

Newsprint and coated paper were

the exceptions in a year when markets for forest products were generally difficult.

**British Columbia Forest Products Limited Annual Report 1984**



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## Financial Highlights

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

FOR THE YEAR (IN THOUSANDS OF DOLLARS)	1984	1983
Net sales	\$1,014,726	\$899,676
Depreciation and depletion	61,512	60,350
Earnings (loss) before income taxes	22,287	(51,329)
Income taxes	13,097	(18,585)
Net earnings (loss)	9,190	(32,744)
<i>per common share</i>	\$0.18	\$(.68)
Cash from operations	29,301	25,539
<i>per common share</i>	\$0.60	\$0.53
Return on net assets	4.5%	.1%
Return on common shareholders' equity	2.3%	(8.7)%
Dividends paid		
common (stock dividends)	6,202	6,749
per share	\$0.13	\$0.14
preferred	347	369
per share	\$3.00	\$3.00
Capital expenditures	16,215	4,277
Salaries and wages	213,756	212,159
Employee benefits	68,499	64,001
Stumpage and royalty (to governments)	12,239	11,254
Property taxes	19,040	18,836
AT YEAR END		
Ratio of current assets to current liabilities	1.9	1.7
Ratio of long term debt to equity	1.6	1.6
Shareholders' equity per common share	\$7.98	\$7.50
Number of common shareholders	5,141	5,273
Number of preferred shareholders	734	792
Number of employees	7,066	7,153
Assets per employee	\$172,000	\$164,000
<i>Canadian capital gains tax</i>		
<i>Valuation Day prices:</i>		
<i>Common shares (subdivided)</i>	\$ 2.47	
<i>6% Preferred shares</i>	41.50	
<i>Series B, 5½% debentures</i>	74.00	
<i>Series C, 6½% debentures</i>	80.50	
<i>Series D, 9¾% debentures</i>	106.00	







The Company achieved record sales in 1984, led by a strong performance from newsprint and coated paper which helped to produce a small profit after two years of heavy losses. Increased demand and improved prices for paper helped to offset the negative effects of a 10-week pulp and paper labor dispute in B.C., depressed wood products markets and deteriorating prices in the latter part of the year for market kraft pulp. Consolidated net earnings for the year were \$9.2 million or \$.18 per common share, compared with a net loss of \$32.7 million or \$.68 per common share in 1983. Annual sales of \$1,014.7 million carried the Company over the \$1 billion threshold for the first time in its history. While 1984 was not without difficulties, new levels of productivity and cost efficiency were achieved in many areas. New markets were sought to replace traditional ones, and intensified sales activity resulted in some new destinations for the Company's products. Rigid cost control and debt reduction remained as high corporate priorities. Obviously, these operational and market advances, which are noted elsewhere in the annual report, could not have taken place without the strong commitment from our employees. Market conditions for forest products were extremely variable in 1984. Overseas exports of pulp and wood products were negatively affected by the relative strength of the U.S. and Canadian dollars which reduced the purchasing power of buyers located in countries with weaker currencies. The differing values improved the competitive positions of producers in Scandinavian countries where currencies have been devalued by government economic action. Housing starts in the









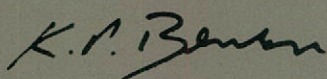




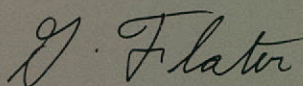


Vice Chairman. In February 1985 the Company acquired the remaining 50 per cent of the common shares in Pinette & Therrien Mills Limited under the terms of a Shareholders' Agreement. The purchase was made by the issue of 760,227 BCFP common shares, and P&T is now a wholly-owned subsidiary of the Company. The return to profitability is the number one priority for the Company, and the reduction of the heavy debt load is absolutely essential for BCFP's long-term success. At the same time, the Company is determined to keep its logging and converting facilities in first-class condition, which has always been a high priority and was a major factor in the return to profitability in 1984. In 1985, BCFP expects economic growth in the major U.S. market area to continue but at a lower rate. However, the strong performance of lightweight coated paper and newsprint should continue throughout the year. The adverse market conditions for pulp and wood products have continued into 1985 with very little change. The strength of the U.S. and Canadian dollars in relation to foreign currencies continues to have an adverse effect on offshore markets for these products.

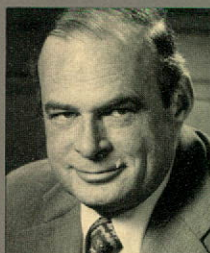
*On behalf of the Board, February 21, 1985*



K.P. BENSON *Chairman and Chief Executive Officer*



GEORGE G. FLATER *President and Chief Operating Officer*







**Forestry and Wood Supply**

*Forestry management of Crown and private timberlands under the Company's care was*

*conducted at satisfactory levels during 1984 despite severe economic restraints.*

*Accordingly, BCFP utilized funding and manpower programs available through provincial and federal government agencies to supplement the Company's forestry programs.*

