DU PONT
CANADA

Du Pont of Canada Limited

Annual Report 1976

66th Annual Report 1976

DU PONT CANADA

Contents

Nous serons heureux de vous envoyer, sur demande, l'édition française de ce rapport.

Highlights

	1976	1975	% Change
SALES (Dollars in thousands)	$458 051	$410 219	12
NET INCOME (LOSS) (Dollars in thousands)	$ (2 076)	$ 2 419	
SELLING PRICE INDEX Manufactured Products (1967=100)	128	121	6
CONSTRUCTION EXPENDITURES (Dollars in thousands)	$ 65 793	$ 87 542	(25)
RESULTS PER COMMON SHARE			
CASH FLOW FROM OPERATIONS	$ 2.57	$ 3.32	(23)
EARNINGS (LOSS)			
From Operations			
By Quarter First	$ 0.03	$(0.07)	
Second	0.02	(0.15)	
Third	(0.15)	0.34	
Fourth	(0.19)	0.32	
	(0.29)	0.44	
Extraordinary items	—	(0.16)	
Total for the year	$(0.29)	$ 0.28	
DIVIDENDS DECLARED	$ 0.20	$ 0.50	(60)

DIRECTORS

Joseph A. Dallas
Director
E. I. du Pont de Nemours & Company
Elected June 25, 1971

A. Jean de Grandpré, Q.C.
Chairman and Chief Executive Officer
Bell Canada
Elected April 17, 1970

Henry J. Hemens, Q.C.
Director and former
Vice-President and Secretary
Du Pont of Canada Limited
Elected February 26, 1971

David S. Holbrook
Chairman
The Algoma Steel Corporation Limited
Elected December 16, 1966

D. Carlton Jones
Chairman and Chief Executive Officer
Hudson's Bay Oil and Gas Company Limited
Elected December 14, 1973

John A. Klacsmann
Vice-President and General Manager
International Department
E. I. du Pont de Nemours & Company
Elected August 22, 1975

Franklin S. McCarthy
President and Chief Executive Officer
Du Pont of Canada Limited
Elected December 19, 1975

J. Edward Newall
Executive Vice-President
Du Pont of Canada Limited
Elected April 30, 1976

Robert J. Richardson
Chairman
Du Pont of Canada Limited
Vice-President and Treasurer
E. I. du Pont de Nemours & Company
Elected June 25, 1971

Roy L. Schuyler
Vice-President and General Manager
Organic Chemicals Department
E. I. du Pont de Nemours & Company
Elected April 17, 1970

HONORARY DIRECTOR

Herbert H. Lank
Former Director,
Chairman and President
Du Pont of Canada Limited
Appointed April 30, 1976

OFFICERS

Robert J. Richardson
Chairman

Franklin S. McCarthy
President and
Chief Executive Officer

J. Edward Newall
Executive Vice-President

J. Herbert Childs
Vice-President,
Corporate Development

Donald A. S. Ivison
Vice-President and Treasurer

Bertalan L. Turvolgyi
Vice-President, Operations

Colin C. Young
Vice-President and Secretary

Peter Pick
Assistant Treasurer

Thomas S. Morse
Assistant Treasurer

TO THE SHAREHOLDERS

The performance of the Canadian economy as a whole during 1976 was disappointing. Apparent recovery from recession in the early months was supported mainly by a build-up of inventories. By mid-year total manufacturing output had peaked and then declined steadily through year-end. Soft markets, idle capacity, increasingly non-competitive costs, and an overvalued Canadian dollar through most of the year combined to undermine secondary manufacturing generally.

Few industries suffered more than man-made fibres and textiles. World-wide overcapacity and weak demand contributed to particularly acute problems in Canada where imports have rapidly taken over more than half of the domestic market for man-made fibres, fabrics and garments. In sharp contrast, imports supply about 10 per cent of the United States' market and 15 per cent of that in the European Economic Community. It is encouraging that in response to this serious situation the federal government implemented short-term remedial measures, including a rollback of 1977 apparel imports to 1975 levels. More recently, restrictions have been imposed for a three-year period on imports of double-knit fabrics.

Sales revenue, at $458 051 000, rose $47 832 000 or 12 per cent over 1975. Sales volume of the Company's fibre products was down from the preceding year and earnings declined sharply in the face of lower selling prices and higher costs, particularly for polyester yarn. On the other hand, demand for the Company's chemicals, plastics and films was well ahead of 1975 levels, as were earnings. Export sales in 1976 were 38 per cent higher than in the previous year and accounted for seven per cent of total sales revenue.

Investment in the Company's previously approved expansion program, now nearing completion, led to a higher level of borrowings and a substantial increase in interest expense. As a result, the Company incurred a net loss for the year of $2 076 000, equivalent to 29 cents per common share, compared with net income, after extraordinary items, of $2 419 000 or 28 cents per share in 1975.

Construction expenditures were $65 793 000 compared with the record $87 542 000 in 1975. These expenditures were largely associated with the major expansion program which began in 1972. New capital projects authorized during 1976 were limited to those of strict necessity. An additional $12 660 000 was invested in common stock and subordinated debentures of Petrosar Limited bringing the Company's investment to $21 360 000. Du Pont of Canada is a 20 per cent equity shareholder in this world-scale petrochemical plant located near Sarnia, Ontario.

Dividends declared on common stock were 10 cents per share in the first quarter and five cents per share in each of the second and third quarters. The continuing depressed earnings situation and an unsatisfactory and uncertain rate of business recovery, particularly in fibres markets, occasioned the omission of a dividend for the fourth quarter.

Major investments in new capacity will enable the Company to participate fully in future growth of the plastics and the man-made fibres industries. Increased emphasis has been placed on improving efficiency and productivity. Cost reduction programs initiated in 1976 are expected to yield continuing benefits into the future. Improvement in the economic climate in Canada is also imperative however, if the Company, and secondary industry in general, are to achieve the levels of profitability needed to stimulate new investment and provide additional employment.

