

Weldwood

1981

Annual Report

HOWARD ROSS LIBRARY
OF MANAGEMENT
APR 2 1982
MCGILL UNIVERSITY

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The Eighteenth Annual General Meeting
of the Company will be held in the
Victoria Room, Holiday Inn,
1133 West Hastings Street,
Vancouver, B.C.
on Thursday, April 29, 1982 at 11:00 a.m.

Financial Highlights

<i>(dollars in thousands, except per share)</i>	1981	1980
Sales and Income		
Net sales	\$481,094	\$467,929
Income before income taxes	1,804	23,511
Income taxes (recovery).....	(2,971)	6,756
Net income	4,775	16,755
Per Common and Ordinary Share		
Net earnings	\$.97	\$ 3.42
Dividends		
Common	1.00	1.00
Ordinary.....	1.00	1.00
Shareholders' equity.....	34.72	34.76
Return on shareholders' equity.....	2.8%	10.6%
Financial position		
Working capital	\$ 80,565	\$ 56,714
Total assets.....	352,295	344,562
Long-term debt.....	49,123	21,781
Shareholders' equity.....	170,500	170,618
Analytical information		
Ratio of current assets to current liabilities	1.91	1.53
Ratio of long-term debt to equity	0.29	0.13
Return on average capital employed	3.9%	7.3%
Percentage of net income to net sales.....	1.0%	3.6%
Capital expenditures	\$ 18,960	\$ 28,149

Directors' Report to the Shareholders

The downturn in the wood products industry which began in 1979 became even more severe as 1981 progressed. By the end of the year, world markets for our products were all very seriously depressed and the industry was facing the worst conditions it has seen in more than 40 years.

During the first half of 1981 our results were helped somewhat by a reasonable market for plywood products created by a temporary surge in Canadian housing starts. Our Canadian wholesale building materials distribution business did exceptionally well in 1981, particularly during the first half of the year, but declined in the second half when housing starts deteriorated to extremely low levels.

Pulp markets remained reasonable through the early part of the year, but they also began to show weakness in the last quarter.

During the third quarter we lost approximately six weeks of production in our British Columbia plants because of industry-wide strikes by the International Woodworkers of America and the Canadian Paperworkers Union. These strikes ended with extremely costly settlements for the industry.

Despite the substantial loss in production during the strikes, the continued deterioration of markets made extensive production curtailments necessary at our lumber mills and plywood and waferboard plants.

As a result of these conditions, our 1981 earnings dropped to \$4,775,000 (\$.97 per share) from \$16,755,000 (\$3.42 per share) in 1980, which, in itself, was a relatively poor year for the company.

The Outlook for 1982

It would be a pleasure to be able to tell you that we see a rapid and early recovery from the bleak market conditions we now face, but there is no indication that this will occur.

The most significant factor in the health of our lumber and waferboard business is the residential mortgage rate in the United States, and until that rate is reduced significantly from present levels we can see no return to a reasonable profit level. Forecasts vary widely as to the availability of mortgages and likely interest rates in 1982, but few foresee changes which would allow for buoyant conditions.

We expect the Canadian situation will somewhat parallel that in the U.S., and that this will adversely affect the primary markets for our plywood, as approximately 85 per cent of that product is sold in Canada.

Offshore markets for our wood products have not escaped similar economic problems, and a recovery in those areas is also dependent on the conditions previously discussed.

The forecast for bleached kraft pulp sales in 1982, although not bullish, is somewhat more optimistic and we hope for a greater strengthening in that business as the year continues.

Managing in the Crisis

Obviously we have had to adjust our management strategy to this very bleak situation. Production curtailments have been necessary and commonplace as markets deteriorate and prices and volumes become insufficient to maintain normal levels of output. We regret the hardship these curtailments impose on our employees, but under these conditions it is essential that we hold inventories to the lowest possible level in order to maintain the economic health of the company.

Capital budgets have been slashed to rock bottom and the affected projects will be reactivated only when a recovery is apparent. The stalled projects include the completion of a new sawmill at 100 Mile House which was stopped in the fall at the foundation stage.

The hiring freeze imposed in the summer of 1981 remains in effect.

While operating as leanly as possible, we have also been mindful of the need to maintain the operating strength of the company so we can participate to a maximum degree when conditions improve.

Beyond the Current Problems

We remain optimistic about the future for our business. The company is in an excellent financial position and can weather the current crisis well.

Houses that are not being built today will have to be built later, and this pent-up demand will mean even more buoyant conditions than would otherwise have been the case.

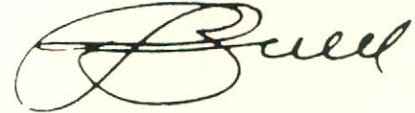
Development work on our Quinsam coal property continued throughout 1981. We have acquired a new associate, Brinco Mining Limited, to manage the business, and we are optimistic that the project will be under way before the end of this year.

Production began in our expanded waferboard plant at Slave Lake, Alberta, early in 1981. Operating performance had reached an excellent standard by mid-year when market conditions dictated severe curtailment. We are very optimistic about the prospects for Slave Lake when markets return to normal. That operation, along with our plant at Longlac, Ontario, makes us a major participant in the relatively new and expanding waferboard business.

We are encouraged by the growing recognition of the need for accelerated forest management programs in Canada, and the need to reduce alienation of our forest land base in order to maintain and expand our industry so we can respond to future world demand.

We are grateful to our employees for their understanding and support during these trying times. When conditions improve, our strong human resource will allow us to become even more effective and successful.

On behalf of the Directors



THOMAS A. BUELL

*Chairman of the Board,
President and Chief Executive Officer*

Review of Operations

Logging and Forestry

Log harvesting by Weldwood and its affiliated companies in British Columbia, Alberta and Ontario dropped to 3.7 million cubic meters from 4.2 million the previous year. The reduction was caused by a greatly reduced demand for logs at the mills coupled with a six-week strike by the International Woodworkers of America in British Columbia.

On the B.C. coast, logging by company employees and independent contractors was 945,000 cubic meters, down 22 per cent from the previous year and 41 per cent from the record production of 1.6 million cubic meters in 1979.

In the B.C. interior, log production by independent contractors to Weldwood and its affiliates was 2.4 million cubic meters, off 15 per cent from the record production of 2.8 million the previous year.

The continuous infestation of mountain pine bark beetle in the Cariboo Region necessitated major changes in the company's logging plans at its Quesnel, Williams Lake and 100 Mile House operations in order to salvage infested wood.

The B.C. Ministry of Forests completed an analysis of the sustainable timber supply to all manufacturing centres in the province during the year. The analysis confirmed that the Timber Supply Areas within which the company and its affiliates operate have sufficient timber to sustain the capacity of the existing manufacturing facilities.

Virtually all of the timber consumed in Weldwood's B.C. mills is harvested from Crown lands. The harvesting is conducted under various tenure agreements with the provincial government which require the company to carry out basic silvicultural activities to maintain the productive capacity of the province's forest lands. The company and its affiliates planted 6 million seedlings on Crown land in 1981, an increase of about 1 million from the previous year.

In 1981 the B.C. government introduced an incentive program for Crown timber licences to practise intensive forest management. The program provides increased cutting rights to forest companies whose intensive silvicultural treatments result in increased forest yields.

Weldwood has been an active participant in this program, and in 1981 treated approximately 800 hectares of Crown land under the program. The treatments included site rehabilitation, conifer release, and juvenile spacing of second growth stands.

Manufacturing

Weldwood's manufacturing facilities consist of six plywood plants, three veneer plants, and eight sawmills located in B.C. and Ontario. The company also operates two waferboard plants, one in Ontario and the other in Alberta. In addition, the company has a major interest in three affiliates: Houston Forest Products Company, Babine Forest Products Limited and Cariboo Pulp & Paper Company, all in British Columbia.

A six-week, industry-wide strike closed all the B.C. manufacturing plants during the summer. This event was followed by increasingly depressed markets, which in turn forced production curtailments and periodic shutdowns at most plants through the second half of the year.

