DU PONT

CANADA

DU PONT OF CANADA

ANNUAL REPORT

1960

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DU PONT OF CANADA LIMITED

BOARD OF DIRECTORS

Robert G. Beck	George W. Huggett
Joseph M. Breen	John K. Jenney
Frank S. Capon	Herbert H. Lank
W. Samuel Carpenter, III	Hugh H. Lawson
Lammot du P. Copeland	R. Russell Pippin
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Secretary

C. A. Harvie
Assistant Treasurer

R. A. C. Henry
Assistant Secretary

TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSING AGENT

Montreal Trust Company
Montreal, Toronto and Vancouver

ANNUAL REPORT 1960

DU PONT OF CANADA LIMITED

INCORPORATED IN 1910 UNDER THE COMPANIES ACT OF CANADA

CONTENTS

FINANCIAL RESULTS IN BRIEF

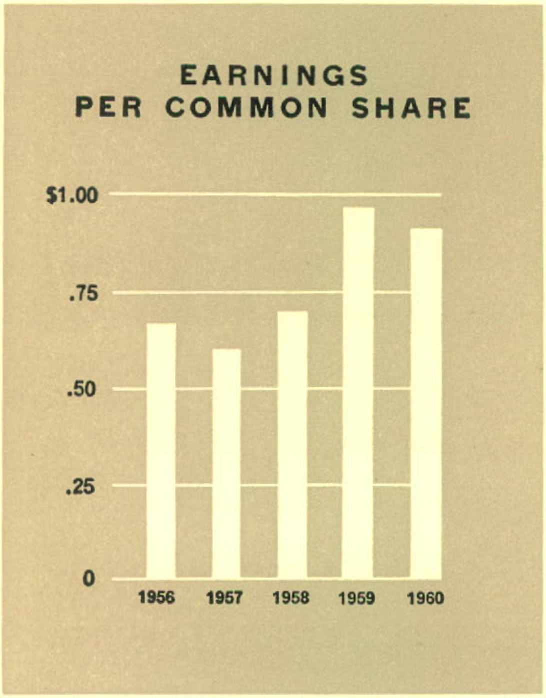
	1960	1959
	(Amounts in thousands of dollars)	
Sales	$99,812	$90,921
Other Income	94	71
	99,906	90,992
Costs and expenses (excluding depreciation, interest and taxes)	78,930	69,562
Depreciation	6,325	5,917
Interest on borrowed money	449	416
Taxes—Payable currently	6,715	6,785
—Payable in the future	652	1,143
Net Income	$ 6,835	$ 7,169
Earnings a common share	92 cents	97 cents
Dividends a common share	50 cents	50 cents

ANNUAL REPORT

The Board of Directors has pleasure in submitting to the shareholders its fiftieth Annual Report.