In conclusion, appreciation must be expressed to employees throughout the Company for their efforts and dedication in difficult circumstances.

On behalf of the Directors,

President and Chief Executive Officer

4th March 1977

OPERATIONS REVIEW

FIBRES GROUP

Total sales volume of fibre products was five per cent lower than in 1975. Shipments of BCF (bulked continuous filament) nylon and nylon staple for carpets, and of nylon tire and industrial yarns were only slightly above 1975 levels. Shipments of nylon textile and "Dacron" polyester filament yarns and "Orlon" acrylic fibre declined. Volume of "Lycra" spandex fibre shipped was higher, with improvement evident in both domestic and export markets.

A brisk level of business was experienced during the first quarter of 1976, and all products except tire yarn showed improvement over 1975. By mid-year, however, demand for Canadian-made polyester yarn collapsed, particularly for double-knit applications, as imports of distress-priced yarns, fabrics and garments swamped an already depressed market. The pressure of surplus, low-priced polyester was felt in other textile markets as mills began substituting it for other fibres. In view of the uncertainties associated with the textile market, start-up of the Company's new polyester facilities at Les Usines Coteau, Coteau-du-Lac, Quebec, was delayed. The home furnishings market also weakened and demand in the tire and industrial business remained essentially unchanged from the low level of the preceding year. Cost reduction efforts were intensified, but were not sufficient to offset increasing costs and lower selling prices. Operations of the Fibres Group resulted in a substantial loss for the year.

The plight of the textile industry received comprehensive scrutiny from the Senate Committee on Banking, Trade and Commerce, and several sectors were studied by the Textile and Clothing Board. A combined Labour/Industry/Government Committee on Textiles was established by the Minister of Industry, Trade and Commerce. These reviews resulted in positive actions being taken by the federal government. During the second half of the year, a temporary surtax was applied on imports of textured polyester yarn, knit fabrics were placed under temporary quotas, imports of outerwear were restricted and finally, on 29th November, apparel imports for 1977 were placed under quota, limiting them to 1975 levels. Although these steps are constructive and should result in an improvement in domestic business, they are interim in nature. The industry has continued to urge the government to institute longer term measures, and it was announced on 11th February that imports of double-knit fabrics from all sources would be restricted for a three year period beginning in 1977. The government has also moved to restrain and monitor more closely the import of woven filament fabrics of polyester and nylon. As a result of this series of actions, it has been decided to complete construction of Les Usines Coteau, and providing market recovery continues, yarn production could commence in 1978.

The Company is optimistic that government and the textile industry, working together, will be able to solve the serious problems of unemployment and underutilization of plants and equipment. For Du Pont of Canada, the long-term prospects for growth of polyester filament, the earning stability of the Company's tire and industrial nylon yarn business, and the inevitable resumption of growth in the demand for carpets are positive factors. These elements, given an improving economic climate and appropriate government policies, should contribute to improved Company performance.

PLASTICS AND FILMS GROUP

PLASTICS

Sales of "Sclair" polyethylene resins and of engineering plastics increased by 34 per cent over 1975. Domestic demand was strong in all sectors of the market through most of the year but weakened for some end uses during the fourth quarter. Export shipments of "Sclair" high density resins increased, with sales to a growing number of countries.

Renewed market growth is anticipated in 1977 as plastics continue to displace materials such as steel, paper, wood and glass in applications such as pails, merchandise bags, soft drink cases and bottles.

The manufacture and sale of polyethylene resins, particularly high density types, represent an area of major growth potential for the Company. St. Clair River Works near Sarnia, Ontario, operated at capacity during 1976. An expansion begun in 1974, to double capacity to 450 000 000 pounds a year, will be completed during the first half of 1977. Arrangements have been made for an interim supply of ethylene for the expanded Works pending completion of Petrosar's ethylene facilities late in 1977.

PACKAGING FILMS

Total sales of packaging films, shipped principally to specialty areas of the food industry, were up 38 per cent. All products, including "Cellophane" cellulose film, "Sclairfilm" polyolefin film, "Dartek" nylon film and "Mylar" polyester film, contributed to the increase.

Displacement of "Cellophane" by other lower-cost films is evident in markets throughout the world, particularly in highly industrialized countries. This trend is clearly seen in the domestic market and results in growing dependence on less profitable export sales to support manufacturing activity. Profit margins are shrinking because it has not been possible to raise prices enough to recover increasing costs of labour and of the major raw material, woodpulp.

"Sclairfilm" continued to penetrate the milk pouch and specialty laminating segments of the Canadian market with sales up 26 per cent. Domestic sales of "Dartek" nylon film in 1976 were one third higher than in the previous year. "Dartek" is used principally as a laminated film in food packaging. Export sales of both "Sclairfilm" and "Dartek" showed significant gains with increased shipments to the United States, Europe and Australia.

POLYETHYLENE PIPE

Sales volume of polyethylene pipe remained at the same level as in the previous year. Strikes in the construction and mining industries, and restraints on municipal capital spending programs adversely affected market growth.

WOVEN POLYOLEFIN

Business in "Fabrene" woven oriented polyolefin material increased significantly over 1975 due both to the return to work of large segments of the asbestos industry after strikes, and to growth in demand for industrial fabrics in a variety of construction and transportation applications. Shipments to the floor-covering industry for carpet backing were well ahead of last year. Major improvement in productivity and operating efficiency was achieved in 1976.

There continued to be substantial domestic overcapacity in this industry. The federal Anti-Dumping Tribunal ruled that dumping of industrial fabrics has caused injury to the Canadian industry and dump duties imposed earlier have been confirmed.

CHEMICALS GROUP

EXPLOSIVES

Increased activity in coal and iron ore mining generated a modest expansion in the market for commercial explosives. Shipments of explosives in bulk form were adversely affected by strikes in mining, while gains were recorded in volumes of packaged products despite strikes in the construction industry.