As a result the company's plywood plants produced 508 million square feet ($\frac{3}{8}$ " basis) in 1981, down from 552 million in 1980. Most of the plywood plants operated at or near capacity during the first half of the year, with curtailments and temporary closures becoming increasingly necessary as the second half progressed.

The company's production of waferboard increased to 150 million square feet in 1981 from 94 million in 1980. The increase resulted from the start-up in January of the company's new waferboard plant at Slave Lake, Alberta. However, generally poor economic conditions, along with a rapid expansion of waferboard capacity on the North American continent, depressed the market. As a result, extensive curtailment of production was necessary at both Slave Lake and Longlac, Ontario during the second half of the year.

Softwood lumber production from the company's own mills plus its share of affiliates was 482 million board feet in 1981, down from 536 million in 1980. As with plywood, most of this reduction occurred in the second half of the year.

While the company retains a strong commitment to modernizing and increasing the efficiency of its existing operations, economic conditions in the latter part of 1981 forced a deferment of capital projects other than the construction of logging roads.

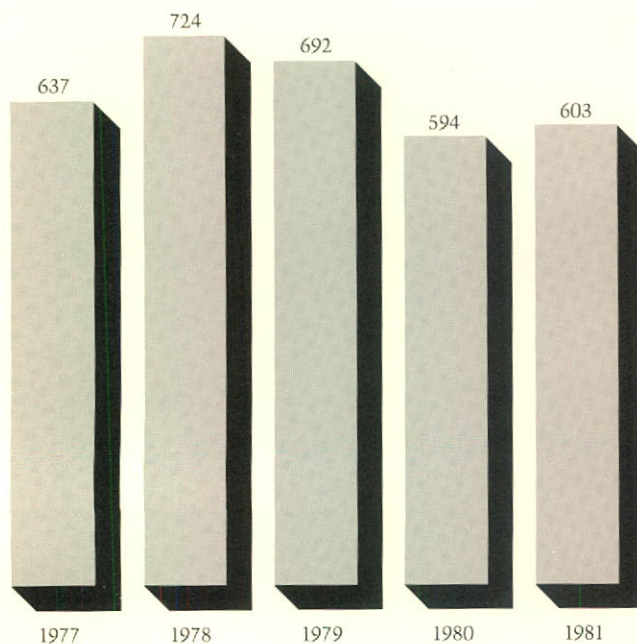
Work on a new sawmill at 100 Mile House began in the spring of 1981 but was discontinued in the fall. The project will be resumed when economic conditions improve. Upon completion of the new sawmill, it is planned to convert the existing plywood plant at 100 Mile House to a lay-up facility to produce plywood from surplus veneer from Weldwood's Quesnel operation.

Cariboo Pulp & Paper Company produced 236,000 short air dry tons of bleached kraft pulp in 1981, compared with 264,000 in 1980. The decline in production resulted from the summer strike.

An on-going program initiated in 1980 to improve productivity at the mill was continued during 1981. However, major expenditures on the program have been deferred.

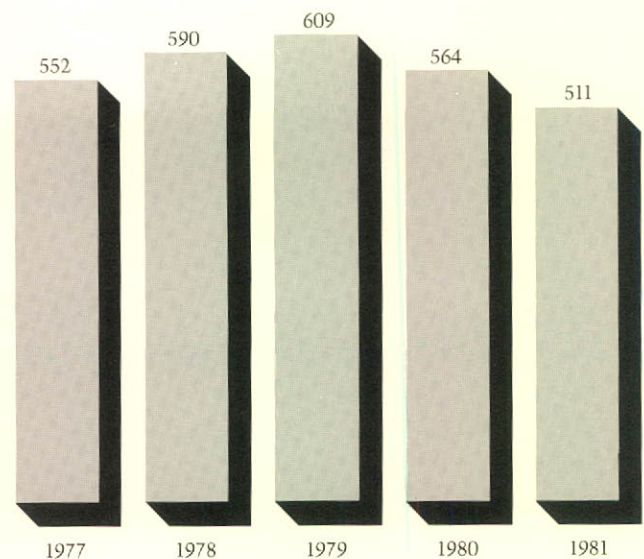
Softwood plywood and Waferweld production

(in millions of square feet $\frac{3}{8}$ ")



Lumber production (in millions of board feet)

Includes Weldwood's share of affiliates.



Marketing

Conditions in most of Weldwood's market areas were satisfactory in the first half of 1981 but deteriorated badly as the year progressed.

Panelboard

Market conditions for panelboard, both at home and abroad, were generally favorable during the first half, and prices showed some improvement over the latter months of 1980. The demand during this period was influenced by a good level of housing starts in Canada and a reasonable amount of export activity, especially in the European Common Market.

A deteriorating housing situation and poor economic conditions brought declining demand for panelboard during the second half. Competition became more severe, both in Canada and overseas, and prices continued to weaken.

Company sales of all panelboards totalled \$193 million in 1981, compared with \$175 million the previous year. Softwood plywood, 85 per cent of which was sold in Canada, accounted for \$129 million of this total.

Weldwood was encouraged by the market acceptance of its new Weldform panel used for concrete forming, and Waferweld tongue and groove for subflooring. The company has gained an improving market share of waferboard in western Canada, and is optimistic about market potential in the western U.S. when economic conditions are better.

Lumber

Softwood lumber sales in 1981 were \$144.3 million, down slightly from the \$145.1 million recorded in 1980, which was also a poor year.

The U.S. and all offshore lumber markets, with the exception of Australia, appeared to be in the same downward cycle.

In the U.S., where Weldwood traditionally sells about 50 per cent of its lumber, the year began with some promising signs. Housing starts strengthened from 82,000 in January to 123,000 in April. As the year wore on, however, starts declined, and the total for the year was 1.1 million, 15 per cent lower than the previous year.

Weldwood's offshore sales, and sales to the eastern U.S. are handled exclusively by Seaboard Lumber Sales Company Limited. Seaboard made its first sale to China in 1981, and both the Chinese and Korean markets show some promise for the future. Japan was Weldwood's largest offshore market in 1981.

In Canada, lumber markets held up during the first half of the year but declined sharply during the second half.

Wholesale Building Materials

Weldwood's wholesale building materials division achieved substantially higher sales in 1981 than in the previous year, with most of the gains coming during the first half when sales were at record levels.

The strong first half performance was the result of a good home construction market across the country. Although rising interest rates began to slow construction during that period, dealers built inventory in anticipation of a mid-year strike in the British Columbia forest industry, and thus kept demand at an artificially high level.

As field inventories grew and construction virtually came to a standstill, high interest rates forced dealers to liquidate stocks at distress prices. This situation became apparent in eastern Canada in August and gradually moved across the country. The second half of the year was characterized by declining sales and falling prices for panelboard products, as well as weak markets for other building materials.

In addition to the initial strength in home construction, other factors contributing to the success of the distribution division in 1981 included an increased emphasis on lumber marketing and the introduction of vinyl siding on a national basis.

Newly instituted computer systems, improved operating controls and better inventory management tempered the adverse effects of the downturn.

Weldwood's wholesale distribution outlets anticipate continued difficult market conditions with lower housing starts forecast for 1982. To help offset this, however, is the expectation of increasing support from major national buyers based on sizeable sales increases to these accounts in 1981. A relatively strong do-it-yourself market and expanded industrial sales effort are also expected to contribute toward offsetting the unsatisfactory home construction market.

Pulp

The sale of Weldwood's 50-per-cent share of the kraft pulp produced by Cariboo Pulp & Paper amounted to \$54 million in 1981, down from \$62 million the previous year. The decline was the result of the labor strike and the fact that some large customers secured their pulp supply elsewhere in anticipation of a longer strike. Price & Pierce International Ltd. serves as the company's exclusive agent for North America, Europe and other markets.