*Forestry crews planted a total 7.7 million seedlings to restock logged-over timberlands in B.C. and Alberta. A further 2,420 hectares, located in Coastal divisions, received basic and intensive forestry treatment such as brush eradication and juvenile spacing.*

*Total stumpage and royalties in B.C. of \$12 million were offset by \$4 million in credits permitted under Section 88 of*

*the Forest Act for completed forestry projects and new road construction.*

*The Company's resource planning group was also very active, providing liaison with various government agencies and assisting logging divisions with long-range planning.*

*In an operating year that was shortened by adverse weather and a labor dispute, the logging sector was able to maintain a good level of production.*

*Combined log production from the Company's B.C. and*



*Alberta operations totalled 5.2 million cubic metres, a slight increase over the 5 million cubic metres logged in 1983.*

*Coastal divisions lost an average 49 operating days due to secondary picketing by pulp and paper employees and because of an extended fire hazard season.*



*BCFP's logging operations on Vancouver Island and mainland Coastal inlets harvested 2.7 million cubic metres of logs during 1984, a modest decline from the 2.9 million cubic metres produced in the previous year.*

*Expanding grapple yarding to a two-shift basis during a trial period at three Island divisions produced positive results and this program was later increased and intensified. A dry land sort was completed at Narrows Inlet, contributing to that operation's efficiency. Meanwhile, the Company's ongoing economic restraint program resulted in the phasing out of the Crofton logging office. The responsibilities for operations previously under that office are now shared by Renfrew and Cowichan divisions. A decision was also reached to close the Company's Barkley Sound operation on Vancouver Island to further logging.*

*To balance its own production, the Company purchases and sells logs on the open market. Outside sales in 1984 included five shiploads to the People's Republic of China as part of a combination logs and lumber export order.*



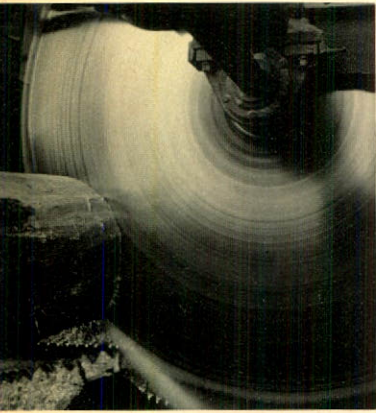
*Moderate weather in the Fraser Canyon and improved mill capacity, contributed to record production at Boston Bar of 447,000 cubic metres.*

*Logging at Mackenzie during the first half of the year was interrupted by the pulp and paper dispute. Total production of 1.7 million cubic metres at Mackenzie was up from the 1983 level of 1.5 million cubic metres.*

*In Alberta, logging at Grande Cache reached its highest level with total production of 404,000 cubic metres compared with 282,000 cubic metres logged in*



1983. The Company's withdrawal from a planned pulp or paper project near Whitecourt, Alberta, resulted in the cancellation of the Berland Forest Management Agreement. A substitute quota



position was obtained to continue logging to supply the Grande Cache sawmill.

The Company's

8 marine subsidiary, Swiftsure Towing Company Ltd., completed 116 log barge trips in 1984 for BCFP and other forest products' companies. Swiftsure tugs towed a total volume of 1.8 million cubic metres, up from the 1.6 million cubic metres towed in 1983.

#### **Wood Products**

Excellent productivity gains were achieved by the wood products mills during 1984. However, these gains were insufficient to offset losses caused by

severely depressed price levels.

North American lumber demand improved early in the year as housing starts increased and prices rose when a significant amount of production was removed from the marketplace because of the industry-wide labor dispute with the pulp and paper unions. The dispute resulted in secondary picketing of many B.C. sawmills including the Company's wood products facilities.

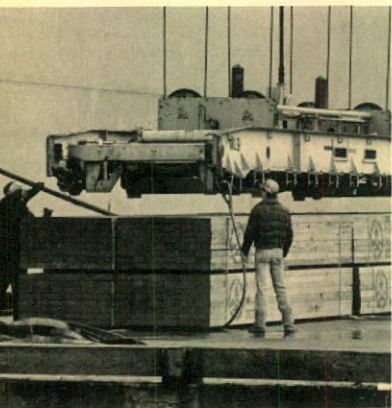
Rising interest rates, poor spring weather in the U.S. and a return by B.C. mills to full production resulted in a sharp decline of prices during the second quarter. A moderation of interest rates in September led to subsequent price improvements with housing starts finishing the year at about the 1.7 million level.

Canadian housing starts of 135,000 were very disappointing.