"Tovex" cartridged water gel explosives, offering safety and low susceptibility to accidental detonation, continued to penetrate the cartridged explosives market and are gradually replacing dynamite in most applications.

During the year the Company began marketing imported "Fasloc" resin-anchored roof bolting systems, an efficient and economical means of providing better protection for underground mining and construction workers. Industry reception has been encouraging and continuous growth in sales is anticipated.

FINISHES

Sales volume of automotive finishes was substantially greater than in 1975, mainly because of increased production of motor vehicles in Canada. Higher operating efficiency accompanied the larger volume of production.

GENERAL PRODUCTS

This business unit imports and markets products which are not a logical part of the activity of other Company Divisions. Major lines include photo products and equipment, elastomers, pigments, dyes and agricultural, industrial and commercial chemicals. Total shipments of all products except agricultural chemicals were considerably higher than in 1975.

Two new product lines were added during the year: the Du Pont Automatic Clinical Analyzer, a technically sophisticated and proprietary instrument capable of a wide range of analyses of body fluids, for use in hospital clinical laboratories, and the Du Pont line of scientific and process control instruments.

INDUSTRIAL CHEMICALS

The market for gasoline additives, particularly antiknock compounds, declined primarily because the demand-supply balance of Canadian oil refineries was such that ample supplies of higher octane gasolines, requiring lower additive content, were available. Selling prices were increased in line with higher costs.

Total sales of fluorocarbons declined during the year as the manufacture of aerosol packages using these propellants decreased sharply. Sales of fluorocarbons for use as refrigerants, solvents and blowing agents increased over 1975.

While research efforts are continuing, adequate scientific data are not yet available to support or disprove the theory that continued use of fluorocarbons could diminish the earth's ozone shield. The broad publicity this theory has received, however, has had an adverse effect on the use of these compounds in aerosols. Regulations banning the use of some types of fluorocarbons as propellants have been proposed by federal agencies in Canada and the United States. As a result, this end use for fluorocarbons is likely to be reduced significantly over the next two years.

CORPORATE MATTERS

EMPLOYEES

The year just past was particularly difficult for all employees. Poor business conditions for the Company, and an unsettled economic and political climate in Canada and world-wide, combined to exert heavy strains on people at every level in the organization. The response of employees was outstanding. Every unit contributed to ongoing efforts to improve efficiency and reduce costs. This continuing commitment by our people is one of the Company's great strengths.

The number of employees at year-end was 5 562, down five per cent from the previous year.

Five employees suffered lost-time injuries during the year. The injury frequency rate, at 0.45 per million man-hours worked, was up from the 1975 rate of 0.27 but compared favourably with the North American chemical industry rate of 3.99 for 1975.

At 31st December 1976, an independent trustee held $88 604 000 in an irrevocable trust to meet current and future obligations to pensioners under the Company-financed pension plan.

DIRECTORS AND OFFICERS

At the Annual General Meeting of Shareholders held 30th April 1976, a Special By-law was enacted reducing the number of members of the Board of Directors from twelve to ten. R. G. Beck and H. H. Lank, Directors since 1949, had reached retirement age for Directors under the Company's By-laws, and R. B. Cole, who had retired from E. I. du Pont de Nemours & Company, did not stand for re-election. J. Edward Newall, Executive Vice-President, was elected to the Board. Subsequently, Mr. Lank, a former President and Chairman of the Board of Du Pont of Canada, was appointed an Honorary Director.

Bertalan L. Turvolgyi, Vice-President, Marketing, was appointed Vice-President, Operations with responsibility for marketing and manufacturing activities.

Henry J. Hemens, Q.C., who served as General Counsel from 1954 to 1974, Secretary since 1962, and a Vice-President since 1969, retired 31st January 1977. Colin C. Young was appointed Vice-President and Secretary, retaining responsibility also for the Employee and Public Relations Divisions.

MINERAL EXPLORATION

Du Pont of Canada Exploration Limited, (DOX), a wholly-owned subsidiary of the Company, participated in a variety of programs with emphasis on base metal and precious metal exploration in Western Canada. Claims owned jointly by DOX and Western Mines Ltd. covering about 250 square miles immediately west of Pine Point Mines in the Great Slave Lake area, Northwest Territories, are considered favourable for lead-zinc deposits. The 1976 diamond drilling program in this area resulted in the discovery of a deposit estimated to contain 2.8 million tons grading 16 per cent combined lead-zinc. Additional drilling exploration is underway to determine whether the properties contain other significant deposits.

Lacana Mining Corporation, in which the Company holds a 21.5 per cent equity interest, is participating in mining operations in Mexico and is also active in exploration in Canada, Mexico, Central America and the United States.

RESEARCH AND DEVELOPMENT

The expansion of the Company's Research Centre in Kingston, Ontario was completed during the year. The Company's technical and research resources have been concentrated almost entirely on programs designed to reduce costs and improve existing processes and product lines.

ENERGY CONSERVATION

Energy costs are an increasingly important element of the Company's total cost structure. Conservation of energy is a major concern and efforts toward this end receive high priority. Unit energy consumption in 1976 was 13 per cent lower than in the previous year and excellent progress has been made over the last four years toward achieving the Company goal of reducing unit energy consumption by 20 per cent between 1972 and 1980.

The Company is cooperating with government and other industries to help formulate sound energy conservation policies and programs to meet provincial and national energy goals.

ENVIRONMENTAL AFFAIRS

It is Company policy that each of its products will be made, used, and disposed of safely and in a manner which meets or exceeds environmental criteria established by public authorities.

In order to act promptly and effectively on new environmental and biological knowledge being generated at an increasing rate throughout the world, the Company has restructured its corporate environmental committee to give particular attention to three distinct areas of primary concern: manufacturing operations, products, and industrial hygiene. Access to the research and analytical resources of E. I. du Pont de Nemours & Company is of major importance in the identification and elimination of potential hazards.