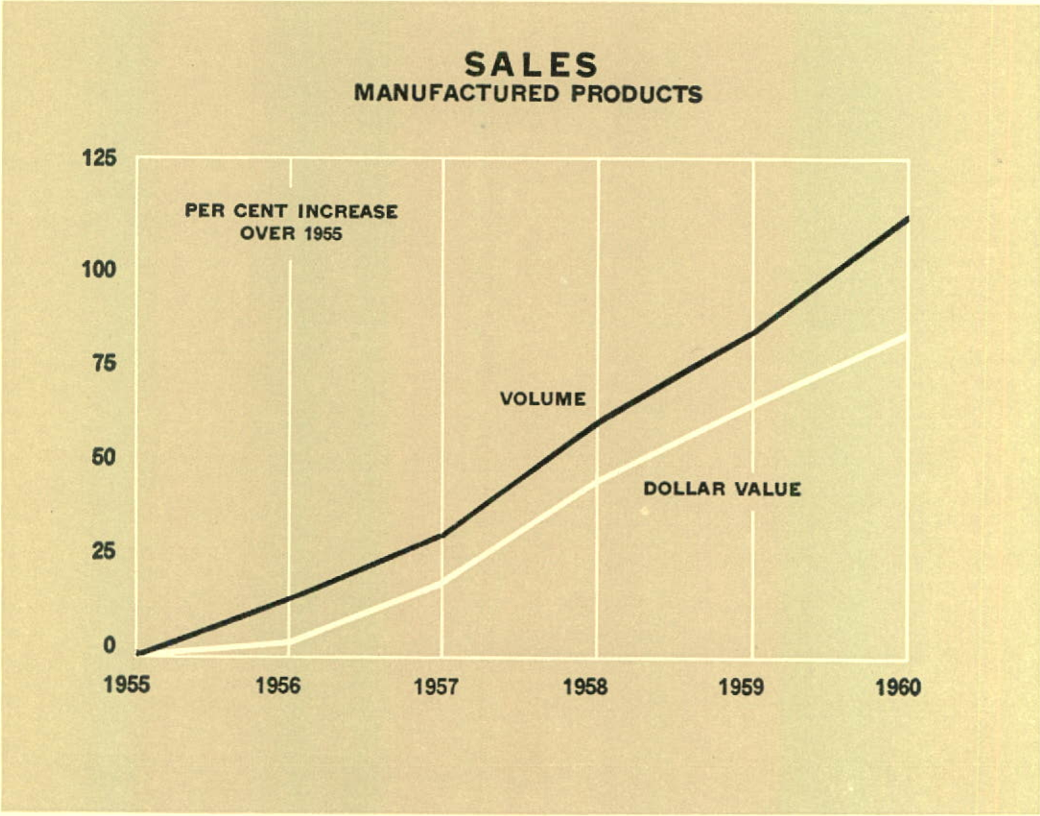
FINANCIAL RESULTS

Net income for 1960 at $6,835,-000 was within 5% of the level achieved a year earlier, and was equivalent to earnings of 92 cents a common share as compared with the 97 cents earned in 1959. Sales revenue showed a marked gain, in spite of lower average selling prices. Preliminary manufacturing expenses and initial manufacturing costs of the new polyethylene resins operation combined with the reduction in selling prices to cause the decline in earnings.



Operations

Sales reached \$99,812,000 or 10% above 1959, while after allowing for the effect of lower selling prices, physical volume was up 17%. Export business was substantially higher than that of the preceding year, due largely to increased industrial activity in Europe causing abnormally high demand for nylon products. Domestic business tended to level off, although products coming from new facilities continued their market penetration.



The emphasis on economy and efficiency in all areas of operations was reflected in relatively lower costs and expenses. Excluding the polyethylene resins plant, average unit manufacturing costs were lower. Salary and wage rates again rose, but further process modifications together with the mechanization of clerical procedures made it possible to achieve a higher level of sales with a proportionately smaller increase in number of employees. Although the index of

Canadian wholesale prices was unchanged, the Company's average cost of raw materials dropped 4% during 1960, reflecting the continuing effort to develop the most economic sources of supply while adhering to a policy of buying in Canada wherever practicable.

The provision for depreciation of plants and equipment totalled $6,325,000, an increase of 7% resulting from additions to plant investment during the year. The Company continues to charge relatively high rates of depreciation on newer investment, as the risk of obsolescence in the chemical industry is greatest in the early years of operation.

Financial Charges

Interest on borrowed money amounted to $449,000, an increase of 8% over 1959. Average loans outstanding were above the preceding year due to a considerable increase in working capital requirements.

Lower taxes, which totalled $7,367,000 or 7% less than last year, resulted from the drop in income. The Company continued to claim the maximum capital cost allowances permitted by income tax regulations and current tax payments were thus reduced by $652,000 for the year, representing taxes on the amount by which depreciation charged against income in the accounts was below the total claimed for tax purposes. As in previous years, this amount was set aside from profits and added to the accumulated provision for future tax liabilities which now totals $5,520,000.

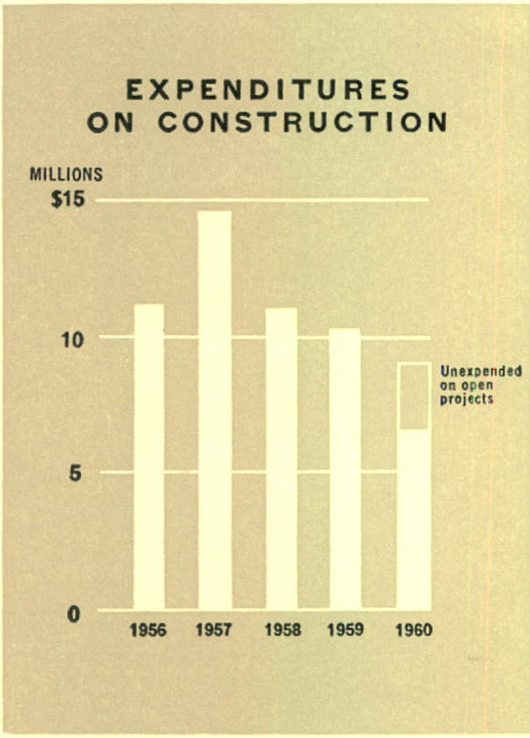
Dividends and Retained Earnings

Regular dividends were paid on the preferred stock. Dividends on the common stock totalled 50 cents a share, unchanged for several years. This included three interim distributions of 10 cents each and a final dividend of 20 cents a share paid in January 1961.

A total of \$3,032,000 or 44% of earnings was retained to assist in financing working capital and new construction needs.