Overseas demand, particularly in



*Western Europe and the United Kingdom, was adversely affected by weakening foreign currency values in comparison to the stronger U.S. and Canadian dollars, while Swedish sawmills benefited from*



*the devalued krona. Australian demand was strong most of the year, but was slowed by a 12.5 per*

*cent increase in import duty which was imposed in the fourth quarter. Japanese demand for traditional housing lumber products was weak, resulting in unsatisfactory prices; however, sales volumes increased. Sales to China were comparable to those of 1983 and development of this market for logs and lumber continues to receive high priority.*

*Except for a brief flurry in demand during the spring, domestic prices of plywood were poor despite industry cur-*

*tailments and shutdowns. Overseas demand remained weak due to adverse exchange values.*

*Lumber production from the Company's 10 sawmills totalled a record 970 million board feet, an 8 per cent increase over the previous high of 899 million board feet set in 1983.*

*The high volume, which also established new production records at most individual operations, was achieved with fewer working days as the result of temporary closures due to market conditions and the pulp and paper dispute. On the Coast, 20 operating days were lost during the first quarter when secondary picketing forced mill shutdowns. In Mackenzie, prolonged picketing closed the division's three sawmills for 33 days.*

*The Grande Cache*







*sawmill ran near its designed capacity for the last six months of 1984, completing its second full year of*

*operation. However, timber quality combined with low prices contributed to unsatisfactory results.*

*Responding to changes affecting the marketplace, Delta Plywood altered its product mix to concentrate on the manufacture of higher-value sanded grades of plywood. While production of plywood was virtually unchanged from the previous year at 73 million square feet (3/8 inch basis), sanded grades represented 93 per cent of total shipments, compared to 35 per cent only four years ago.*

*A \$15.2 million modernization program for Vancouver Sawmill Division began late in the year with site clearing and foundation work. When completed in*

*mid-1985, the rebuilt sawmill and new planer mill will have a capacity of 135 million board feet per year. The renovations will make the sawmill more cost-effective and more flexible in its ability to service export markets.*

#### **Pulp and Paper**

*Except for a 10-week closure due to the industry-wide labor dispute, pulp and paper operations maintained near-capacity production rates.*

*Strong demand and improved prices for both products followed the resolution of the dispute in April, but as the year progressed, markets for kraft pulp deteriorated and serious price erosions occurred.*

*Pulp sales continued to be adversely affected by the dollar's relative strength over other foreign currencies. The entry of production from new pulp mills in the U.S. and Europe also had a negative impact on the marketplace.*



*With fewer operating days due to the lengthy work stoppage, total market pulp production from the Company's pulp mills at Crofton and Mackenzie was 356,000 tonnes, down sharply from 456,000 tonnes produced in 1983. However, several daily production records were set in both mills which helped to reduce the impact of the long shutdowns.*

*Newsprint markets began to emerge*



*from the down-cycle caused by new capacity additions in recent years and some price improvements were es-*

*tablished. High product quality and market diversification allowed Crofton's newsprint machines to operate at full levels for most of the year.*

*Newsprint production of 345,000 tonnes was a record, compared with 338,000 tonnes in the previous year.*

*No. 3 newsprint machine, now in its third year of operation, reached its highest level of performance in 1984, and added an average 542 tonnes of production per day.*



*A modest capital program, and extensive maintenance rebuilds at Crofton and Mackenzie, contributed to improved production performance and cost control. At Crofton, a new chip conveyor system to improve scow unloading was installed and a major steam plant maintenance program was completed. A medium consistency bleach chemical mixer was added to improve Crofton's pulp quality.*

*Further progress was achieved at both mills in the area of displacing outside energy purchases through in-plant power generation. Increased burning of hog-fuel to produce steam and electricity reduced*



*consumption of traditional fuels such as bunker oil and natural gas.*

*The completion of a new multicyclone system on No. 4 hog burning power boiler at Crofton successfully lowered the level of flyash emissions in the atmosphere.*

#### **Blandin Paper Company**

*Market demand in lightweight coated paper exceeded supply during 1984 resulting in an excellent year of production and sales for Blandin.*

*Total paper production rose to 283,000 short tons in 1984 from 276,000 short tons in 1983 with incremental increases reported for all paper lines. Substantial gains in machine efficiency and higher machine speeds*

*contributed to the improved results.*

*A management program focusing on employee involvement*

*in Blandin's operation moved forward during the year with increased worker participation in selected areas. The*

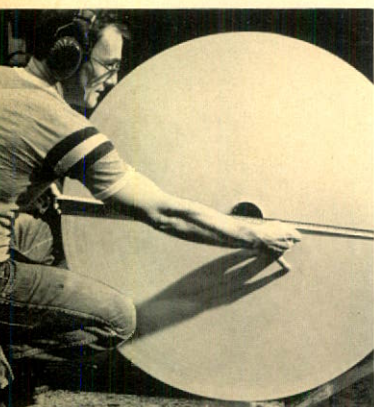
*purpose of the program is to improve the quality of decisions and to increase the commitment to those decisions by those who must implement them.*

*Improved demand led to increased shipments of aspen waferboard by Blandin Wood Products Company. Total waferboard production of 232 million square feet ( $\frac{3}{8}$  inch basis) was 7 per cent higher than the 1983 level.*

#### **Croftech Inc.**

*Croftech, a wholly-owned subsidiary of BCFP, manages the engineering and construction of major pulp and paper projects for the Company, its subsidiaries and other customers in the industry.*

*Since early 1984 Croftech has been*





chiefly occupied with Western Pulp Limited Partnership's Squamish and Port Alice pulp mills. The Squamish mill is undergoing a \$213 million rebuild which will increase production to more than 620 tonnes per day of bleached kraft pulp. A new bleach plant will be started up in mid-1985 and a new recovery boiler in early 1986. The completed project will reduce labor, energy and chemical costs.

