 2000. Interest paid in fiscal 1996, 1995, and 1994 was \$270,000, \$314,000, and \$98,000, respectively.

NOTE 10 - BANK LINE OF CREDIT

In April of 1996, the Company obtained an unsecured line of credit with a commercial bank which is subject to renegotiation on an annual basis and expires on February 1, 1997. Under the terms of the credit agreement, the Company may borrow up to \$5,000,000 at the bank's prime rate (8.25% at August 31, 1996), or LIBOR plus 2.5% if a minimum of \$100,000 is borrowed. The credit agreement requires the Company to maintain certain minimum income levels and meet certain other restrictive covenants. There were no borrowings on this line at August 31, 1996 and the Company was in compliance with all covenants of the credit agreement at August 31, 1996.

NOTE 11 - SETTLEMENT OF LITIGATION

In February 1989, an action was filed against the Company in the Superior Court of California by eight former commissioned sales representatives. The plaintiffs alleged that their contracts were wrongfully terminated when the Company replaced all of its United States commissioned sales representatives with an in-house sales force. In January 1992, a jury awarded the plaintiffs damages for breach of contract in the amount of \$10,291,000. Subsequent to the California Supreme Court's denial of the Company's petition for review in April 1994, the Company paid the original judgment, accrued interest and court costs of \$12,628,000 in final settlement of this matter.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or will not have a material adverse effect on the Company's financial position or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company was committed under certain noncancelable operating leases at August 31, 1996 which provide for the following future minimum lease payments: 1997, \$143,000; 1998, \$83,000; 1999, \$37,000; 2000, \$2,000. Rent expense for the years ended August 31, 1996, 1995, and 1994 was \$273,000, \$192,000, and \$154,000, respectively.

NOTE 13 - SUBSEQUENT EVENT

On September 23, 1996, the Company declared a cash dividend of \$.62 per share payable on October 30, 1996 to shareholders of record on October 10, 1996.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth certain unaudited quarterly financial information for each of the two years in the period ended August 31, 1996.

Quarter ended:	Net sales	Gross profit	Net income	Earnings per share
November 30, 1994	\$ 29,769,000	\$ 17,133,000	\$ 5,519,000	\$.72
February 28, 1995	29,389,000	17,092,000	5,608,000	.73
May 31, 1995	29,916,000	16,696,000	4,896,000	.63
August 31, 1995	27,702,000	15,626,000	4,430,000	.58
	=====	=====	=====	=====
	\$116,776,000	\$ 66,547,000	\$ 20,453,000	\$ 2.66
November 30, 1995	\$ 27,612,000	\$ 15,926,000	\$ 5,266,000	\$.68
February 28, 1996	35,080,000	19,980,000	5,883,000	.77
May 31, 1996	34,228,000	18,744,000	5,036,000	.65
August 31, 1996	33,992,000	18,337,000	5,112,000	.66
	=====	=====	=====	=====
	\$130,912,000	\$ 72,987,000	\$ 21,297,000	\$ 2.76

STOCK INFORMATION

Period:	Fiscal 1996			Fiscal 1995		
	High	Low	Dividend	High	Low	Dividend
First Quarter	42 3/4	38 3/4	.62	43 5/8	41 1/2	.60
Second Quarter	49	40 1/2	.62	44 3/4	39	.60
Third Quarter	49 1/2	45 3/4	.62	44 1/4	39	.60
Fourth Quarter	48 1/2	41 3/4	.62	44 3/4	41 1/4	.62

The high and low closing prices are as quoted in the Wall Street Journal.

WD-40 Company (US)

1996 vs 1995

Net sales reached yet another record high of \$92.2 million, an increase of \$6.5 million or 7.6% over the previous year. Domestic net sales increased a modest \$2.5 million or 3.4% due to the ebb and flow of business in our retail environment. Export sales to Latin America and the Pacific Rim continue to grow at a very rapid rate. Sales to these areas are now \$18.2 million, up 36% from last year. These export sales now account for approximately 20% of the U.S. total. 3-IN-ONE sales accounted for \$2.5 million of this gain.

Cost of product sold continues to escalate as a percentage of sales and was 46.1% versus 43.9% in fiscal 1995. Increase in raw material and component costs and higher costs for promotional packaging, combined with an increase in export sales which carry a lower gross margin accounts for the increase.

Selling, general, and administrative expenses as a percentage of net sales were 20.2% versus 19.7% in fiscal year 1995. A general increase in overheads, higher legal costs, and the establishment of our national computer network and disaster recovery plans were the reasons for these higher expenses.

Advertising expenses as a percentage of net sales were stable at 8.8% versus 9.1% last year.

1995 vs 1994

Net sales reached another record high of \$85.7 million, an increase of \$3.2 million or 3.9% over the previous year. Domestic net sales showed a modest gain of \$485,000 or 0.7% as the retail segment of the marketplace continued to be sluggish. Export sales to the Pacific Rim and Latin America, on the other hand, hit \$13.4 million, up almost 26% over fiscal 1994.