OPERATING INVESTMENT AND RETURN

Operating investment rose by \$9,268,000 during 1960 reaching a total of \$134,000,000 at the end of the year. The St. Clair River polyethylene resins works near Sarnia, Ontario, was completed. Expansions were made at both the Kingston and Maitland Works providing increased capacity for nylon tire yarn and textile yarns as well as for the basic nylon polymer. A nitric acid unit was added to the explosives plant near North Bay, Ontario, together with other equipment designed to provide the more flexible production facilities needed to meet current market requirements. A total of \$6,590,000 was expended on construction during the year and a further \$2,340,000 remained unexpended on projects still under construction at 31st December.

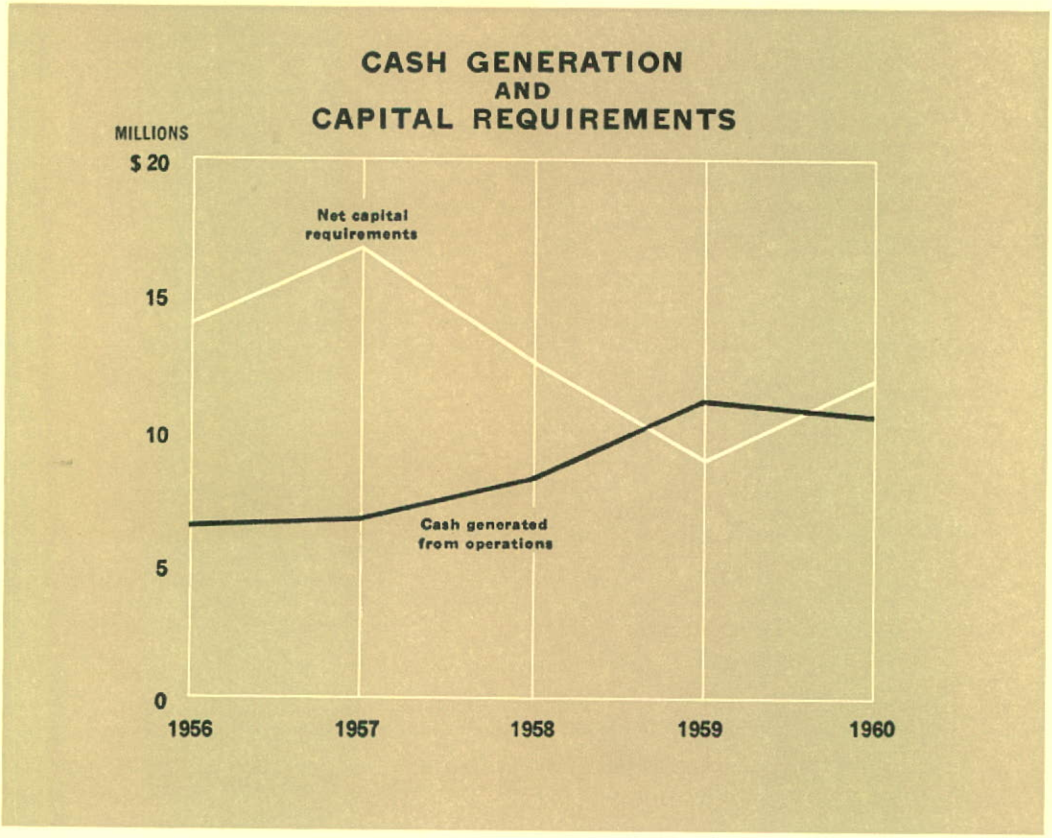


Additional working capital needs were a significant factor in the larger total operating investment. Customers' accounts receivable rose almost \$2,000,000 over the total at the end of 1959, partly because of higher sales but also because of the greater proportion of exports. Inventories rose more than \$1,000,000 due in part to the requirements of the new polyethylene resins business.

As a result of the increase in operating investment, and with income for the year lower than in 1959, the return earned on average operating investment declined from 6.0% in 1959 to 5.2% in 1960.

CASH POSITION

Funds made available from operations and other internal sources totalling nearly $11,000,000 were at about the same level as in 1959 and exceeded construction expenditures for the second straight year. However, working capital needs were such that additional short-term borrowing was necessary. According to present indications, the cash needs for new construction and for additional working capital in 1961 will be lower than in the past year and it is expected that short-term loans will thus be reduced.



MARKETS AND SALES

Business Conditions in Canada

The forces producing the dynamic growth which characterized the Canadian economy in the years prior to 1956 now appear to have spent their force, although other factors such as the expanding population could, in a favourable business climate, provide a new impetus in the sixties. Gross national product did not reach the government's earlier forecast for 1960, and when adjusted for the change in prices is at about the same level as four years ago. New construction declined noticeably during the second half of the year and both consumers and industry in general followed a conservative buying policy. The strongest sustaining element during the year was the increased demand for a number of Canadian products which resulted from the high rate of economic activity in Europe and in countries other than the United States.