At the Port Alice dissolving pulp mill, a \$15 million renovation is underway to improve product quality, lessen environmental impact, and reduce costs.

#### **Transportation**

Shipping volumes of forest products from the Company's Crofton dock complex declined from the record loadings of 1983, reflecting the effects of the lengthy B.C. pulp and paper labor dispute.

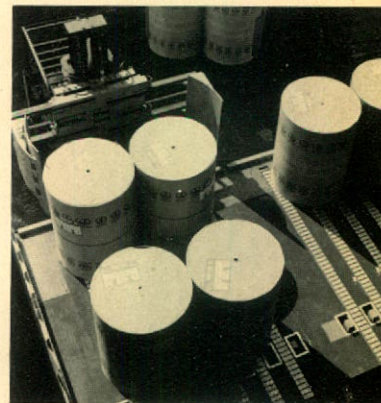
A total 200 vessels visited the docks

over the year, compared with 219 which called in the previous year.

Total pulp and paper shipments over the docks of 335,000 tonnes were less than the 349,000 tonnes loaded in 1983 while lumber shipments were also reduced from 298 million board feet to 271 million board feet in 1984.

The charter vessel Ferncroft completed 29 round trips from Crofton to ports in California carrying a total cargo of 111,000 tonnes of newsprint.

BCFP also loaded a total 11,600 rail cars of products during the year. New centre beam rail cars for the shipment of lumber were introduced with excellent results. The new cars, can be stacked from both sides simultaneously, resulting in faster product loading and reduced handling costs.





## **Fraser River Pile Driving Company Limited**

*The Company's wholly-owned marine construction subsidiary completed a total 483 projects during the year.*

*Site development for B.C. Place and new wharf installations for Expo 86 represented major projects for Fraser River Pile Driving Limited during 1984.*

## **Associate Companies**

*Pinette & Therrien Mills Limited, which became a wholly-owned BCFP subsidiary in February 1985, reported total production of 157 million board feet during 1984, compared with 145 million board feet in the previous year.*

*The Williams Lake operations of P&T produce studs, railway ties, dimen-*

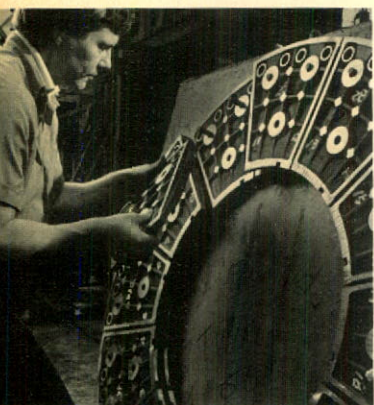
*sion lumber and finger-jointed stock.*

*A new \$2.4 million treating plant began operation at Ashcroft*

*to apply creosote to rail ties.*

*Donohue St-Felicien Inc., in which the Company has a 45 per cent interest, completed an excellent year of pulp and lumber production. Pulp production of 292,000 tonnes resulted in a new record, compared with the 283,000 tonnes produced in 1983. Lumber production from DSF's four sawmills also increased from 279 million board feet in 1983 to 319 million board feet in 1984. Two new dry kilns were added at DSF's La Doré sawmill during the year.*

*Finlay Forest Industries Ltd., experienced another difficult year due to poor demand for groundwood pulp and paper and because of lost production as a result of the pulp and paper labor dispute. Total production of groundwood pulp fell from 100,000 tonnes in 1983 to 87,000*





tonnes in 1984. FFI's lumber production however, increased to 183 million board feet compared with 174 million board feet in the previous year.

### **Employee Relations**

The Company's ongoing safety program continued in all operating sectors, resulting in some improvements.

Significant progress was achieved in the logging sector, where the frequency rate of lost-time accidents was reduced by 50 per cent under 1983 levels. Pulp and paper operations also reported a 13 per cent reduction in compensable accidents while the safety performance in the wood products' sector was unchanged from the previous year.

Unfortunately, logging and wood products each experienced one fatal accident in 1984.

BCFP was recognized by the Federal Government's Department of Regional

Expansion as a finalist in the Canada Awards for Excellence program. The award was presented for initiative in the field of labor-management cooperation demonstrated during the introduction of technological advances at the Company's new Hammond Sawmill.

The program involved frequent employee information meetings and training sessions while the new mill was under construction. The retraining program was required to train employees in the use of computerized equipment and other new technology.





Grand Rapids, Minnesota lies nearly 2500 miles upstream from the mouth of the Mississippi River in the Gulf of Mexico. In the golden days of the steamboats, it was the end of the line.

The benefits derived from a splendid natural endowment came swiftly to Grand Rapids. From its original shantytown boundaries, the vast white pine forests stretched away to the vanishing point on all horizons. America was growing, and with its expansion westward over the prairies, the demand for Minnesota lumber was nearly insatiable.