Net Sales by Product

<i>(in millions)</i>	1981	1980	1979	1978
Products produced by Weldwood				
Softwood plywood and Waferweld.....	\$146.6	\$134.6	\$159.1	\$153.9
Hardwood plywood.....	22.1	19.0	21.2	16.8
Softwood lumber.....	111.1	112.3	142.0	126.6
Hardwood lumber.....	7.8	7.8	9.0	7.1
Veneer.....	4.6	5.6	7.1	10.2
Logs.....	14.8	23.3	26.5	16.2
Pulp.....	54.0	62.2	50.8	39.0
	<u>361.0</u>	<u>364.8</u>	<u>415.7</u>	<u>369.8</u>
Products purchased and resold.....	<u>120.1</u>	<u>103.1</u>	<u>112.7</u>	<u>104.5</u>
	<u>\$481.1</u>	<u>\$467.9</u>	<u>\$528.4</u>	<u>\$474.3</u>

Net Sales by Market

<i>(in millions)</i>	1981			
	Total	Canada	U.S.	Overseas
Softwood plywood and Waferweld.....	\$152.3	\$134.1	\$ 5.8	\$ 12.4
Hardwood plywood.....	40.9	35.9	4.9	.1
Softwood lumber.....	144.3	42.3	77.0	25.0
Hardwood lumber.....	8.5	4.6	2.6	1.3
Veneer.....	4.6	.9	3.7	—
Logs.....	18.3	18.3	—	—
Pulp.....	54.0	.6	21.9	31.5
Other products.....	58.2	52.6	5.6	—
Total.....	<u>\$481.1</u>	<u>\$289.3</u>	<u>\$121.5</u>	<u>\$ 70.3</u>
% 1981.....	100.0	60.1	25.3	14.6
% 1980.....	100.0	55.6	25.1	19.3

Financial Review

Return on average capital employed in 1981 was 3.9 per cent, sharply lower than both the average rate of 10.9 per cent achieved in the prior five years and the 7.3 per cent earned in 1980.

Because of high interest costs for the year, the return on shareholders' equity was lower than the return on capital for the first time since 1970.

Return on capital is a measure of operating profitability calculated by dividing income (before interest expense and after taxes) by the average capital employed during the period.

During the year the bank prime interest rate ranged between 17¼ and 22¾ per cent. The constantly fluctuating interest rates made cash management a continuing challenge.

The ratio of current assets to current liabilities improved from 1.5:1 to 1.9:1 due to the exercise

of the \$30 million long-term Bank Revolving Credit Agreement. No additional long-term debt is contemplated until substantial new capital expenditures are undertaken.

Capital additions in 1981 were \$26.4 million, of which \$7.4 million is the reclassification of the property of Houston Forest Products Ltd. which was previously accounted for as an investment.

Capital expenditures during the year included \$5.7 million for replacements and maintenance of operations, \$6.4 million to improve the production and efficiency of our existing manufacturing facilities and \$2 million on the new saw-mill site at 100 Mile House. In addition, \$2.5 million was spent to complete the renovation and expansion at the Slave Lake waferboard plant.

Capital Expenditures

<i>(in thousands)</i>	1981	1980	1979	1978	1977
Manufacturing and logging	\$11,816	\$15,046	\$29,708	\$15,544	\$15,204
Logging roads	1,908	5,643	7,480	5,644	5,477
Sales distribution	981	2,914	1,204	2,475	1,194
Pulp	3,463	943	1,342	830	746
Other	792	3,603	1,858	396	193
	<u>\$18,960</u>	<u>\$28,149</u>	<u>\$41,592</u>	<u>\$24,889</u>	<u>\$22,814</u>
Net property acquired on reorganization of Houston Forest Products Ltd.....	7,442				
	<u>\$26,402</u>				

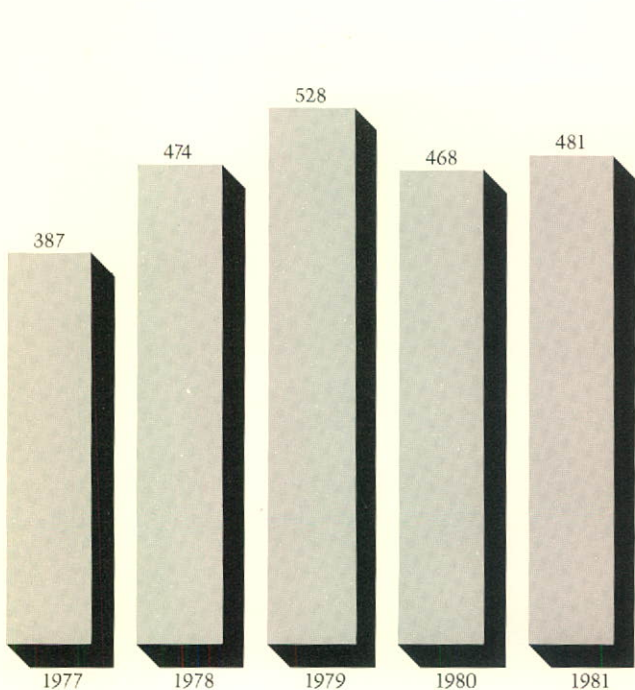
Each one per cent difference between the Canadian and U.S. dollar had an impact of 13 cents on earnings per share in 1981, and approximately 12 cents in 1980. When markets are stronger this impact is reduced by the payment of additional stumpage due to the inclusion of exchange gains in the stumpage calculation. However, when markets are depressed and the company is paying minimum stumpage, this does not apply.

In 1981 the company earned \$1.8 million before income taxes; however, there was an income tax recovery of \$3 million. This recovery is due to investment tax credits of \$1.8 million and the benefit from the inventory allowance of \$1.5 million.

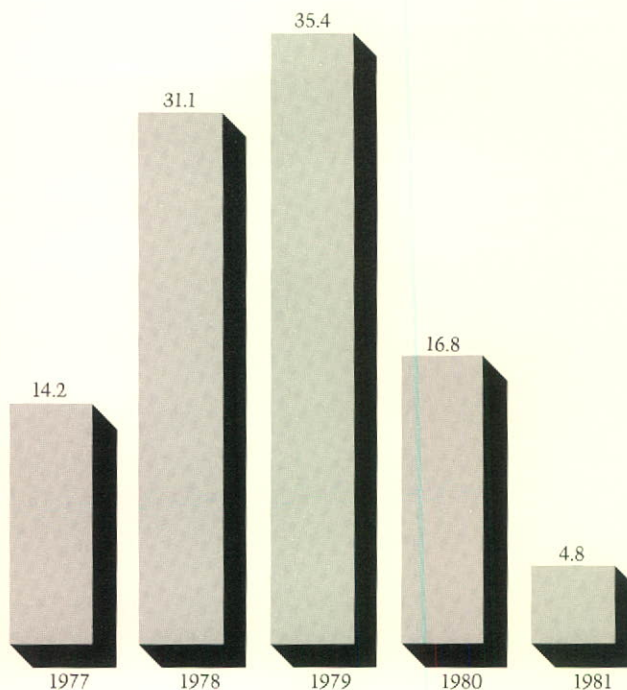
In low income periods, the above-mentioned tax reductions have a major impact on the total income tax provision. In addition, uncertainties in projecting the level of capital expenditures during periods of quickly changing economic conditions make it difficult to estimate taxes on a quarterly basis. Accordingly, the Sales and Income by Quarter graph compares the income on a pre-tax basis.

Dividends of \$1.00 per Common and Ordinary share were declared during the year, the same amount as in 1980. The company's Common shares traded on the Toronto Stock Exchange in 1981 ranged in price from \$19½ to \$32½ and closed the year at \$25½. A total of 403,539 Common shares were traded in 1981, down from 496,512 in the previous year. At the end of the year there were 1,620 Common shareholders.