Sales in Canada

Normal market growth in Canada is being supplied to an increasing extent by foreign manufacturers, leaving Canadian producers with a shrinking proportion of domestic business. This trend is particularly marked in the textile industry, and the rate of growth in domestic sales of the Company's textile fibres was affected by this competition.

Nylon tire yarn sales increased as nylon cord tires gained a larger share of the market, although the total tire market in Canada was smaller than in 1959. Sales of nylon textile yarn were about the same in volume but nylon staple found increasing use in papermakers' felts and in carpeting. Sales of "Orlon" acrylic fibre declined slightly from the 1959 level due to greater competition in the domestic market from imported fibres and woollen garments along with a continuing market acceptance of sweaters knitted from textured nylon filament yarns. A special carpet nylon was offered in the Canadian market for the first time late in 1960 and other new textile fibre products introduced during the year included "Antron" tri-lobal multifilament nylon yarn.

Polyethylene film continued to achieve greater penetration of the packaging film market and of non-packaging markets such as construction. "Cellophane" cellulose film sales also increased. Several new varieties of each film tailored for specific end uses were offered to the packaging trade. In addition, cellulose film extrusion-coated with polyethylene was introduced to the Canadian market by a number of converter customers. Evaluation quantities of "Sclair" linear polyethylene resins for a variety of extrusion and moulding applications were introduced to the market and are being well received.

Explosives sales increased over 1959 mainly as a result of new iron ore developments. The market for high explosives in Canada, however, has not continued to expand. A decline in uranium mining and reduced heavy construction activity due to the nation's present economic situation have restricted the total market. Of greater importance as a long term factor, however, is the increasing extent to which the explosives market is being supplied by ammonium nitrate based blasting agents.

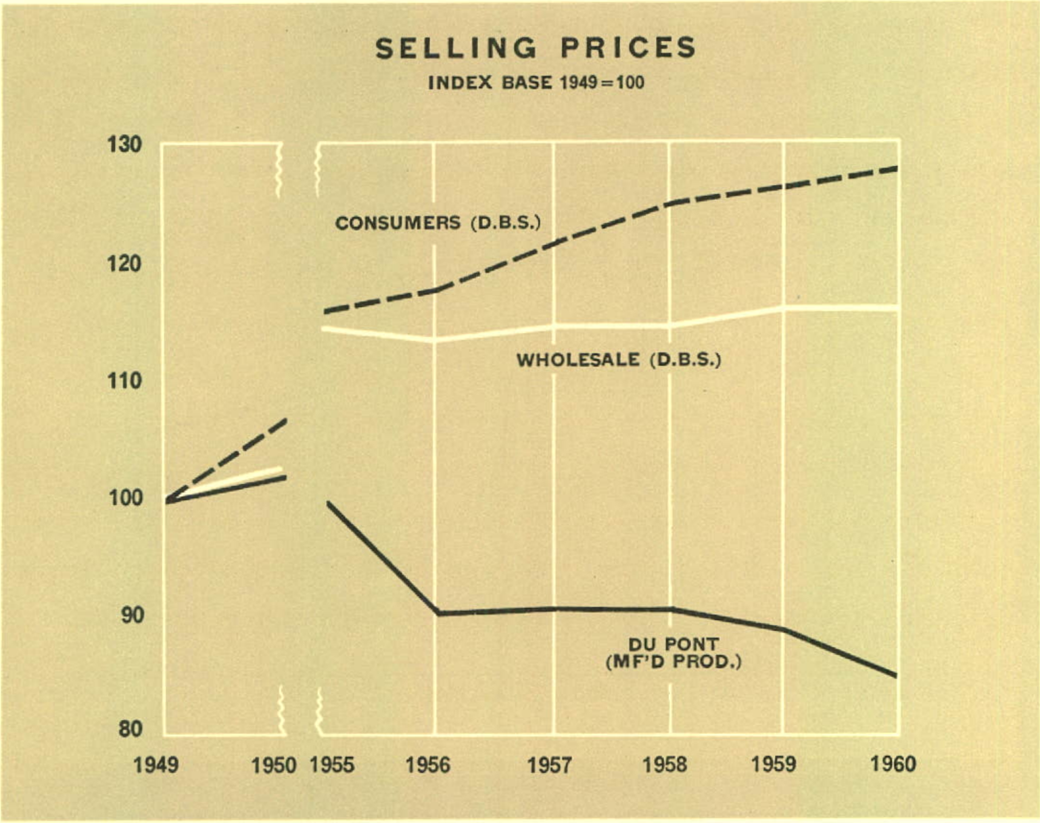
Export Sales

The Company's export business can be classified into two categories — that for which a continuing and growing demand for the Company's products can be expected and that for products where foreign demand is due to unusual situations. Exports were made to more than 50 countries, and aggressive selling effort proceeded successfully in those areas where the Company can compete. Substantial export business, however, was in the second category and it is unlikely that these sales will continue indefinitely.