As the midwest boomed, the forests receded further and further to the north of the state. By the early 1870's, the lumberjack's axe was already echoing through the woods of Itasca Country.

Logging was good to Grand Rapids. As the connecting point to the larger centres to the south, the town quickly established itself as a distribution point for the supplies which fueled the growing industry.

# Port

## of a paper company

**T**

he origins of Blandin Paper Company are tightly woven into the pioneering lore of the frontier timber towns of Minnesota. It is a story told of hardy lumberjacks and gritty settlers who followed the virgin pine forests North to the

Canadian border. It is a story of steamboats and the commerce of wood. And it is a story of one man's enterprise and the legacy that remains with his name.

The Blandin story in many ways is also the story of a river. Mark Twain's river, the Mississippi. The scenic town which grew up along its banks downstream from the Mississippi's headwaters in Lake Itasca takes its name from a series of rapids that blocked further upstream navigation. This is where the Blandin story begins and where it still continues.





# Portrait

The addition of hotels, saloons, restaurants, added to the frontier flavor of Grand Rapids paving the way for more serious elements of infrastructure such as schools, a hospital and telephone service. With the arrival of the Duluth and Winnipeg Railroad in 1890, Grand Rapids gained further distinction over rival communities: it was incorporated a year later as the county seat.

As lumbering gave way to farming, the maturing of Grand Rapids as a vital and stable community was in place when the new century began. But the pine forests which laid its foundations were gone.

In the dying years of the 1890's, the town's burghers were already voicing concern about a replacement industry. Sitting as it does on the flank of the Mesabi Iron Range, talk naturally turned to coal and iron ore development but the townsfolk kept returning to the theme of their original purpose: the forest industry.

While the white pine stands had disappeared, the region was still well-





forested with aspen, spruce and balsam fir. And with water to be harnessed for power running past the town's doorstep, a serious lobby effort for a paper mill was launched by civic officials.

A special act of Congress in 1899, granted a charter to *Grand Rapids Water, Power and Boom Company*, a company formed by private citizens under direction of the town's council. The purpose of the company was to construct a dam on the Mississippi as the preliminary step in a paper mill development.

Like all fledgling enterprises, the formation of capital was crucial to its success. A delegation of prominent citizens made several forays into the money markets of the Midwest. They eventually succeeded in raising the capital in a pulp and paper town in neighboring Wisconsin where the bold investors turned out to be an unlikely combination of individuals: a telegrapher, a bank manager, a former teamster and a pulp mill worker. But despite the fact they had no direct ex-







Relics of a bygone era, the trappings left behind by thousands of 19th Century lumbermen tell a colorful story about life in the Northern Minnesota woods. With the winter wind howling outside, the bunkhouse afforded the lumberjacks a humble home

where the long nights were passed under a cloud of steam from wet woolen clothing. In the hundred years prior to 1930, over 67 billion board feet of lumber came out of Minnesota's forests to house a rapidly expanding nation.



perience as paper mill entrepreneurs they had one other thing in common: money to invest. For the next 15 years they put that money (\$200,000) to work in the *Itasca Paper Company*.

The dam and adjacent mill construction began in earnest in early 1901. A year later at 11 a.m. on February 19, the first roll of paper rolled off of No. 1 machine. The paper machine, built by Beloit Iron Works, was a four-drinier type that on a good day would turn out 25 tons. Its cost was a sobering \$40,500.

Along with many other remarkable changes which occurred during the early years of the twentieth century, the newspaper was making an indelible impact on daily life. Circulation of newspapers swelled dramatically as people clamored to keep abreast of world developments.

Newsprint shortages threatened many U.S. dailies, among them the *Dispatch Printing Company's Pioneer Press* and *Dispatch* of St. Paul, Minnesota.

Anxious to secure a reli-



able supply of newsprint, the papers' business manager started a search to buy a paper mill. His name was Charles K. Blandin. He never dreamed that his name would someday be synonymous with a paper chosen by America's most widely-read publications and for a philanthropy that continues today.

His life story, and the story of Blandin Paper Company, is well told in Donald L. Boese's excellent history *Papermakers*. It begins in Iola, Wisconsin where Blandin was born April 2, 1872. At the age of 12 years, he was already on the road, securing his first employment as an apprentice on a small newspaper.