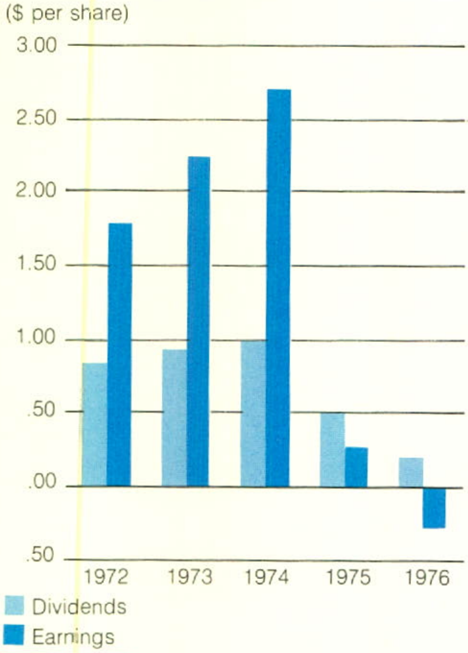
It is a pleasure to report that Du Pont of Canada Limited has received the Chemical Institute of Canada award for its technical contribution in the development of a novel biological waste treatment plant now in use at Maitland Works.

FINANCIAL REVIEW

SALES AND EARNINGS

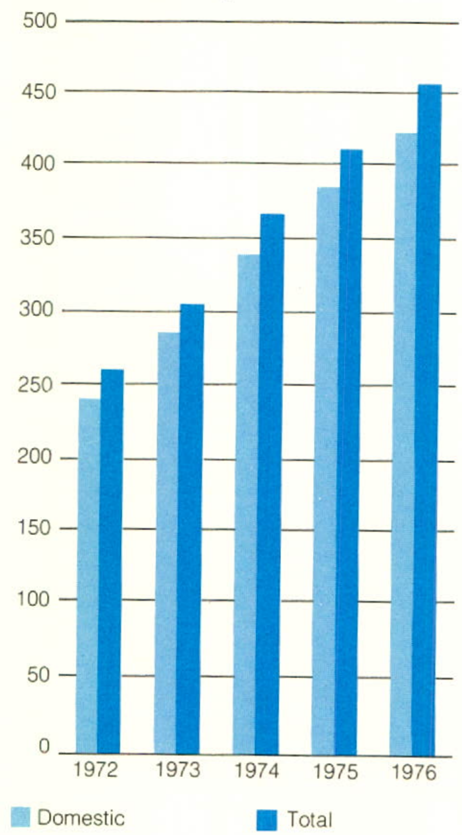
A 12 per cent increase in net sales revenue was achieved compared with the previous year, with sales of $458 051 000 in 1976 and $410 219 000 in 1975. Earnings before interest and income taxes declined, however, from $14 094 000 in 1975 to $13 548 000 in 1976. Due to the heavy burden of interest expense, a net loss was incurred for the year of $2 076 000, equivalent to 29 cents per common share compared with net income, after extraordinary items, of $2 419 000, or 28 cents per share, in 1975.

EARNINGS AND DIVIDENDS PER COMMON SHARE
($ per share)



Increases in shipments, and to a lesser extent selling prices, contributed to the gain in sales revenue. Sales volume of polyethylene resins and packaging films rose significantly and average selling prices of these products were slightly higher than in 1975. Increased shipments of finishes and woven polyolefin material more than offset lower volumes of textile nylon and polyester yarns, and of industrial chemicals, chiefly fluorocarbons. Shipments of resale products continued to grow and represented about 24 per cent of total net sales.

SALES (millions of $)



Prices of major purchased raw materials and energy again rose faster than selling prices for manufactured products. This continuing trend, together with rising labour and other costs, further narrowed profit margins.

PRICE INDICES
(1967 = 100)

Provision for depreciation, based on growing capital investment in plants and equipment, amounted to $22 264 000, up 19 per cent over 1975. The increase in selling, general and administrative expenses during the year was held to less than six per cent, and these costs continued to decrease as a percentage of net sales. Interest on borrowed money amounted to $16 551 000, an increase of $6 334 000 over the previous year as borrowings rose substantially. All interest costs are charged directly against earnings and are not capitalized when the debt is incurred for capital expenditures.

FINANCING AND WORKING CAPITAL

Cash flow from operations amounted to $20 419 000 compared with $26 323 000 in 1975. After payment of dividends on preferred shares, cash flow in 1976 was equivalent to $2.57 per common share.

Long-term debt at year-end stood at $154 517 000. Early in the year, a $50 000 000 (Canadian) issue of five year promissory notes bearing interest at 9½ per cent was completed in the international market. These funds were used to finance part of the Company's expansion program.

In order to gain the advantage of lower interest rates in the United States, most Canadian short-term bank and money market borrowings were replaced during the fourth quarter by short-term loans denominated in Canadian dollars from E. I. du Pont de Nemours & Company. The rate of interest on loans from E. I. du Pont is related to commercial paper rates in the United States.

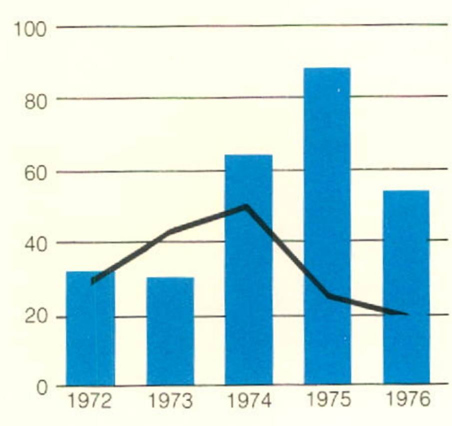
Construction expenditures totalled $65 793 000, a reduction of $21 749 000 compared with the previous year as the Company neared the end of its current expansion program. At 31st December 1976, $20 315 000 remained unexpended on authorized projects, chiefly the expansion of St. Clair River Works, and the polyester project at Les Usines Coteau.