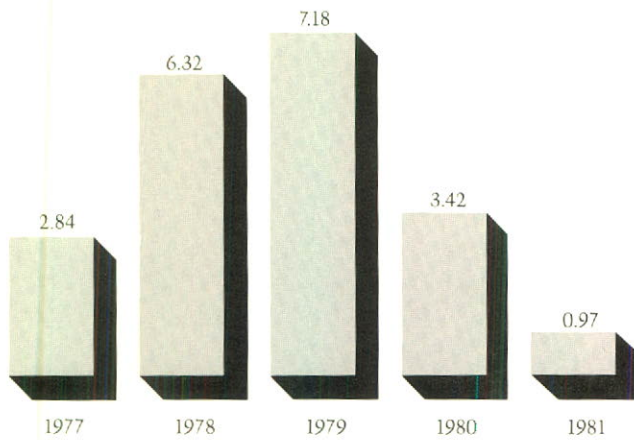
Net Sales (in millions of dollars)



Net Income (in millions of dollars)

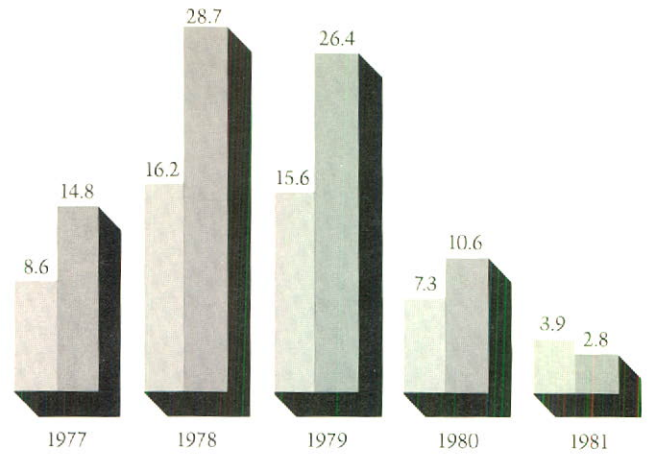


Earnings Per share
(in dollars)

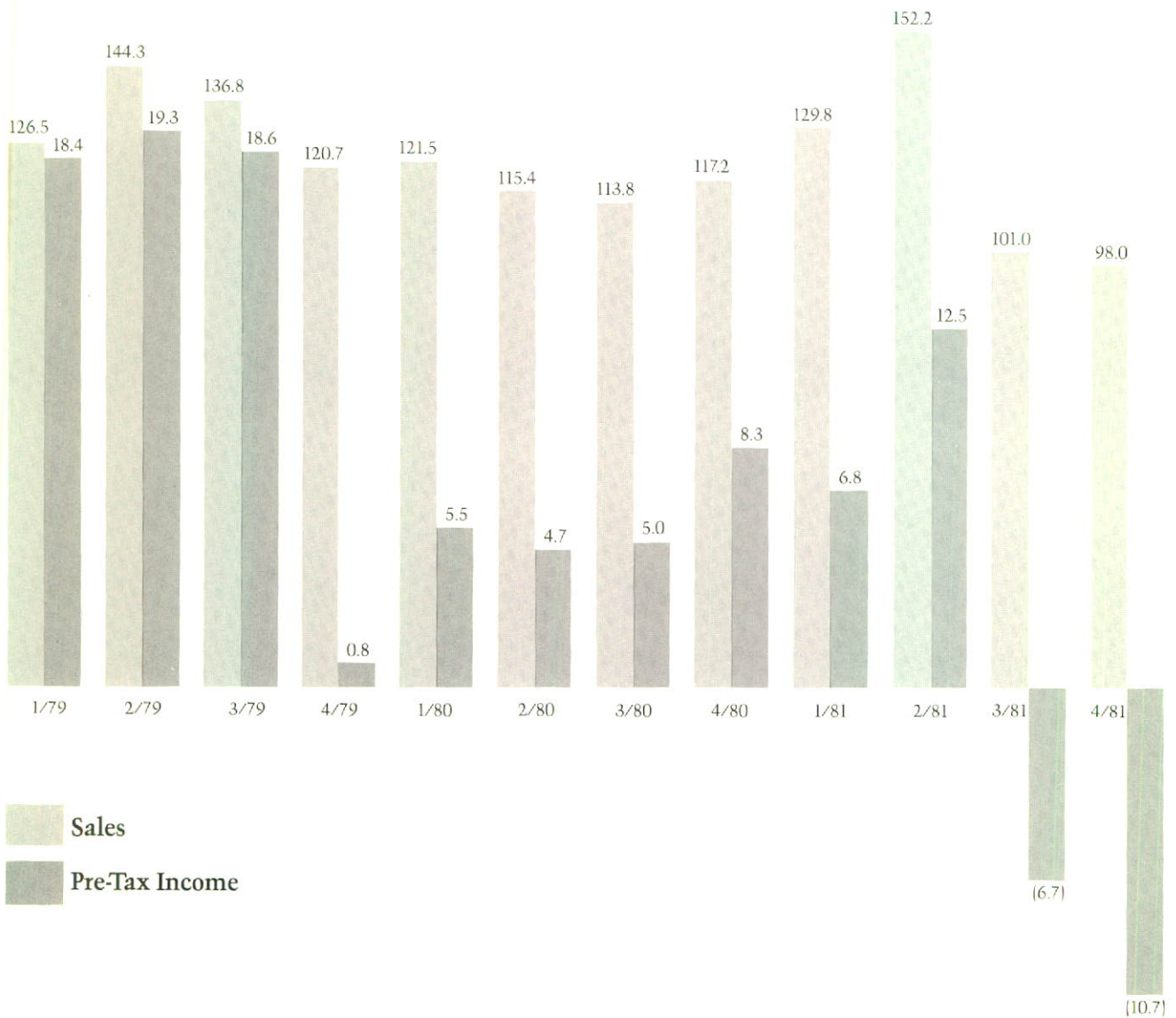


Returns
(per cent)

Return on average capital employed
Return on shareholders' equity at beginning of year



Sales and Income by Quarter (in millions of dollars)



Sales
Pre-Tax Income

Consolidated Income and Retained Earnings

For the Years Ended December 31

<i>(in thousands, except per share)</i>	1981	1980
Net sales	<u>\$481,094</u>	<u>\$467,929</u>
Costs and expenses		
Cost of sales	400,505	386,715
Selling, shipping and warehouse	22,009	19,608
General and administrative	27,813	23,304
Depreciation, depletion and amortization (Note 14)	18,908	16,189
Interest—long-term debt	2,288	2,341
—current borrowings	12,123	5,852
	<u>483,646</u>	<u>454,009</u>
Other income		
Interest	224	632
Gain on disposal of property and equipment ..	836	2,847
Other (Note 15)	3,296	6,112
	<u>4,356</u>	<u>9,591</u>
Income before income taxes	1,804	23,511
Income taxes (recovery) (Note 16)	<u>(2,971)</u>	<u>6,756</u>
Net income	4,775	16,755
Retained earnings—beginning of year	117,170	105,333
	<u>121,945</u>	<u>122,088</u>
Dividends (Note 13)	4,922	4,918
Retained earnings—end of year (Notes 8 and 13) .	<u>\$117,023</u>	<u>\$117,170</u>
Earnings per share	<u>\$ 0.97</u>	<u>\$ 3.42</u>

Consolidated Balance Sheet

at December 31

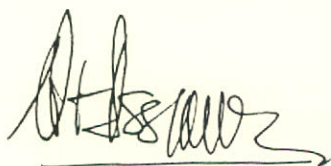
ASSETS	<i>(in thousands)</i>	1981	1980
Current			
Accounts receivable (Note 2)			
Trade		\$ 35,255	\$ 37,212
Affiliates.....		1,565	4,136
Other.....		10,138	10,382
Inventories (Note 3)		108,466	104,552
Income taxes recoverable.....		27	695
Prepaid expenses.....		6,303	2,141
Company share of current assets of joint ventures		7,147	4,779
		<u>168,901</u>	<u>163,897</u>
Investments and other assets (Note 4).....		<u>9,082</u>	<u>17,860</u>
Timber and roads (Note 5)			
Timber holdings		4,776	4,993
Logging roads.....		15,420	17,394
		<u>20,196</u>	<u>22,387</u>
Property and equipment (Notes 6 and 8).....		245,439	222,318
Accumulated depreciation		104,735	91,194
		<u>140,704</u>	<u>131,124</u>
Deferred charges (Note 7)		13,412	9,314
		<u>\$352,295</u>	<u>\$344,582</u>