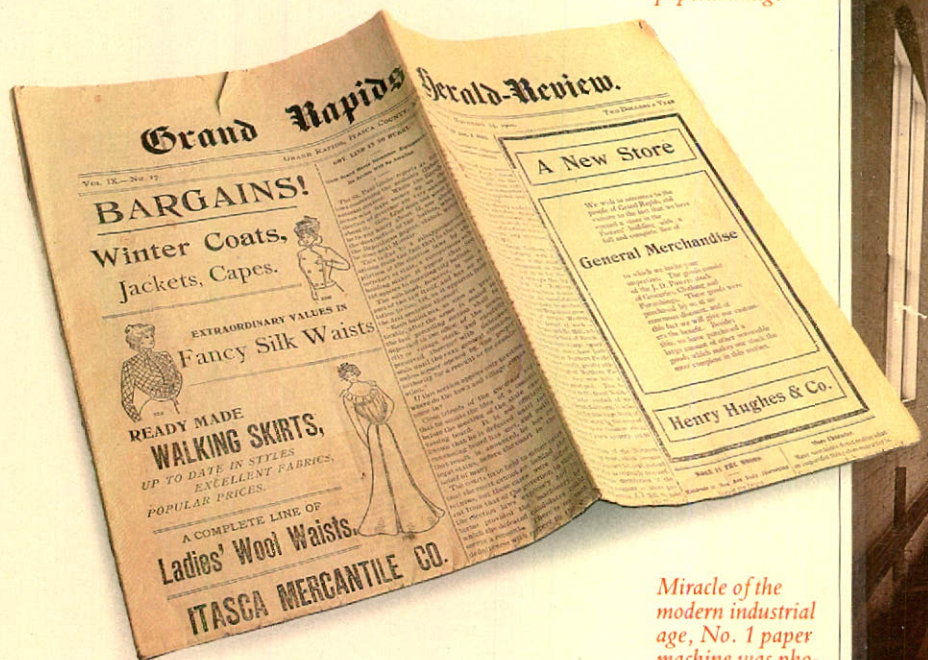
The youthful itinerant journalist travelled from town to town working on several newspapers and living a modest existence. Later, his attention turned briefly to a teaching career but newspapers were in his blood.

After several ventures on his own as an editor and publisher, Blandin ended up in the Twin Cities of Minneapolis-St. Paul where he enjoyed a phenomenal career as a sub-

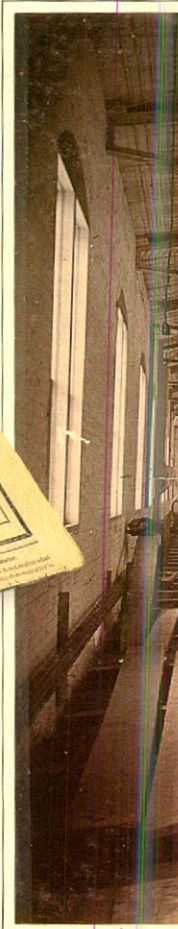


*A blend of journalist, teacher and philanthropist, Charles K. Blandin left his mark on Northern Minnesota. His attempt to secure a reliable supply of newsprint for the Pioneer Press and Dispatch newspapers of St. Paul led to the formation of the paper company which still bears his name.*

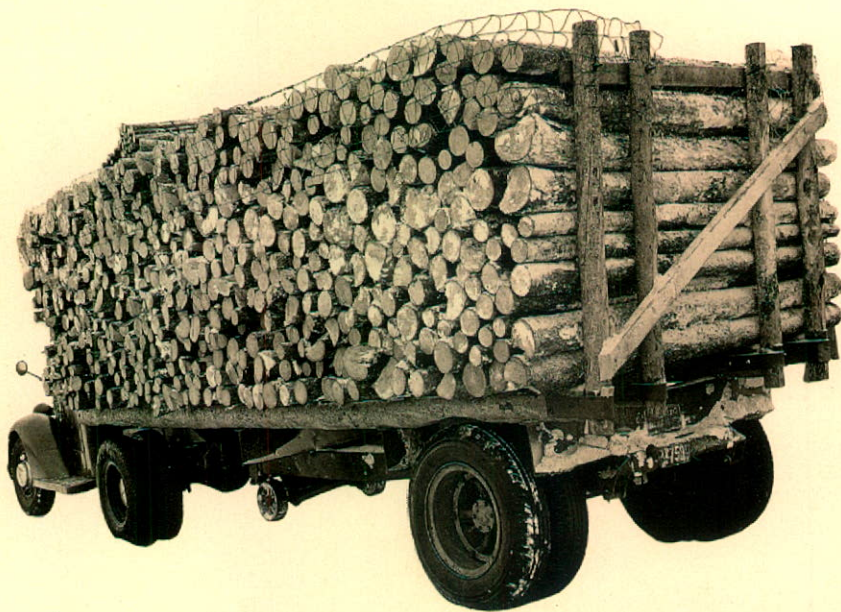
*Sentinel of a small town, the Herald-Review urged the constituents of Grand Rapids to establish an industrial base to replace lumbering at the turn of the Century. The remaining Aspen forests, supplemented with purchased pulp, provided an excellent resource for papermaking.*



*Miracle of the modern industrial age, No. 1 paper machine was photographed on Christmas Day, 1901 just six weeks before the first rolls of paper were produced.*