By year-end, the Company had increased its investment in Petrosar Limited to $21 360 000 through the purchase during the year of $1 300 000 of common stock and $11 360 000 of subordinated debentures.

The total cost of Petrosar is now estimated at $650 000 000, an increase of $80 000 000 over a year ago.

Working capital declined during the year by $12 926 000 to $36 143 000 at 31st December, principally due to increased short-term indebtedness. Accounts receivable and inventories were closely controlled throughout the year and showed reductions compared with year-end 1975.

CASH REQUIREMENTS AND CASH GENERATION
(millions of $)



Requirements for Construction Expenditures and Working Capital

Cash Flow from Operations

Continued inflation, although at a lower rate in 1976 than in the two immediately preceding years, has had an impact on the Company's results. Profit margins have narrowed because competition in the market place has not permitted selling prices to rise enough to absorb cost increases. Borrowings, to maintain working capital and complete the expansion program in the face of an unparalleled escalation in construction costs, have been larger than originally forecast. The resulting increase in interest expense represents a continuing factor in delaying the restoration of profitability to a reasonable level. Both increased volume of production and higher selling prices are essential to restoring corporate cash flow to adequate levels and to producing a reasonable rate of return on shareholders' equity.

DU PONT OF CANADA LIMITED

CONSOLIDATED STATEMENT OF INCOME

(Dollars in thousands except per common share)

	Year Ended 31st December 1976	1975
NET SALES (Note 1)	$458 051	$410 219
Other income	781	591
	458 832	410 810
LESS:		
Costs and expenses before the following:	375 332	332 937
Provision for depreciation of plants and properties	22 264	18 685
Amortization of patents and processes	225	233
Adjustment to carrying value of mining ventures	982	944
Selling, general and administrative expenses	46 481	43 917
Interest on borrowed money (Note 3):		
Current obligations	2 991	1 918
Loans maturing more than one year after issue	13 560	8 299
	461 835	406 933
EARNINGS (LOSS) BEFORE INCOME TAXES	(3 003)	3 877
Less: Income taxes	(927)	163
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	(2 076)	3 714
Extraordinary items (Note 4)	—	(1 295)
NET INCOME (LOSS)	$ (2 076)	$ 2 419
EARNINGS (LOSS) PER COMMON SHARE		
before extraordinary items	$(0.29)	$0.44
total	$(0.29)	$0.28

DU PONT OF CANADA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Dollars in thousands)

	Year Ended 31st December 1976	1975
SOURCE OF FUNDS		
From operations		
Net income (loss) before extraordinary items	$ (2 076)	$ 3 714
Add items not requiring outlay of funds:		
Depreciation and amortization	22 489	18 918
Adjustment to carrying value of mining ventures	982	944
Deferred income taxes	(976)	2 747
	20 419	26 323
Long-term debt	50 000	75 000
	70 419	101 323
USE OF FUNDS		
Additions to plants and properties	65 793	87 542
Dividends	1 752	4 117
Other assets	15 800	8 524
	83 345	100 183
Increase (decrease) in working capital for the year	(12 926)	1 140
Working capital at beginning of year	49 069	47 929
Working capital at end of year	$ 36 143	$ 49 069

DU PONT OF CANADA LIMITED

CONSOLIDATED BALANCE SHEET

(Dollars in thousands)

	31st December 1976	31st December 1975
ASSETS		
Current Assets		
Cash	$ 6 564	$ 5 229
Accounts receivable:		
Affiliated companies	2 579	2 469
Income taxes recoverable	1 670	2 210
Other	64 131	65 714
Inventories:		
Finished goods and work in process	40 987	40 069
Raw materials and supplies	17 956	22 402
Prepaid expenses	1 133	2 327
	135 020	140 420
Plants and Properties (Note 5)	521 023	458 592
Less: Accumulated Depreciation	227 057	208 155
	293 966	250 437
Other Assets		
Goodwill, patents and processes	4 100	4 325
Mining ventures (Note 6)	4 923	4 369
Petrosar Limited (Note 7)	21 360	8 700
Unamortized portion of long-term debt expenses	1 984	1 124
Sundry	2 417	1 673
	34 784	20 191
	$463 770	$411 048

Signed on behalf of the Board:

D. C. Jones
F. S. McCarthy
} Directors

	31st December 1976	1975
LIABILITIES		
Current Liabilities		
Short-term indebtedness:		
E. I. du Pont de Nemours & Company	$ 45 000	$ —
Bank and other	7 852	38 564
Accounts payable and accrued liabilities:		
E. I. du Pont de Nemours & Company	10 554	13 479
Other	32 701	35 987
Taxes payable	2 727	2 489
Dividends payable	43	832
	98 877	91 351
Long-Term Debt (Note 8)	154 517	104 517
Deferred Income Taxes	40 307	41 283
SHAREHOLDERS' EQUITY		
Capital stock		
Preferred 7 1/2% cumulative stock, par value $50		
Authorized, issued and fully paid — 46 500 shares	2 325	2 325
Common stock, no par value		
Authorized — 13 500 000 shares		
Issued and fully paid — 7 886 298 shares	40 031	40 031
Retained earnings	127 713	131 541
	170 069	173 897
	$463 770	$411 048

DU PONT OF CANADA LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(Dollars in thousands)

	1976	1975
BALANCE AT BEGINNING OF YEAR	$131 541	$133 239
Add (deduct): Net income (loss)	(2 076)	2 419
	129 465	135 658
Less: Dividends declared on —		
Preferred 7 1/2% cumulative stock	174	174
Common stock ($0.20 per share in 1976 and $0.50 per share in 1975)	1 578	3 943
	1 752	4 117
BALANCE AT END OF YEAR	$127 713	$131 541

AUDITORS' REPORT

The Shareholders
Du Pont of Canada Limited

We have examined the consolidated balance sheet of Du Pont of Canada Limited as at 31st December 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at 31st December 1976 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec
3rd March 1977

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

Du Pont of Canada Limited is incorporated under the laws of Canada and the consolidated financial statements are drawn up in conformity with the provisions of the Canada Corporations Act. Subsidiary companies are all wholly owned and only Cedarcrest Company Limited and Du Pont of Canada Exploration Limited are active. Mining ventures are valued at cost adjusted for write-offs and amortization of exploration expenditures. The investment in Petrosar Limited is being carried at cost.