LIABILITIES	<i>(in thousands)</i>	1981	1980
Current			
Bank indebtedness.....		\$ 11,411	\$ 52,190
Commercial notes.....		36,300	5,468
Accounts payable and accruals			
Trade		30,100	41,879
Affiliates (Note 2)		1,472	1,235
Current instalments of long-term debt (Note 8)		2,670	2,664
Company share of current liabilities of joint ventures		6,383	3,747
		<u>88,336</u>	<u>107,183</u>
Long-term debt (Note 8)		49,123	21,781
Deferred income taxes		44,336	45,000
Commitments and contingencies (Notes 9, 10, and 11)			
Shareholders' equity			
Share capital (Note 12).....		46,938	46,909
Contributed surplus		6,539	6,539
Retained earnings (Notes 8 and 13)		117,023	117,170
		<u>170,500</u>	<u>170,618</u>
		<u>\$352,295</u>	<u>\$344,582</u>

Approved by the Directors



THOMAS A. BUELL



PIT DESJARDINS

Consolidated Changes in Financial Position

For the Years Ended December 31

<i>(in thousands)</i>	1981	1980
Sources of funds		
Net income before gain on disposal of property and equipment	\$ 3,939	\$ 13,908
Depreciation, depletion and amortization	18,908	16,189
Increase (decrease) in deferred income taxes ..	(664)	7,790
Funds from operations	22,183	37,887
Proceeds from sale of property and equipment	1,660	3,475
Increase in share capital	29	92
Increase in long-term debt	30,000	—
(Increase) decrease in investments and other assets (Note 19)	8,778	(1,582)
	<u>62,650</u>	<u>39,872</u>
Uses of funds		
Property and equipment	23,780	22,262
Timber and roads	2,622	5,887
Decrease in long-term debt	2,658	2,751
Dividends	4,922	4,918
Deferred charges	4,817	4,315
	<u>38,799</u>	<u>40,133</u>
Increase (decrease) in working capital	23,851	(261)
Working capital beginning of year	56,714	56,975
Working capital end of year	<u>\$ 80,565</u>	<u>\$ 56,714</u>
Changes in working capital components		
Accounts receivable	\$ (4,772)	\$ (4,561)
Inventories	3,914	(3,016)
Prepaid expenses	4,162	(256)
Bank indebtedness and commercial notes	9,947	2,062
Accounts payable and accruals	11,536	5,110
Income taxes	(668)	(112)
Company share of working capital of joint ventures	(268)	512
Increase (decrease) in working capital	<u>\$ 23,851</u>	<u>\$ (261)</u>

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

A. CONSOLIDATION

The consolidated financial statements include all subsidiary companies (Note 20). The unamortized excess of the purchase price of the common shares of these subsidiaries over the net book value of their assets (goodwill), amounting to \$5,254,000, has been included on consolidation in timber holdings (\$2,711,000) and in property and equipment (\$2,543,000). This excess is being amortized over the estimated lives of the underlying principal assets; the maximum period of amortization is 27 years and the balance will be fully amortized by December 31, 1996. During 1981, \$530,000 of the excess was amortized and charged to income (1980—\$530,000).

B. PARTLY-OWNED COMPANIES

Investments in and advances to partly-owned companies (Note 20) are recorded by the equity method of accounting. The Company's share of the net income of these companies is included in Other income.

C. JOINT VENTURES

The investments in joint ventures (Note 20) are presented in the consolidated financial statements on a proportionate consolidation basis. Under this method, the Company's share of joint ventures' assets and liabilities is included in each major balance sheet classification.

Each of the principals has equal interests in the ventures and is committed to pay 50% of the production costs and to receive 50% of the production. The revenue from the sale of the Company's share of the production is included in Net sales and its share of costs is included in Cost of sales.

D. INVENTORIES

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

E. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Upon sale or retirement of such assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in income.

F. DEPRECIATION

Except for major pieces of logging equipment, depreciation is calculated using the straight-line method at the following rates applied to original cost less estimated salvage values:

Buildings and land improvements	3.3 to 5.0%
Machinery and equipment, other than logging	7.2 to 20.0%
Logging equipment, other than major pieces	16.7 to 33.3%
Automotive equipment and aircraft	10.0 to 75.0%

Major pieces of logging equipment are depreciated on a usage basis.

G. DEPLETION

Timber holdings are depleted on a production basis over the volume of timber to be harvested.

H. ROAD AMORTIZATION

Capitalized logging roads are amortized at rates based on the volume of timber developed.

I. DEFERRED CHARGES

Significant preproduction and start-up costs incurred on major projects are deferred and amortized over a period not to exceed five years. Financing expenses are deferred and amortized over the life of the related long-term liability. Significant interest costs directly attributable to major projects are deferred and amortized over the estimated life of the underlying assets.

J. SALARIED PENSION PLANS

Pension costs for the year are computed on the basis of accepted actuarial methods and include estimated current service costs, valuation adjustments, and the amortization of past service costs over a period of 15 years.

K. INCOME TAXES

Income taxes are accounted for by the tax allocation method. Under this method, provision for taxes is made in the year transactions affect net income as opposed to when such items are recognized for tax purposes. Differences between the provision for taxes and taxes currently payable are reflected as deferred income taxes.

Investment tax credits relating to property and equipment additions are accounted for as a reduction in the current year's tax provision net of the applicable deferred income taxes.

L. EARNINGS PER SHARE

Earnings per share are calculated using the weighted average number of Common and Ordinary Shares outstanding during the year. For the purpose of the computation net income is reduced by dividends paid on the 5¼% Cumulative Redeemable Preference Shares, Series A.

The potential dilution of earnings per share resulting from the exercise of outstanding options on Common Shares is insignificant.

M. FOREIGN EXCHANGE

Purchases and sales in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at transaction dates. The effect of any fluctuations in exchange rates between the dates of transactions and of settlement is reflected in income. Current asset and current liability accounts in foreign currencies are translated at the rates of exchange in effect at the balance sheet dates. Long-term foreign currency liabilities are translated at historical rates.

2. Related Party Transactions

A. SALES TO PARENT COMPANY

Sales of panelboard, lumber and bleached kraft pulp to the Company's parent company, Champion International Corporation (Champion) (Note 12) totalled \$16,734,000 in 1981 (\$18,766,000 in 1980). Sales to Champion are made on the same terms which apply to the Company's other customers. Accounts receivable from affiliates relating to these sales at December 31, 1981, are \$979,000 (1980—\$3,495,000).

B. SALES CONTRACT WITH AFFILIATE

The Company acts as exclusive sales agent for Babine Forest Products Limited (44% owned) and is responsible for selling substantially all its lumber production and the collection of the accounts receivable. Under the terms of the sales contract the Company receives commissions on these sales based on their aggregate net value. These sales are not included in the Company's Net sales, but the commission income is included in Other income. At December 31, 1981, Accounts receivable—trade includes \$886,000 (1980—\$941,000) receivable from customers, and Accounts payable—affiliates includes \$695,000 (1980—\$681,000) owing to the affiliate in respect of these sales.

C. PURCHASES FROM PARENT COMPANY

The Company purchases certain building material products from Champion but the aggregate annual amount is not significant. The purchases are made at normal trade prices and credit terms.

D. MANAGEMENT FEES

- (i) The Company pays a nominal fee to Champion for certain management services.
- (ii) Under the terms of management contracts, the Company provides a full range of management services to Babine Forest Products Limited (44% owned) and Houston Forest Products Company (joint venture) in return for a fee. These management fees are included in Other income.