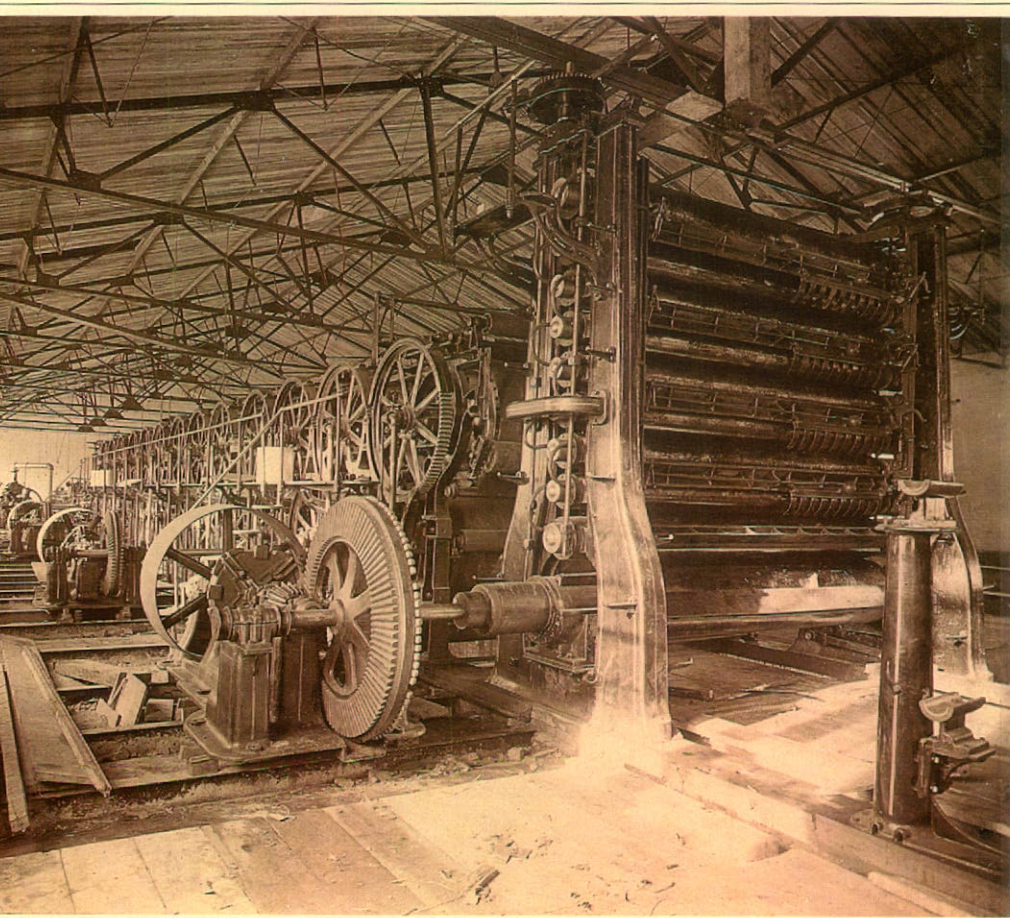
scription salesman. His success eventually landed him a key role in the Dispatch Printing Company and a close association with the company's owner George Thompson.

To guarantee newsprint supply, Blandin purchased the Itasca Paper Company from its original investors on Thompson's behalf in August 1916 for \$600,000.

When Blandin took over Thompson's interest 13 years later, the Itasca Paper Company gained a new name.

The Blandin Paper Company was formed in 1929 and its enthusiastic proprietor began to spend more and more of his time in Grand Rapids. To Blandin, the town and the company upon which it depended, were more important than his own personal gain. This was apparent when at the height of the American depression, he announced and went ahead with the mill's third paper machine at an investment of \$1 million.

But his keen interest in the employees and their work went beyond the mill's front gate. Blandin's greatest individual con-