Translation of Foreign Currencies

Net current assets in foreign currencies are translated into Canadian dollars at rates in effect at the end of each year. Other assets and liabilities and income and expense items are translated at the rates prevailing on transaction dates.

Inventories

Inventories are valued at the lower of average cost and net realizable value.

Plants and Properties and Related Depreciation

Plants and properties are carried at cost. Pre-production expenses and interest on borrowed money incurred in connection with new production facilities are not capitalized, but are charged to expense as incurred.

Depreciation is provided based on the average useful life of the assets. Using the diminishing balance method, rates of 12% or 10% are applied to the net investment at each plant site, provided that amounts set aside in the accounts are not less than 5% of the original cost. Thus the provision for depreciation is higher in the early life of the assets when the risk is greatest. The relatively small investments in other properties are depreciated at various rates. Depreciation is not charged on new assets until they become operative. When assets are retired, sold or otherwise disposed of, the gross book value and dismantling costs are charged to accumulated depreciation; any recovery is credited to accumulated depreciation.

Goodwill, Patents and Processes

Goodwill was acquired prior to 1974 and is not amortized. Purchased patents and processes are stated at cost and amortized over their economic life.

Research and Development

Research and development expenditures are charged against current year's income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Net Sales

The composition of net sales is as follows:

	1976	1975
	(Dollars in thousands)	
Fibres	$154 660	$157 474
Plastics and Films	150 065	113 203
Chemicals and Other	153 326	139 542
	$458 051	$410 219

Note 2 — Remuneration of Directors and Officers

During 1976, the remuneration paid to the ten directors and two past directors aggregated $55 000 and paid to the ten officers and one past officer aggregated $987 000. Four of these officers were also directors.

Note 3 — Interest on Borrowed Money

In connection with the construction of a new facility, a provincial government agency has agreed to contribute to interest costs to a maximum of $4 000 000 of which $2 122 000 has been credited to interest expense in 1976 ($918 000 in 1975).

Note 4 — Extraordinary Items

In 1975, the Company experienced a net loss of $1 295 000 associated with the decision to terminate further work on a nylon staple carpet fibre plant in Quebec and on expansion of the ORLON acrylic fibre plant in Ontario.

Note 5 — Plants and Properties

	1976	1975
	(Dollars in thousands)	
Buildings and equipment and other facilities	$400 086	$368 566
Construction in progress	116 367	85 387
Land	4 570	4 639
	$521 023	$458 592

At 31st December 1976, there remained $20 315 000 to be expended on authorized appropriations for capital expenditures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 — Mining Ventures

	1976	1975
	(Dollars in thousands)	
Investments in and advances to mining companies (at cost less amounts written off)		
— Lacana Mining Corporation	$3 591	$3 591
— Ducanex Resources Limited	63	24
Expenditures on direct participation in other mining ventures (net of accumulated amortization of $2 567 000 in 1976 and $1 585 000 in 1975)	1 269	754
	$4 923	$4 369

The Company's investment in Lacana Mining Corporation, consisting of 21.5% of the common shares issued, has a market value of $4 362 000 based on the last transaction price on The Toronto Stock Exchange on 30th December 1976. During 1976, the Company gave up its right to acquire control of Lacana; in return Lacana has agreed to apply the proceeds of its proposed financing towards repaying its bank indebtedness, $3 190 000 of which is subject to the Company's obligation as a lender or guarantor under the Debt Support Agreement. The Company now carries its investment in Lacana at cost less amounts written off, rather than on the equity method.

Ducanex Resources Limited is a private company owned jointly by the Company and Lacana Mining Corporation.

Expenditures on direct participation in other mining ventures reflect exploration activities by Du Pont of Canada Exploration Limited and by a joint mining venture with Lacana.

Note 7 — Petrosar Limited

The Company has a 20% equity interest in Petrosar Limited, incorporated in 1974 for the purpose of building a world-scale ethylene plant near Sarnia, Ontario and currently estimated to cost $650 000 000. The other shareholders are Polysar Limited which together with the Canada Development Corporation holds a 60% equity interest and Union Carbide Canada Limited which holds a 20% equity interest.

Under various agreements the shareholders are committed to invest $124 000 000 in equity capital and subordinated debt, and to share proportionately in any cash deficiency. A group of Canadian banks has agreed to advance $320 000 000 for construction and $70 000 000 for working capital. The shareholders of Petrosar Limited are committed to purchase the major portion of that company's petrochemical production or otherwise indemnify the company.

The Company's interest and obligations in Petrosar Limited are as follows:

	1976	1975
	(Dollars in thousands)	
Investment		
— common shares	$ 10 000	$ 8 700
— subordinated debt	11 360	—
	$ 21 360	$ 8 700
Commitments		
— additional common shares	$ —	$ 1 300
— additional subordinated debt	4 320	3 800
— provide directly or indirectly a maximum of 22% of any deficiency of funds required by Petrosar to complete its plant construction and to meet its debt obligations		
— firm long-term contracts for the purchase of ethylene and other chemicals		

Further bank financing is being arranged by Petrosar Limited to ensure funds are available to complete construction. Under the arrangements contemplated, the Company's commitment to purchase additional subordinated debt could increase from the $4 320 000 noted above to a maximum of $15 120 000.