3. Inventories

<i>(in thousands)</i>	1981	1980
Logs	\$ 51,677	\$ 52,210
Panelboard	24,907	21,880
Lumber	13,879	16,469
Veneer	2,282	2,542
Pulp	2,125	381
Other building products and supplies	13,596	11,070
	<u>\$108,466</u>	<u>\$104,552</u>

4. Investments and Other Assets

<i>(in thousands)</i>	1981	1980
Deposits—timber and other	\$ 4,012	\$ 4,462
Long-term receivables	181	436
Investments in and advances to affiliates		
Babine Forest Products Limited	4,644	6,189
Houston Forest Products Ltd. (Note 19) ...	—	6,482
Other investments, at cost	245	291
	<u>\$ 9,082</u>	<u>\$ 17,860</u>

5. Timber and Roads

<i>(in thousands)</i>	1981	1980
Timber holdings		
Cost	\$ 12,058	\$ 11,809
Accumulated depletion	7,282	6,816
	<u>\$ 4,776</u>	<u>\$ 4,993</u>
Logging roads		
Cost	\$ 40,945	\$ 40,432
Accumulated amortization	25,853	23,038
	<u>15,092</u>	<u>17,394</u>
Company share of roads of joint venture		
Cost	491	—
Accumulated amortization	163	—
	<u>328</u>	<u>—</u>
	<u>\$ 15,420</u>	<u>\$17,394</u>

6. Property and Equipment

(in thousands)

	1981			1980
	Cost	Accumulated Depreciation	Net	Net
Land.....	\$ 5,540	\$ —	\$ 5,540	\$ 5,690
Buildings.....	42,525	18,327	24,198	22,939
Leasehold improvements.....	507	315	192	236
Machinery and equipment.....	116,453	54,920	61,533	56,132
Logging equipment.....	16,950	9,152	7,798	7,881
Construction in progress.....	5,463	—	5,463	10,521
Company share of property and equipment of joint ventures	58,001	22,021	35,980	27,725
	<u>\$245,439</u>	<u>\$104,735</u>	<u>\$140,704</u>	<u>\$131,124</u>

7. Deferred Charges

(in thousands)

	1981			1980
	Cost	Accumulated Amortization	Net	Net
Financing expenses.....	\$ 1,052	\$ 758	\$ 294	\$ 347
Interest.....	5,127	1,643	3,484	3,446
Coal properties.....	3,452	—	3,452	3,313
Preproduction and other costs .	6,680	498	6,182	2,208
	<u>\$ 16,311</u>	<u>\$ 2,899</u>	<u>\$ 13,412</u>	<u>\$ 9,314</u>

8. Long-Term Debt

(table in thousands)

	1981	1980
6¾% First Mortgage and Collateral Trust Bonds Series B due September 30, 1984 ...	\$ 3,240	\$ 4,120
9¾% First Mortgage and Collateral Trust Bonds Series C due September 30, 1991 ...	17,625	19,275
Bank Revolving Credit Agreement.....	30,000	—
Other bonds.....	928	1,050
	<u>\$ 51,793</u>	<u>\$ 24,445</u>
Less current instalments.....	2,670	2,664
	<u>\$ 49,123</u>	<u>\$ 21,781</u>

The total long-term debt maturities in each of the next five years are:

1982—\$2,670,000	1985—\$5,549,000
1983—\$6,415,000	1986—\$5,558,000
1984—\$7,022,000	

The Series B and Series C bonds are secured equally and rateably. Under the terms of the Trust Deed securing these bonds, the Company has pledged substantially all of its assets by way of fixed or floating charges and is prohibited from paying dividends (other than stock dividends) or any other distribution on any class of its shares except as permitted under the Trust Deed. At December 31, 1981, the maximum amount permitted is \$55,197,000.

During 1979 the Company entered into a revolving credit agreement with a maximum line of credit of \$30,000,000 at prevailing market interest rates. Under the agreement, the Company may obtain funds in Canadian or U.S. currency until December 31, 1982, after which time no further drawings may be made. The principal outstanding at that date becomes repayable by equal semi-annual instalments commencing on June 30, 1983, with the final payment due on December 31, 1990.

9. Salaried Pension Plans

Salaried pension plans cover substantially all salaried employees over 25 years of age and employed by the Company for at least one year. The cost of these plans in 1981 was \$2,493,000 (1980—\$2,250,000) including \$824,000 for amortization of past service liability. Based on the latest actuarial valuation, dated December 31, 1980, the unfunded past service liability at that date was \$3,131,000.

The Company's share of salaried pension plan costs of joint ventures in 1981 was \$166,000 (1980—\$146,000).

10. Long-Term Lease Commitments

The Company is committed to pay an aggregate amount of \$6,082,000 under long-term, non-cancellable leases having an initial or remaining term exceeding one year. The maximum lease term is 30 years and the latest expiry date is 2011. The leases are accounted for as operating leases.

Lease payments required in each of the next five years are:

1982—\$1,291,000 1985—\$618,000

1983—\$ 978,000 1986—\$558,000

1984—\$ 702,000

The Company's share of lease commitments of joint ventures was \$3,085,000 in aggregate and as follows in the next five years:

1982—\$291,000 1985—\$267,000

1983—\$274,000 1986—\$265,000

1984—\$269,000

These leases are accounted for as operating leases. One of these leases, which was in existence on January 1, 1979, has the characteristics of a capital lease. However, capitalization would not have had a material effect on the financial statements.

11. Contingencies

- A. The Company is a defendant in two actions by Alberta Aspen Board Limited (Aspen Board), one claiming judgment in the sum of \$8,750,000 plus costs and the other claiming damages, jointly and severally, against the Company and ten other defendants in the amount of \$15,000,000 plus costs. Both actions against the Company concern a sales agency agreement which existed between Aspen Board and the Company from June 1974 to July 1976. In the event of either of the foregoing actions coming to trial, the Company believes the claims can be successfully defended.
- B. The agreement to form a joint venture to develop the Quinsam coal property by the Company and Luscar Limited (Luscar) was terminated by Luscar in 1980. Under the terms of the agreement, the Company is contingently liable to reimburse Luscar for an amount of approximately \$2,000,000. The liability will be payable if the Company, or any associated company, commences to construct a coal mine on or sells any part of the coal property which was included in the agreement, within five years from the date of termination.
- If the proposed development of the Quinsam coal property with Brinco Mining Limited (Note 19) proceeds, this contingent liability will become a liability of the new joint venture.
- C. Proceedings have been initiated by the Commission of the European Communities (the Commission) against the Company and a number of other firms and associations involved in the wood pulp industry, alleging certain price fixing activities which it is claimed constitute infringements of Article 85 of the Treaty of Rome. The Company does not believe that its practices infringe Article 85. While the Commission is empowered to impose fines if an infringement is established, it is not believed that the result of the proceedings will be material to the financial condition of the Company.

12. Share Capital

A. AUTHORIZED AND OUTSTANDING

<i>(dollars in thousands)</i>	Authorized	Outstanding December 31, 1981		Outstanding December 31, 1980	
		No. of Shares	No. of Shares	Amount	No. of Shares
5¼% Cumulative Redeemable Preference Shares, Series A with a par value of \$20 each (Note 13)	275,000	25,000	\$ 500	25,000	\$ 500
Series B Preference Shares with a par value of \$20 each	225,000	—	—	—	—
5½% Cumulative Redeemable Second Preference Shares with a par value of \$100 each	245,000	—	—	—	—
\$1.50 Cumulative Redeemable Convertible Preference Shares without nominal or par value	220,000	—	—	—	—
Common Shares without nominal or par value	2,000,000	1,316,047	14,233	1,314,197	14,204
Ordinary Shares without nominal or par value	4,000,000	3,580,291	32,205	3,580,291	32,205
Outstanding at end of year			<u>\$ 46,938</u>		<u>\$ 46,909</u>

During 1981, 1,850 (1980—7,600) Common Shares were issued for \$29,000 (1980—\$92,000) under options granted to employees and senior officers.