Selling Prices

Reductions were made in the price of nylon textile yarns, nylon tire cord yarns, polyethylene film and resins, hydrogen peroxide and "Freon" fluorinated hydrocarbons. A considerable number of the Company's products are already at the same price level or lower than equivalent products sold in the United States largely because of intensive competition from other countries. Throughout most of 1960, the Canadian dollar was at a significant premium, thus reducing the effectiveness of the limited duty protection afforded to Canadian products.

The effect of price reductions on the Company's sales during the past five years can be seen from the following chart. The index of weighted average selling prices of manufactured products stood at 85.2 at the end of 1960 (1949 and 1955 = 100) as against 89.4 in 1959.



EMPLOYEES

It is with deep regret that the Board must report that the first fatality in the 28 year history of operations at Shawinigan Works occurred in 1960.

The safest possible working conditions have always been a primary aim of Du Pont of Canada, and every effort is made to instill in employees an alert interest in accident prevention. The Company's accident frequency rate for the year of 1.42 per million man hours worked showed an improvement from 1959 and was again lower than the figures of 3.32 for the chemical industry and 6.47 for all manufacturing industry in Canada and the United States. Accidents occurring to employees when not at work are of increasing concern, and in 1960 the working time lost from such injuries exceeded that resulting from injuries while at work by a ratio of 9 to 1.

The employee benefits which Du Pont of Canada has provided for many years under its industrial relations plans were continued and expanded during 1960. The insurance coverage offered under the Contributory Group Life Insurance Plan was amended to enable employees to purchase additional low-cost term life insurance.

The irrevocable trust fund from which pension payments are made under the Company's non-contributory Pension Plan amounted to $10,450,000 at the end of the year. This sum, which is held by an outside corporate trustee, represents contributions made by the Company and income earned on assets of the fund. Employees have the opportunity of supplementing the basic non-contributory pension by making voluntary contributions to a separate fund.

The number of employees increased by 108 to 4,417 during the year, reflecting the expanded manufacturing operations. To the loyalty of these men and women, the Board wishes to pay special tribute. It is their talent and energy which are the best assurance of the Company's future success.

BONUS PLAN

For the 37 years during which it has been in effect, the Bonus Plan has made it possible to give special recognition to those employees who have shown outstanding ability, efficiency and initiative, and have thereby contributed in an unusual way to the Company's success.

The Board of Directors may credit to the bonus fund each year a portion of net income above 6% of the average amount of the issued capital stock, surplus and any interest-bearing indebtedness. A committee of Directors, chosen from among those members of the Board who are not eligible to participate under the plan, is appointed annually to determine the individual awards which are delivered in four equal annual instalments.

Awards for the year 1960 were made to 156 employees, including those executive officers who are also directors. Since interest in the Company's progress is encouraged by stock ownership, the net amounts delivered to employees during the year, after income tax deductions at the source, were again in the form of common stock.

MANAGEMENT

Recognizing the growth of the Company in recent years and the additional burdens which this growth has placed on senior management, the Board of Directors at its August meeting appointed Robert G. Beck Executive Vice-President, and Frank S. Capon, Herman F. Hoerig and Frank G. Raymant Vice-Presidents. K. M. Place was appointed Treasurer succeeding Mr. Capon.

OUTLOOK

The Company's future success is dependent upon the continued prosperity and development of Canada, and the economic problems now facing this country are therefore of primary importance to management. A rational assessment of Canada's present position and the problems it faces shows clearly that the solutions of prior years are no longer necessarily valid. With the rebuilding of war-damaged industry abroad, foreign countries now have efficient plants and technology second to none. Canada having become a high cost economy, competition with the rising output from other countries will increase sharply in the years ahead.

Canada's most acute problems are evidenced in her balance of international payments. On the one hand there is a huge deficit on current account for goods and services, interest and dividend payments, and travel. Offsetting this is an equally huge surplus on capital account. As capital continues to flow into this country, the current account deficit must rise because of added payments for interest and dividends which continue indefinitely.