Note 8 — Long-Term Debt

	1976	1975
	(Dollars in thousands)	
8% note — U.S. $5 000 000 due 1st February 1979	$ 4 852	$ 4 852
10 3/8% notes — U.S. $25 000 000 due 15th November 1979	24 665	24 665
9 1/2% notes due 15th February 1981	50 000	—
10 1/2% Sinking Fund Debentures due 1st May 1995	75 000	75 000
	$154 517	$104 517

Sinking fund provisions of the debentures require the Company to make payments to the trustee sufficient to retire $3 000 000 principal amount on 1st May in each of the years 1980 to 1994 inclusive.

Note 9 — Pension Liabilities

The amount held by the independent trustee as of 31st December 1976 to pay pensions continued to approximate the actuarially determined value of pensions earned to that date.

The last formal actuarial evaluation of the Company's non-contributory Pension Plan was made as of 31st December 1973; it disclosed a fully funded position based on the liabilities accrued to that point of time. Since then, the plan has been improved resulting in the assumption of a projected unfunded past service liability of $16 600 000 and benefits allowed to existing pensioners have been increased creating a further unfunded liability of $1 700 000. These liabilities are being amortized by annual payments over periods not exceeding 16 years as recommended by the Company's consulting actuary and as permitted by The Pension Benefits Act of the Province of Ontario.

Note 10 — Pending Legal Proceedings

In 1974 actions were entered against the Company by (a) Ontario Building Materials Limited, Pan-Brick Limited and Chem Sales Corporation (Bahamas) Limited for rescission of agreements related to the sale by the Company of its interest in a business concerned with the manufacture and sale of an exterior wall system of interlocking panels faced with clay brick and alleged damages totalling $39 980 000 and (b) Hammermill Paper Company claiming an amount then estimated at U.S. $750 000 to cover cost of repairs arising from the alleged failure of an installation of a large diameter outflow made of "Sclairpipe" polyethylene pipe.

In the latter case, in 1976 the plaintiff increased the amount to approximately U.S. $1 300 000. The Company is of the opinion that these actions are not well founded and is defending the actions.

Note 11 — Income Taxes

a) Revenue Canada has informed the Company that it proposes to reassess the Company's taxable income for the years 1966-75 inclusive to include the income earned by a non-resident subsidiary, Cedarcrest Company Limited. The Company has been invited to make representation on this matter. No reassessments have been received to date and no provision has been made in the accounts for additional income taxes related thereto. The Company's legal advisors are of the opinion that the Department's position is not well founded, and that if reassessments are received they should be contested.

b) As the Company does not have sufficient taxable income, it has not claimed the full 5% federal Investment Tax Credit applicable to qualified assets acquired since 23rd June 1975, nor has it reflected this potential benefit in its accounts. These tax credits, which based on eligible investment as of 31st December 1976 would amount to approximately $2 500 000, do not fully expire until 1982 and will thus be recorded in the financial statements when claimed against future taxable income.

Note 12 — Anti-Inflation Act

The Company is subject to the anti-inflation legislation which became effective 14th October 1975 and limits increases in selling prices, remuneration, net earnings and dividend payments. It is management's opinion that the legislation has been adhered to from the effective date.

TEN-YEAR COMPARISON

	1976	1975
Operating Results		
Results per common share (1)		
Total earnings (loss)	$(0.29)	$0.28
Cash flow from operations	$2.57	$3.32
Dividends	$0.20	$0.50
Sales and other income	458 832	410 810
Costs and expenses before the following:	421 813	376 854
Provision for depreciation, amortization and other (2)	23 471	19 862
Interest on borrowed money	16 551	10 217
Taxes on income	(927)	163
Extraordinary items	—	1 295
Net income (loss)	(2 076)	2 419
Per cent return on:		
Average total investment (3)	1.1	1.5
Average shareholders' equity	—	1.4
Financial Position		
Total current assets	135 020	140 420
Total current liabilities	98 877	91 351
Net working capital	36 143	49 069
Plants and properties at cost	521 023	458 592
Accumulated depreciation	227 057	208 155
Plants and properties — net	293 966	250 437
Other assets	34 784	20 191
Long-term debt	154 517	104 517
Deferred income taxes	40 307	41 283
Shareholders' equity	170 069	173 897
General		
Company selling price index —manufactured products (1967 = 100)	128	121
Construction expenditures	65 793	87 542
Average total investment (4)	657 197	546 238
Shareholders' equity per common share (1)	$21.27	$21.76
Average number of employees	5 713	5 734
Average total investment per employee	115.0	95.3

(1) Based on 7 886 298 shares outstanding at the end of each year.

(2) Includes adjustment to the carrying value of mining ventures beginning in 1972.

(3) Based on net income before interest expense.

(4) Total investment is based on total assets before deducting accumulated depreciation; the average is based on the investment of each calendar month.

(Amounts in thousands of dollars except where otherwise noted)