All the outstanding Ordinary Shares are held by Champion International Corporation.

B. SPECIAL PROVISIONS FOR 5¼% CUMULATIVE REDEEMABLE PREFERENCE SHARES, SERIES A

The redemption price is \$20 per share plus unpaid dividends accumulated to the date of redemption, plus a premium on the sum of \$20 of 2.25% if redeemed on or before March 15, 1986 and 1.25% if redeemed thereafter.

C. OPTIONS TO PURCHASE COMMON SHARES

Under the Company's Stock Option Plan, options on up to 70,000 Common Shares may be granted to officers and employees.

Options are granted for 10 years at prices equal to 90% of the average price for shares traded in board lots on either the Toronto or Vancouver Stock Exchanges on the first business day preceding the date on which the options are granted. At December 31, 1981, options for a total of 7,650 shares are outstanding, as follows:

Expiry Date	Optionees	No. of Shares Optioned	Option Price
March 14, 1983	Senior officers	2,250	\$15.44
March 14, 1983	Other employees	<u>5,400</u>	\$15.44
		<u>7,650</u>	

13. Dividends

A. DIVIDENDS DECLARED

	1981		1980	
	Amount Per Share	Amount (in thousands)	Amount Per Share	Amount (in thousands)
5¼% Cumulative Redeemable Preference Shares, Series A	\$1.05	\$ 26	\$1.05	\$ 26
Common Shares	1.00	1,316	1.00	1,312
Ordinary Shares	1.00	<u>3,580</u>	1.00	<u>3,580</u>
		<u>\$4,922</u>		<u>\$4,918</u>

B. Certain limitations are imposed on the payment of dividends on any class of shares by the Trust Deed securing the Series B and Series C Bonds (Note 8) and by the rights and restrictions relating to the 25,000 5¼% Cumulative Redeemable Preference Shares, Series A (Note 12), contained in the Articles of Association of the Company.

C. Under the terms of issue of the Ordinary and Common Shares, dividends per share paid on the Ordinary Shares may not exceed dividends per share paid on Common Shares from the date of issue. Where dividends paid on Ordinary Shares are less than those paid on Common Shares, dividends may be paid to the holders of Ordinary Shares up to an amount equal to the total dividends paid on each Common Share. At December 31, 1981, equal dividends per share have been declared on the Common and Ordinary Shares.

14. Depreciation, Depletion and Amortization

(in thousands)

	1981	1980
Depreciation	\$ 13,370	\$ 10,415
Depletion	156	209
Logging road amortization	4,133	4,814
Amortization of long-term financing expenses and deferred interest costs	221	221
Amortization of other deferred costs	498	—
Amortization of goodwill	530	530
	<u>\$ 18,908</u>	<u>\$ 16,189</u>

15. Other Income

Other income includes the Company's equity in the net income of partly-owned companies, sales commissions, management fees, and the net gains arising from fluctuations in the exchange rate for U.S. funds between the dates of transactions and settlements.

16. Income Taxes

In 1981 the income tax recovery was primarily due to recording the benefits of the inventory allowance and federal investment tax credits.

17. Remuneration of Directors and Senior Officers

The aggregate remuneration paid or payable to directors and senior officers was \$976,000 (1980—\$982,000).

18. Segmented Information

A. INDUSTRY SEGMENTATION

The Company has substantially all its operations in the forest products industry and is vertically integrated therein. Its revenue is generated from the sale of lumber, plywood, pulp, logs and other wood products manufactured by the Company and from the sale of other building products and supplies which are purchased for resale.

B. GEOGRAPHIC SEGMENTATION

All of the Company's operations, assets and employees are located in Canada.

C. EXPORT SALES

A substantial portion of the Company's Net sales are to customers in foreign countries:

Sales by Country	(in thousands)	1981		1980	
United States of America		\$121,488	25.3%	\$117,465	25.1%
Other foreign countries		70,347	14.6%	90,474	19.3%
Total export sales.....		191,835	39.9%	207,939	44.4%
Canada.....		289,259	60.1%	259,990	55.6%
Net sales.....		\$481,094	100.0%	\$467,929	100.0%

Substantially all of the Company's sales to foreign countries other than the U.S.A. are handled by sales agents who assume all credit risks.

19. Joint Ventures

A. At December 31, 1980, Houston Forest Products Ltd. (Houston) was a company, jointly owned by Eurocan Pulp & Paper Co. Ltd. (Eurocan) and Weldwood of Canada Limited (Weldwood), that operated a sawmill at Houston, B.C. Effective January 1, 1981, Houston sold one half of its net assets to Eurocan and acquired that company's 50% interest in its shares. This resulted in Houston becoming a wholly-owned subsidiary of Weldwood. Houston and Eurocan then entered into a joint venture agreement to operate the sawmill. Weldwood continues to act as manager of the operation and to be responsible for marketing the mill's lumber production on behalf of the joint venturers.

B. During 1981 the Company entered into an agreement with Brinco Mining Limited to form a joint venture to develop the Quinsam coal property (Note 11).

20. Subsidiary and Affiliated Companies

A. (i) SUBSIDIARY COMPANIES—ACTIVE

Annplyco Properties, Limited
Canim Lake Sawmills Ltd.
D. A. Clarke Veneers Limited
Empire Mills Limited
Henry Johnson Timber Co. Ltd.
Houston Forest Products Ltd.
Timberland Developments Co. Ltd.
W & W Holdings Limited
Weldwood of Canada Sales Limited
Weldwood Lumber Sales Limited
Weldwood Transportation Limited

(ii) SUBSIDIARY COMPANIES—INACTIVE

Canadian Collieries Timber Air Services Ltd.
Kirk Coal (Victoria) Co. Ltd.
Ladysmith Development Limited
Merrill & Wagner Limited (in voluntary liquidation)
M & W Logging Co. Ltd.
Parkhome Developments Limited
Wellington Colliery Company Limited
Western Fuel Corporation of Canada Limited

B. PARTLY-OWNED COMPANIES

Babine Forest Products Limited (44%)
Quinsam Coal Ltd. (50%)

C. JOINT VENTURES

Cariboo Pulp & Paper Company (50%)
Houston Forest Products Company (50%)

21. Comparative figures

Certain comparative figures have been reclassified to conform with the 1981 presentation.

WELDWOOD OF CANADA LIMITED

Auditors' Report

To the shareholders of Weldwood of Canada Limited:

We have examined the consolidated balance sheet of WELDWOOD OF CANADA LIMITED (a British Columbia company) as of December 31, 1981 and 1980, and the consolidated statements of income and retained earnings and changes in financial position for the years 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, the accompanying consolidated financial statements present fairly the financial position of the company as of December 31, 1981 and 1980, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles consistently applied during the periods.

Vancouver, Canada
January 13, 1982

ARTHUR ANDERSEN & Co.
Chartered Accountants

Ten Year Review

(Years Ended December 31)