The inflow of capital could drop suddenly, thus bringing about an urgent need to reduce the deficit on current account. Most of this deficit is now due to interest and dividend payments, travel and services and these would presumably continue regardless of a change in capital flow. The only solution appears to rest in commodity trade, and since our competitive position for manufactured products in world markets appears to be deteriorating, it is becoming even more vital to supply a growing part of the Canadian market with products made here. The possibility of increasing exports of agricultural commodities and natural resources is limited, as Canadian products in this area already enjoy an important share of world consumption. Moreover, while these industries make a significant contribution to the balance of payments position, they cannot provide sufficient employment for the nation's growing population.

Improvement, or even maintenance, of our living standards depends upon a solution to these problems. Enlightened and courageous policies are needed, as evidenced by the intensive study being given them by our leaders in government, in finance, in industry and in labour.

G. H. Duggett. Herbert H. Lank

Chairman of the Board — President

20th March 1961,
Montreal, Canada

ROSS, TOUCHE & CO.
CHARTERED ACCOUNTANTS

SAINT JOHN MONTREAL OTTAWA TORONTO
LONDON WINNIPEG REGINA SASKATOON
CALGARY EDMONTON VANCOUVER VICTORIA

UNITED STATES OF AMERICA GREAT BRITAIN
AUSTRALIA CONTINENTAL EUROPE MEXICO

AUDITORS' REPORT TO THE SHAREHOLDERS

Du Pont of Canada Limited,
Montreal, Canada.

We have examined the consolidated balance sheet of Du Pont of Canada Limited and its wholly owned subsidiary as at 31st December 1960 and the related statements of consolidated income and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related statements of consolidated income and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and its wholly owned subsidiary as at 31st December 1960 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ross, Touche & Co.
Chartered Accountants.

Montreal, Canada.
17th February 1961.

STATEMENT OF CONSOLIDATED INCOME

	1960	1959
NET SALES	$99,812,672	$90,920,572
Other Income	93,731	71,500
	$99,906,403	$90,992,072
Less:		
Cost of goods sold and other charges except depreciation, interest and income taxes	$78,930,054	$69,562,122
Provision for depreciation	6,325,136	5,917,224
Interest on borrowed money	449,153	416,359
Federal and provincial taxes on current income:		
Payable by 30th June following year	6,715,054	6,784,796
Estimated to be payable in future years*	652,000	1,143,000
	$93,071,397	$83,823,501
NET INCOME FOR THE YEAR	$ 6,835,006	$ 7,168,571

Included in the charges against income are the following:

Remuneration of executive officers, including bonus awards and directors' fees	$573,075	$546,950
Other directors' fees	24,000	24,000
Legal fees	12,565	12,546

*Note:

Capital cost allowances in excess of the provision for depreciation charged against income in the accounts have been claimed for tax purposes. The amount by which tax payments have thereby been reduced has been set aside as a provision for taxes which may be payable in future years.

STATEMENT OF CONSOLIDATED EARNED SURPLUS

	1960	1959
BALANCE AT 1st JANUARY	$43,192,094	$39,819,190
Add: Net income for the year	6,835,006	7,168,571
	$50,027,100	$46,987,761
Deduct: Dividends declared on—		
Preferred 7½% cumulative stock	$ 174,375	$ 174,375
Common stock (50 cents a share)	3,628,284	3,621,292
	$ 3,802,659	$ 3,795,667
BALANCE AT 31st DECEMBER	$46,224,441	$43,192,094

DU PONT OF CANADA LIMITED

And its wholly owned subsidiary

CONSOLIDATED

ASSETS

	31st December 1960	1959
CURRENT ASSETS		
Cash	$ 617,670	$ 591,110
Accounts receivable	10,869,607	9,114,173
Investment securities at cost	500,000	—
Inventories, valued at the lower of cost or market	9,827,437	8,682,337
	21,814,714	18,387,620
DEFERRED CHARGES	730,612	836,245
PLANTS AND PROPERTIES, AT COST	111,723,468	105,776,515
GOODWILL, PATENTS AND PROCESSES	1,688,576	1,688,576
	$135,957,370	$126,688,956

Signed on behalf of the Board,

G. W. Huggett
Hugh H. Lawson } Directors.

BALANCE SHEET

LIABILITIES

	Shares		31st December 1960	1959
CURRENT LIABILITIES				
Short term loans			$ 8,000,000	7,000,000
Accounts payable and accrued liabilities			5,513,199	5,737,488
Federal, provincial and municipal taxes			3,530,918	4,921,471
Dividends declared			1,494,907	1,492,110
			18,539,024	19,151,069
LIABILITIES NOT PAYABLE WITHIN ONE YEAR			1,196,365	1,040,989
ACCUMULATED PROVISION FOR FUTURE INCOME TAXES			5,520,000	4,868,000
ACCUMULATED PROVISION FOR DEPRECIATION OF PLANTS AND PROPERTIES			51,945,381	46,190,216
CAPITAL STOCK				
Authorized	Shares			
Preferred 7½% cumulative stock (par value $50)	46,500			
Common stock (no par value)	13,500,000			
Issued and fully paid				
Preferred	46,500	$ 2,325,000		
Common	7,256,567	10,207,159		
(Issued during the year to employees under the Bonus Plan, 13,984 shares of common stock — $285,571).				
EARNED SURPLUS		46,224,441	58,756,600	55,438,682
			$135,957,370	$126,688,956