1974	1973	1972	1971	1970	1969	1968	1967
$2.70	$2.24	$1.80	$1.41	$0.68	$2.05	$1.51	$1.30
$6.31	$5.21	$4.02	$3.29	$2.62	$3.88	$3.37	$3.72
$1.00	$0.95	$0.85	$0.625	$0.75	$1.00	$1.00	$1.00
369 025	307 954	260 737	228 333	211 398	228 532	207 923	183 185
311 681	258 913	218 384	190 810	184 682	184 999	167 270	147 645
17 726	16 766	16 385	15 673	15 357	15 636	15 335	14 562
4 658	2 160	629	1 058	2 635	1 315	1 163	1 504
14 463	12 299	10 992	9 530	3 213	13 044	11 602	9 049
(994)	—	—	—	—	(2 785)	491	—
21 491	17 816	14 347	11 262	5 511	16 323	12 062	10 425
5.2	4.7	4.1	3.4	2.0	5.2	4.0	3.8
12.6	11.4	9.6	8.0	4.0	12.0	9.4	8.3
124 837	91 768	83 294	68 583	74 114	70 770	63 587	52 779
76 908	52 355	32 875	30 921	45 386	42 651	41 981	37 190
47 929	39 413	50 419	37 662	28 728	28 119	21 606	15 589
375 610	333 293	292 891	275 532	272 313	262 347	248 956	241 922
191 758	183 511	170 291	158 000	146 389	133 936	121 148	109 465
183 852	149 782	122 600	117 532	125 924	128 411	127 808	132 457
12 844	11 235	10 604	9 822	5 035	3 739	3 794	2 307
29 517	10 000	10 000	—	—	—	—	—
39 513	28 266	21 608	20 471	21 301	21 305	22 506	23 653
175 595	162 164	152 015	144 545	138 386	138 964	130 702	126 700
108	86	84	86	91	94	97	100
53 177	42 948	20 360	7 504	12 867	16 216	11 967	15 790
465 738	402 816	362 321	347 829	344 881	324 723	311 469	292 633
$21.97	$20.27	$18.98	$18.03	$17.25	$17.33	$16.28	$15.77
5 746	5 538	5 113	5 158	6 311	6 562	6 303	6 491
81.1	72.7	70.9	67.4	54.6	49.5	49.4	45.1

PRODUCTS LISTING

FIBRES

MANUFACTURED:

Nylon continuous filament yarns, staple, tow and bulked continuous filament yarns

†*ANTRON nylon for textiles and carpets*

†*ORLON acrylic fibre, staple and tow*

†*LYCRA spandex fibre*

†*DACRON polyester filament yarn*

RESALE:

**NOMEX high temperature resistant nylon*

**TYPAR spunbonded polypropylene carpet backing*

**TEFLON fluorocarbon fibre*

**DACRON polyester staple*

**KEVLAR aramid fibre*

PLASTICS AND FILMS

MANUFACTURED:

•*CELLOPHANE cellulose film*

•*SCLAIRFILM and •SUPERLAM polyolefin film*

•*DARTEK nylon film*

•*FABRENE woven oriented polyolefin material*

•*PERFIL fibrillated polyolefin tape*

†*VEXAR plastic netting*
Nylon monofilament

•*SCLAIR polyethylene resins*

†*ZYTEL nylon resins*

•*SCLAIRPIPE polyethylene pipe*

†*ALDYL "A" polyethylene piping systems*

•*ANCHOR-BAC woven oriented polyolefin carpet backing*

•*SCLAIRCOR pre-insulated piping systems*

RESALE:

**MYLAR polyester film*

**KAPTON polyimide film*

**CLYSAR EH and EHC polyolefin shrink film*
Liquid packaging machines
Plastic materials for molding and extrusion including:

- †*ALATHON polyolefin resins*
- **DELRIN acetal resins*
- **LUCITE acrylic resins*
- **MINLON mineral reinforced polymers*
- **SURLYN ionomer resins*
- **TEFLON fluorocarbon resins*

Polymers for adhesives and coatings including:

- **ELVACE polymer emulsions*
- **ELVACITE acrylic resins*
- **ELVAMIDE nylon resins*
- **ELVANOL polyvinyl alcohol*
- **ELVAX vinyl resins*
- *Nitrocellulose*

†*DYMETROL nylon strapping*

†*STREN nylon fishing line*

**BUTACITE polyvinyl butyral sheet for safety glass*

**VESPEL precision parts from polyimide resins*

CHEMICALS AND OTHER PRODUCTS

MANUFACTURED:

†*FREON fluorocarbon refrigerants, aerosol propellants, industrial solvents and blowing agents*
Antiknock compounds and other petroleum additives

†*VALCLENE dry-cleaning fluid*

†*ALBONE hydrogen peroxide*
Protective and decorative finishes for automotive and industrial uses including:

- •*DULUX enamels*
- †*LUCITE acrylic lacquer*
- †*TEFLON non-stick finishes*

Commercial explosives including:
†*TOVEX water gels as well as dynamites, blasting agents and primers*
Hydrochloric and nitric acids

RESALE:

Ammonium nitrate prills and blasting accessories

**FASLOC resin-anchored bolting systems*
X-ray, graphic arts, engineering reproduction and drafting films, and equipment

**CYREL, *DYCRIL and *LYDEL photo-polymer printing plates and equipment*

**CHROMALIN photopolymer film, toners and equipment*
*Electronic products — *RISTON photopolymer film resists and equipment, precious metal preparations, and Berg interconnectors*
Scientific and Process Instruments, Automatic Clinical Analyzer
*Neoprene, *NORDEL, *HYPALON, *ADIPRENE and *VITON synthetic rubbers*
Weed killers, plant fungicides, insecticides, and nitrogen fertilizer ingredients
Pigments
Dyes and organic chemicals

**ZEPEL rain and stain repeller*

**REEMAY spunbonded polyester, *TYVEK spunbonded olefin and *TYPAR spunbonded polypropylene*

†*ECONO-CHROME chrome plating compound*
Industrial chemicals and electroplating products

†*IMRON polyurethane finishes*

†*CENTARI acrylic enamel*

**DEXLAR flexible acrylic enamel*

TRADE MARK IDENTIFICATION

†Trade Mark of E. I. du Pont de Nemours & Company under which Du Pont of Canada Limited is a Registered User.

*Trade Mark of E. I. du Pont de Nemours & Company.

•Trade Mark of Du Pont of Canada Limited.

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STOCK LISTINGS

Common Stock —
Montreal Stock Exchange
Toronto Stock Exchange

Preferred Stock —
Montreal Stock Exchange

STOCK TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
Montreal, Toronto, Calgary and Vancouver

DEBENTURE TRANSFER AGENT AND REGISTRAR

The Royal Trust Company
Montreal, Toronto, Winnipeg, Calgary and Vancouver

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