Cost of product sold as a percentage of net sales increased significantly to 43.9% versus 42.0% in fiscal 1994. Inflationary pressures and higher costs associated with promotional packaging accounted for this steep rise.

Selling, general, and administrative expenses increased by \$1.1 million, and as a percentage of net sales was 19.7% versus 19.1% the prior year. This increase is also primarily attributable to inflation which impacted many of our overhead items including compensation and shipping charges.

Advertising and sales promotion expenses increased \$254 thousand over fiscal 1994, equating to 9.1% of net sales versus 9.2% in the prior year.

Primarily as a result of the inflationary trend in operating expenses, operating income was off \$1.1 million or 4.5% compared to fiscal 1994. However, net income increased more than 100% because of the \$12.6 million legal expense incurred in fiscal 1994. (See Note 11.)

WD-40 Company Ltd. (UK)

1996 vs 1995

Net sales increased across all of the subsidiary's territories by \$5.8 million, or 24.2%, even though the currency exchange rate was a negative 3% for the year. Prime European sales increased 53%, Eastern European sales were up 43%, and sales in the Middle East increased 10%. 3-IN-ONE sales were \$2.5 million of this gain.

Cost of sales increased to 39.8% of net sales versus 38.3% in fiscal 1995 due to a shift in the product range.

Selling, general, and administrative expenses as a percentage of net sales decreased to 22.5% versus 23.9% in fiscal year 1995 due to the increased sales.

Advertising was on budget at 10.1% of net sales versus 10.1% a year ago.

Operating income increased \$1.4 million or 21.5% primarily due to increased sales and controlled overheads.

1995 vs 1994

Net sales for the subsidiary increased \$4.0 million or 19.8% over fiscal 1994. This increase was comprised of higher net sales across the subsidiary's entire territory with Prime Europe up 47%, Eastern Europe up 100%, and the Middle East up 15%. These increases included a positive currency exchange effect of 5.5%.

Cost of products sold remained stable at 38.3% of net sales versus 38.2% in fiscal 1994.

Selling, general, and administrative expenses also decreased as a percent of net sales to 23.9% versus 24.3% in fiscal 1994. This decrease reflected increased productivity.

Advertising and sales promotion expenses also decreased slightly as a percentage of net sales to 10.1% versus 10.4% in fiscal 1994. This reflected our ongoing effort to focus advertising expenditures on only the most cost beneficial promotional opportunities.

Operating income increased \$1.2 million or 22.5% over fiscal 1994 as a result of the increased net sales and stable operating costs described above.

Other Subsidiaries

1996 vs 1995

Net sales increased \$1.8 million or 25% due mainly to the rebound of the retail economy in Canada.

Cost of product sold as a percentage of sales was down slightly to 48.4% versus 49.1% last year.

Selling, general, and administrative expenses along with advertising and promotion as a cost of sales was down significantly to 15.8% versus 20.5% in fiscal 1995 due to the strong rebound in the Canadian sales.

1995 vs 1994

Net sales were down \$2.6 million or 27.1% due entirely to Canada where retail sales were extremely soft.

Cost of product sold was stable at 49.1% of net sales versus 49.0% in fiscal 1994.

Selling, general and administrative expenses increased to 20.5% of net sales versus 15.8% in the prior year due entirely to the shortfall of net sales in Canada.

Advertising and sales promotion expenses were also up slightly as a percentage of net sales at 10.3% versus 9.7% again due to the lower net sales in Canada.

Operating income was down \$1.0 million or 42.7% primarily due to the soft retail economy in Canada.

Price Increases

The introduction of CO\2\ propellant did increase the cost of product sold and as a result the pricing to our customers was adjusted accordingly.

This will impact our sales revenue in North America by approximately 9%, however it will have only a minor effect on net income.

Cash and Cash Equivalents

Cash and cash equivalents decreased \$4.3 million during fiscal 1996 versus a decrease of \$2.4 million in the prior year. Cash provided by operations was \$18.2 million in fiscal 1996. The decrease of \$3.2 million from fiscal 1995 was primarily due to the increase in accounts receivable and product inventories.

Cash used for investing activities totaled \$104 thousand at the end of fiscal 1996, compared with short-term investments of \$13.2 million in fiscal 1995. This change is primarily attributable to funds utilized in the purchase of 3-IN-ONE Oil in fiscal 1996.

Interest and Other Income, Net

1996 vs 1995

Net interest income declined \$720 thousand due to less funds being available for short-term investment. Other income, net, increased \$285 thousand primarily due to increases in international commission income.

1995 vs 1994

Interest income, net, increased \$497 thousand due to higher interest rates and increased short-term investment balances. Other income, net, decreased \$54 thousand primarily due to lower exchange gains in the U.K.