STATEMENT OF FUNDS

Cash receipts and expenditures during the year ended
31st December 1960

RECEIPTS DURING THE YEAR:		
From sales and other income less operating costs and expenses*	$14,392,000	
From issue of 13,984 common shares in accordance with the terms of the Company's Bonus Plan	286,000	
From disposal of fixed assets	74,000	$14,752,000
EXPENDITURES DURING THE YEAR:		
On payment of dividends	3,800,000	
On additions to working capital excluding cash	5,334,000	
On additions and alterations to plants and properties	6,591,000	15,725,000
NET DECREASE IN FUNDS DURING THE YEAR		973,000
FUNDS PROVIDED DURING THE YEAR:		
From cash at 1st January 1960	591,000	
From borrowings	1,000,000	1,591,000
CASH AT 31st DECEMBER 1960		$ 618,000

*Operating costs and expenses are the amounts expended for the purchase of materials, supplies and services, the payment of salaries and wages, and the payment of selling, advertising, administrative and other operating expenses as included in the income statement. Provisions for depreciation ($6,325,000), liabilities not payable within one year ($580,000), and future income taxes ($652,000) while charged against operations in arriving at net income, have not been deducted in this statement as they do not involve a current outlay of funds.

FIVE YEAR FINANCIAL & OPERATING RECORD

(approximate amounts in thousands of dollars except where otherwise noted)

OPERATIONS:	**1960**	**1959**	**1958**	**1957**	**1956**
Sales and Other Income	99,906	90,992	81,753	72,740	67,060
Costs and Expenses (excluding depreciation, interest and taxes)	78,930	69,562	65,916	59,876	53,577
Depreciation	6,325	5,917	5,358	4,324	4,298
Interest on borrowed money	449	416	394	55	—
Taxes on Income	7,367	7,928	4,850	3,994	4,216
Net Income	6,835	7,169	5,235	4,491	4,969
Earnings a common share	92 cts.	97 cts.	70 cts.	60 cts.	67 cts.
Dividends a common share	50 cts.	50 cts.	50 cts.	50 cts.	50 cts.

INVESTMENT:					
At 31st December:					
Plants and Properties at Cost	111,700	105,800	96,000	85,550	71,350
Accounts Receivable and Inventories	20,700	17,800	16,210	15,160	12,260
Additions During Year:					
Plants and Properties	6,590	10,370	11,260	14,650	11,300
Accounts Receivable and Inventories	2,900	1,590	1,050	2,900	2,110
Average for the Year:					
Operating Investment	131,400	118,900	106,700	93,200	86,200
Return on Operating Investment	5.2%	6.0%	4.9%	4.8%	5.8%

Operating investment comprises total assets as shown in the Company's annual statements exclusive of goodwill, patents and processes; the average is based on the investment at the beginning of each calendar month.