	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
Earnings (\$ Millions)										
Net sales	481.1	467.9	528.4	474.4	386.7	331.8	261.1	266.7	265.4	188.0
Depreciation, depletion and amortization	18.9	16.2	15.2	15.6	13.5	13.5	11.8	10.9	8.0	6.2
Cost of sales	400.5	386.7	416.4	372.3	311.5	263.6	210.5	209.2	207.1	148.4
Selling, shipping and administrative expenses	49.8	42.9	42.4	38.0	36.0	32.5	26.2	23.8	22.2	19.7
Interest expense	14.4	8.1	6.2	5.5	5.7	5.2	5.1	5.3	4.4	1.2
Other income	(4.3)	(9.6)	(8.9)	(8.1)	(4.4)	(1.8)	(2.7)	(1.5)	(1.3)	(1.8)
Income taxes (recovery)	(3.0)	6.8	21.7	20.0	10.2	9.4	5.0	9.3	11.9	6.8
Net income (loss)	4.8	16.8	35.4	31.1	14.2	9.4	5.2	9.7	13.1	7.5
Per Common and Ordinary Share										
Net earnings	0.97	3.42	7.18	6.32	2.84	1.84	.94	1.87	2.58	1.41
Dividends—common	1.00	1.00	.88	.76	.57	.54	.50	.50	.50	.50
—ordinary	1.00	1.00	.88	1.33	—	.54	.50	.50	.50	.50
Shareholders' equity	34.72	34.76	32.37	26.64	21.54	18.85	17.17	16.72	15.35	13.28
Return on shareholders' equity at beginning of year (%)	2.8	10.6	26.4	28.7	14.8	10.2	5.8	11.6	17.9	10.8
Shareholders at year end	1,620	1,799	1,907	2,196	2,471	2,571	2,708	2,795	2,753	2,917
Common share price range (\$/share)										
High	32½	26½	27	22½	13¾	13½	11¾	14¾	18½	15
Low	19½	17½	18¼	10½	9¾	10	7½	5¾	10½	11½
Financial Position (\$ Millions)										
Current assets	168.9	163.9	170.7	141.9	116.3	98.1	87.8	69.4	77.9	56.4
Current liabilities	88.4	107.2	113.7	85.4	66.9	49.8	41.3	24.3	31.0	26.2
Working capital	80.5	56.7	57.0	56.5	49.4	48.3	46.5	45.1	46.9	30.2
Investments and other assets	9.1	17.9	18.2	14.4	5.5	4.1	3.9	2.1	1.5	1.6
Timber and roads	20.2	22.4	21.6	18.5	18.3	17.4	18.4	19.3	17.4	17.4
Property and equipment, net	140.7	131.1	120.3	97.7	88.9	79.9	81.9	85.8	77.6	71.1
Deferred charges	13.4	9.3	3.3	3.4	5.6	6.7	7.6	7.3	6.8	7.3
	263.9	237.4	220.4	190.5	167.7	156.4	158.3	159.6	150.2	127.6
Long-term debt	49.1	21.8	24.6	27.2	31.6	34.8	40.0	45.7	46.3	40.8
Deferred income taxes	44.4	45.0	37.2	29.6	27.5	26.1	26.1	23.8	20.5	13.5
Share capital	46.9	46.9	46.8	50.0	49.9	49.9	54.8	54.8	54.8	54.8
Contributed surplus	6.5	6.5	6.5	6.5	6.5	6.5	4.6	4.6	4.6	4.6
Retained earnings	117.0	117.2	105.3	77.2	52.2	39.1	32.8	30.7	24.0	13.9
	263.9	237.4	220.4	190.5	167.7	156.4	158.3	159.6	150.2	127.6
Other Statistics										
Ratio of current assets to current liabilities	1.91	1.53	1.50	1.66	1.76	1.97	2.16	2.92	2.56	2.35
Ratio of long-term debt to equity ..	.29	.13	.15	.20	.29	.36	.43	.51	.55	.56
Return on average capital employed (%)	3.9	7.3	15.6	16.2	8.6	6.8	4.6	7.8	11.0	6.5
Employees at year end (adjusted for seasonal and short-term curtailments)	4,900	5,600	5,500	5,600	5,300	4,800	4,500	3,700	4,600	4,800
Production Statistics										
Softwood plywood and Waferweld (Millions sq. ft. ¾")	603	594	692	724	637	586	507	438	562	533
Hardwood and specialty plywood (Millions sq. ft. ¾")	55	52	55	27	43	36	92	114	144	85
Softwood lumber (Millions Fbm)										
Company	355	388	450	477	469	365	281	308	334	340
Share of affiliates	127	148	126	80	51	47	18	—	—	—
Hardwood lumber (Millions Fbm)	29	28	33	33	32	29	25	23	27	25
Pulp (Thousands short air dry tons)	118	132	132	129	129	129	88	113	100	—

Board of Directors

John A. Ball

Executive Vice-President,
Champion International
Corporation, Stamford,
Connecticut

John Bene

International Consultant,
Vancouver

Thomas A. Buell

Chairman of the Board,
President and Chief
Executive Officer,
Weldwood of Canada
Limited, Vancouver

Pit Desjardins

Vice-Chairman of the
Board, Weldwood of
Canada Limited and
President, Cariboo Pulp
& Paper Company,
Vancouver

Paul Gourdeau

Chairman of the Board,
Logistec Corporation,
Quebec City

Richard W. Lowry

Senior Vice-President,
Champion International
Corporation, Stamford,
Connecticut

John O. McCutcheon

Chairman of the Board,
Carlyle Eagle Petroleum
Ltd., Calgary

Bryce P. Page

Executive Vice-President,
Marketing, Weldwood of
Canada Limited,
Vancouver

Alexander G. Rankin

Vice-President,
University of Toronto,
Toronto

Forrest Rogers

Chairman of the Board,
B.C. Sugar Refinery,
Limited, Vancouver

Colin B. Warner

Vice-President, Finance,
Weldwood of Canada
Limited, Vancouver

H. Richard Whittall

Partner, Richardson
Securities of Canada,
Vancouver

Officers

Thomas A. Buell

Chairman of the Board,
President and Chief
Executive Officer

Pit Desjardins

Vice-Chairman of the Board
of Weldwood, and President,
Cariboo Pulp & Paper
Company

Bryce P. Page

Executive Vice-President,
Marketing

Mark R. Rushton

Treasurer

W. Dick Sainsbury

Vice-President, Manufacturing
and Logging

C. Robert Solloway

Vice-President, General
Counsel and Secretary

Colin B. Warner

Vice-President, Finance

Kent T. Williamson

Comptroller

Executive Offices

1055 West Hastings Street,
Vancouver, B.C.

Postal Address

P.O. Box 2179,
Vancouver, B.C. V6B 3V8

Share Transfer Agents

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

Seaboard Lumber Sales Company Limited

Vancouver
Agents for waterborne sales
of lumber, plywood and
specialty products.

Price & Pierce International Ltd.

London, New York,
Vancouver
Agents for the sale of pulp.

Operations, Products and Annual Capacities

Plywood

	Million Sq. Ft. 3/8" Basis
Kent Avenue, Vancouver, B.C.	190
T-Ply, Surrey, B.C.	60
Quesnel, B.C.	144
Canim Lake, 100 Mile House, B.C.	120
Merrill & Wagner, Williams Lake, B.C.	135
Longlac, Ont.	55

Lumber

	Million Bd. Ft.
Empire Lumber, Squamish, B.C.	150
Flavelle Cedar, Port Moody, B.C.	85
Timberland, Surrey, B.C.	70
Canim Lake, 100 Mile House, B.C.	72
Westree, Quesnel, B.C.	75
*Babine Forest Products, Burns Lake, B.C.	150
Merrill & Wagner, Williams Lake, B.C.	70
*Houston Forest Products, Houston, B.C.	174
Huntsville, Ont.	21
Searchmont, Ont.	13

Veneers

	Million Sq. Ft. 3/8" Basis
Quesnel, B.C.	77
Searchmont, Ont.	80
South River, Ont.	40

Waferboard

	Million Sq. Ft. 3/8" Basis
Longlac, Ont.	127
Alberta Waferweld, Slave Lake, Alta.	127

Pulp

	Tons
*Cariboo Pulp & Paper, Quesnel, B.C.	280,000

*Jointly owned.

Distribution Centres

Eastern Division

St. John's, Nfld.
Dartmouth, N.S.
Saint John, N.B.
Quebec, Que.
Three Rivers, Que.
Sherbrooke, Que.
Montreal, Que.

Central Division (Ontario)

Ottawa
Kingston
Toronto
Hamilton
London
Windsor
Sudbury
Kirkland Lake
Thunder Bay

Western Division

Winnipeg, Man.
Regina, Sask.
Saskatoon, Sask.
Yorkton, Sask.
Calgary, Alta.
Edmonton, Alta.
Grande Prairie, Alta.
Kelowna, B.C.
Prince George, B.C.
Vancouver, B.C.