Liquidity and Capital Resources

The Current Ratio of 3.4-to-one on August 31, 1996, was less than the Current Ratio of 4.5-to-one on August 31, 1995, due mainly to the decrease in short-term investments. The Company has notes outstanding on August 31, 1996 for \$2.4 million. The proceeds from these notes were used to purchase partnership units in a Low Income Housing Tax Credit Fund in fiscal 1993 and fiscal 1994 (See Note 9). The Company's cash flows from operations are expected to provide sufficient funds to meet both short- and long-term operating needs, as well as future dividends. Capital expenditures for fiscal 1997 are expected to total approximately \$1.2 million principally for replacing aged vehicles and updating computer equipment.

TEN YEAR SUMMARY

Fiscal Year Ended August 31

	1987	1988	1989
Net sales.....	\$70,879,000	\$80,005,000	\$83,932,000
Cost of product sold.....	30,185,000	33,931,000	36,347,000
Gross profit.....	40,694,000	46,074,000	47,585,000
Selling, general and administrative, and advertising and sales promotion expenses.....	21,009,000	21,891,000	23,744,000
Interest and other income (expense), net.....	988,000	1,235,000	2,084,000
Income before income taxes.....	20,673,000	25,418,000	25,925,000
Provision for income taxes.....	9,663,000	9,870,000	10,170,000
Net income.....	\$11,010,000	\$15,548,000	\$15,755,000
Earnings per share.....	\$1.46	\$2.06	\$2.08
Average number of shares outstanding.....	7,516,652	7,527,507	7,552,114
Dividends per share.....	\$1.47	\$1.63	\$1.90
Total assets.....	\$39,149,000	\$43,312,000	\$44,640,000
Number of employees.....	61	79	133

NET SALES

Thousands of Dollars

1987	\$ 70,879
1988	80,005
1989	83,932
1990	90,990
1991	89,833
1992	99,964
1993	108,964
1994	112,166
1995	116,776
1996	130,912

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TEN YEAR SUMMARY

Fiscal Year Ended August 31

	1990	1991	1992	
Net sales.....	\$90,990,000	\$89,833,000	\$99,964,000	
Cost of product sold.....	40,446,000	39,828,000	42,217,000	
Gross profit.....	50,544,000	50,005,000	57,747,000	
Selling, general and administrative, and advertising and sales promotion expenses.....	27,274,000	26,305,000	29,537,000	
Interest and other income (expense), net.....	1,910,000	1,406,000	1,263,000	
Income before income taxes.....	25,180,000	25,106,000	29,473,000	
Provision for income taxes.....	9,690,000	9,800,000	11,400,000	
Net income.....	\$15,490,000	\$15,306,000	\$18,073,000	
Earnings per share.....	\$2.05	\$2.02	\$2.38	
Average number of shares outstanding.....	7,554,154	7,555,948	7,594,243	
Dividends per share.....	\$2.02	\$1.72	\$2.16	
Total assets.....	\$46,785,000	\$47,752,000	\$53,596,000	
Number of employees.....	136	134	136	
	1993	1994	1995	1996
Net sales.....	\$108,964,000	\$112,166,000	\$116,776,000	\$130,912,000
Cost of product sold.....	44,686,000	47,028,000	50,229,000	57,925,000
Gross profit.....	64,278,000	65,138,000	66,547,000	72,987,000
Selling, general and administrative, and advertising and sales promotion expenses.....	31,242,000	32,755,000	35,065,000	40,311,000
Interest and other income (expense), net.....	(1,306,000)	(11,900,000)	1,171,000	736,000
Income before income taxes.....	31,730,000	20,483,000	32,653,000	33,412,000
Provision for income taxes.....	12,400,000	7,800,000	12,200,000	12,115,000
Net income.....	\$ 19,330,000	\$ 12,683,000	\$ 20,453,000	\$ 21,297,000
Earnings per share.....	\$2.52	\$1.65	\$2.66	\$2.76
Average number of shares outstanding.....	7,660,462	7,686,124	7,700,239	7,711,864
Dividends per share.....	\$2.30	\$2.30	\$2.42	\$2.48
Total assets.....	\$ 58,784,000	\$ 54,872,000	\$ 59,579,000	\$ 61,658,000
Number of employees.....	143	144	148	149

EARNINGS

	Net Income: Thousands of Dollars	Earnings per Share: Dollars
1987	\$11,010	\$1.46
1988	15,548	2.06
1989	15,755	2.08
1990	15,490	2.05
1991	15,306	2.02
1992	18,073	2.38
1993	19,330	2.52
1994	12,683	1.65
1995	20,453	2.66
1996	21,297	2.76

WD-40 COMPANY ANNUAL REPORT

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EXHIBIT 21

Subsidiaries of the Registrant

The Registrant has the following wholly owned subsidiaries which do business under their respective legal names:

Name -----	Place of Incorporation -----
WD-40 Products (Canada) Ltd.	Ontario, Canada
WD-40 Company Limited	London, England
WD-40 Company (Australia) Pty. Limited	New South Wales, Australia

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EXHIBIT 23

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-43174) of WD-40 Company of our report dated October 4, 1996 appearing on page 6 of the Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 11 of this Form 10-K.

PRICE WATERHOUSE LLP

San Diego, California
November 26, 1996

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