5334
973
4361

DIRECTORY

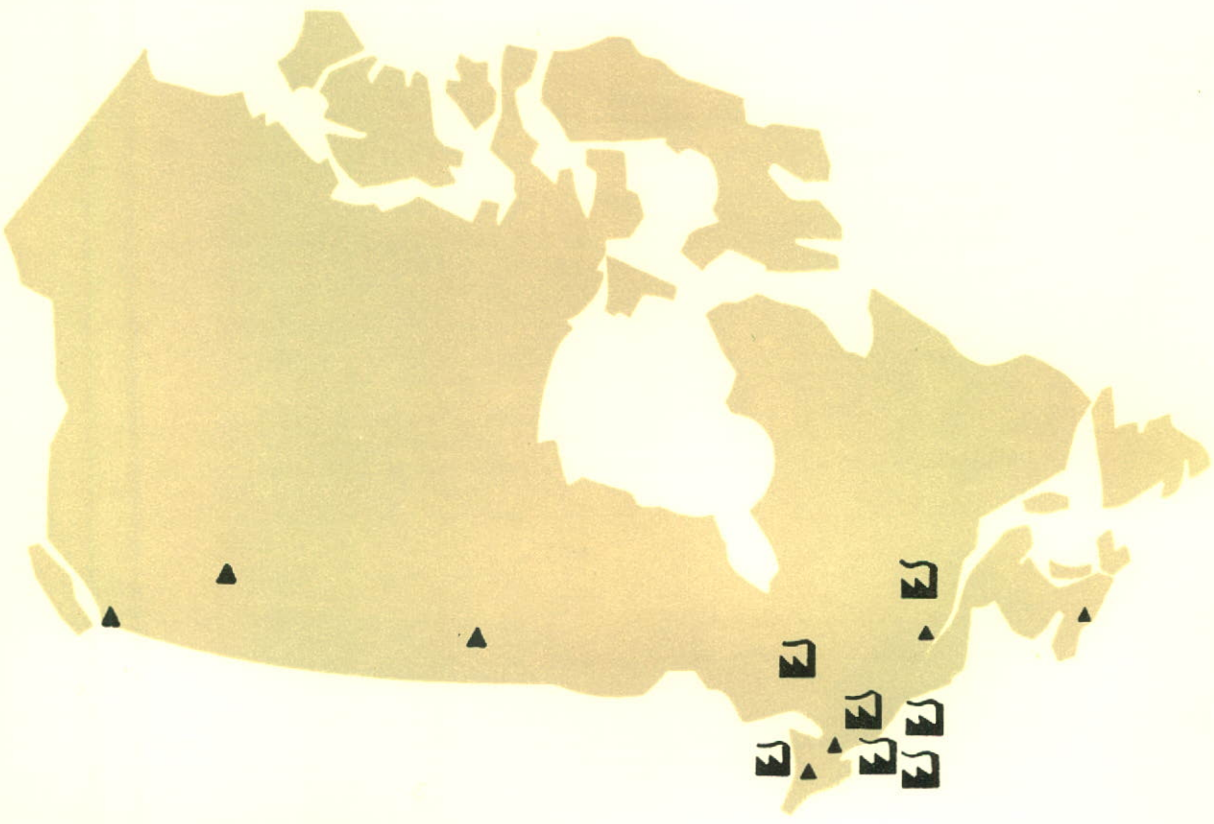
DEPARTMENTS	PRODUCTS	MARKETS SERVED	
CHEMICALS	MANUFACTURED: "Dulux" enamel automotive and industrial finishes and refinish materials "Freon" fluorinated hydrocarbon refrigerants and aerosol propellents "Sclair" polyethylene resins "Zytel" nylon resins Adipic, hydrochloric and nitric acids Hydrogen peroxide RESALE: X-ray and graphic arts, including reproduction and motion picture films Plastic moulding and extrusion powders Synthetic rubbers and rubber chemicals White and coloured pigments Food supplements Seed-treating and weed-killing chemicals Dyes and auxiliary chemicals Gasoline anti-knock compounds and petroleum chemicals Industrial chemicals Cellulose sponge and yarn	Automotive industry and refinish trade Manufacturers and users of refrigerating equipment Electrical industry Packaging industry Petroleum, plastics, rubber, steel and metal fabricating industries	Chemicals and paint manufacturers Food processing industry Pulp and paper manufacturers Tanning industry Textile manufacturers Graphic arts industry Institutions and utilities Farmers and pesticides manufacturers
EXPLOSIVES	MANUFACTURED: Commercial explosives Dynamites Blasting agents RESALE: Blasting caps, sheet explosives, fuse and other blasting supplies and accessories	Mining Quarrying Construction	Lumbering Agriculture
FILMS	MANUFACTURED: Plain and moisture-proof transparent "Cellophane" cellulose film Polyethylene film and tubing Polyethylene vapour barrier film "Vexar" plastic netting RESALE: *"Mylar" polyester film *E. I. du Pont de Nemours & Co. trade-mark	Packaging industry including: Food Tobacco Textiles Drugs and chemicals	Agricultural industry Construction industry Electrical industry Consumer goods industries
TEXTILE FIBRES	MANUFACTURED: Nylon continuous filament yarns, tire yarn and staple "Tynex" nylon monofilament "Orlon" acrylic staple and tow	Manufacturers of hosiery and of textiles for apparel and industrial use Manufacturers of automotive and truck tires	Manufacturers of brushes and sporting goods

PLANTS

Shawinigan, Que.
Ajax, Ont.
Kingston, Ont.
Maitland, Ont.
North Bay, Ont.
Sarnia, Ont.
Whitby, Ont.

SALES OFFICES

Halifax, N.S.
Montreal, Que.
Toronto, Ont.
London, Ont.
Winnipeg, Man.
Calgary, Alta.
Vancouver, B.C.



SALES REPRESENTATIVES ALSO LOCATED AT

Truro, N.S.
Fredericton, N.B.
Saint John, N.B.
Seven Islands, Que.
Quebec, Que.
Val d'Or, Que.
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