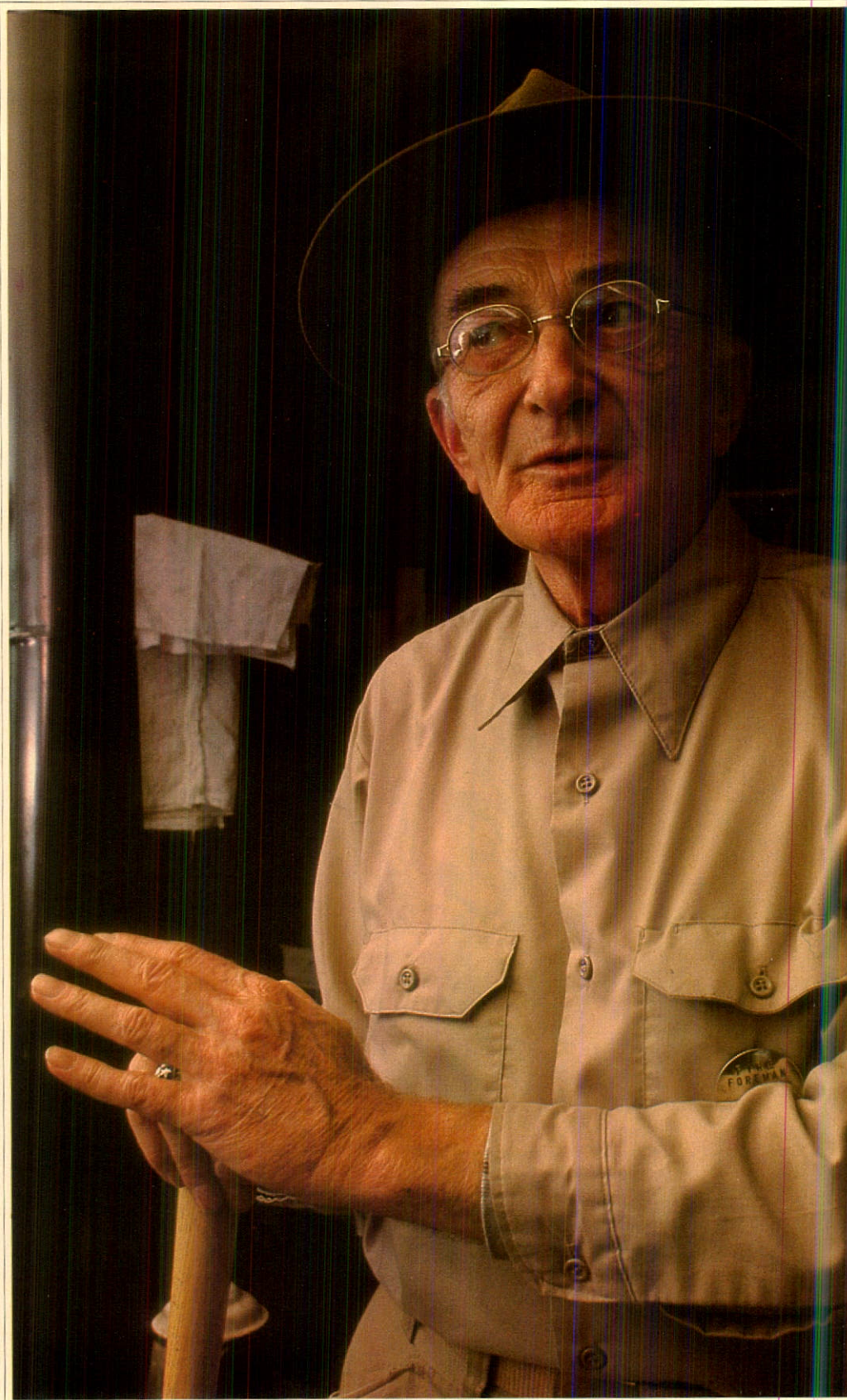
tribution to the region came with the formation in 1941 of the C.K. Blandin Foundation.

Growing from his original contribution of \$100,000, the Foundation's endowment today exceeds \$120 million providing funding for a variety of health, education, and recreational programs, not only within the region but also in other areas of the state.

The prosperity of the 1950s marked the beginning of the golden age of consumerism. And with those years came a new demand from publishers for a better quality paper for their color magazines and catalogues.

Blandin was again at the forefront in capitalizing on opportunity and with the philosophy that it was better to have a large share of the coated paper business than a small share of the newsprint industry, the paper company started along the road to become a major producer of light-weight coated paper.

During the intervening years following Blandin's death, the record of initiative continued. New





As the Depression swept across the American Midwest, healthy but hungry young men like Dick Wilson left their urban homes in Kansas City, Indianapolis and Chicago to join the Civil Conservation Corps. While the promise of regular meals and a job with pay provided the incentive, members of the CCC took on the giant task of rebuilding Minnesota's forests with vigor. Now retired, Dick enralls thousands of visitors with his stories at the Grand Rapids' Forest History Center. Decades after the intensive reforestation programs were first begun, second growth pine forests are in evidence throughout the State.



Her meteoric career later carried her "Over The Rainbow", but Judy Garland's first theatrical appearance was in her hometown, Grand Rapids. Born Frances Ethel Gumm, on June 10, 1922, Judy's first vocal was at the tender age of 2½ years when she sang an impromptu version of Jingle Bells for a enchanted audience in her father's movie theatre.



machines, new innovations, and dedicated employees kept the spirit of enterprise alive.

Today, Blandin Paper Company still carries on its business on the banks of the Mississippi. Dominating the skyline, the paper mill now extends into the business section of Grand Rapids (population 8,000), sharing the adjacent streets with a baker, a barber and a corner drug store.

Following Blandin's death in 1958, the ownership of the company was also transferred to the Foundation. Changes in U.S. tax laws compelled the Foundation to sell the company in 1977 and BCFP acquired the company in that year for \$79 million after successfully winning a bidding competition.

The purchase brought strength to both companies. For BCFP it was another step forward in its product integration as well as a secure market for some of its kraft pulp production. For Blandin, it meant long-term ownership by a company with a similar reputation for quality.



**Russett carpet of Aspen is a hallmark of a Minnesota autumn. Once considered a weed tree, Aspen is now a staple for the manufacture of paper and waferboard.**







**Blandin is the largest private forest land manager in Minnesota but its woodlands are open for public access as part of its multiple use management policy.**



**Sunrise, sub zero temperatures and a plume of steam greet another day of production at Blandin.**





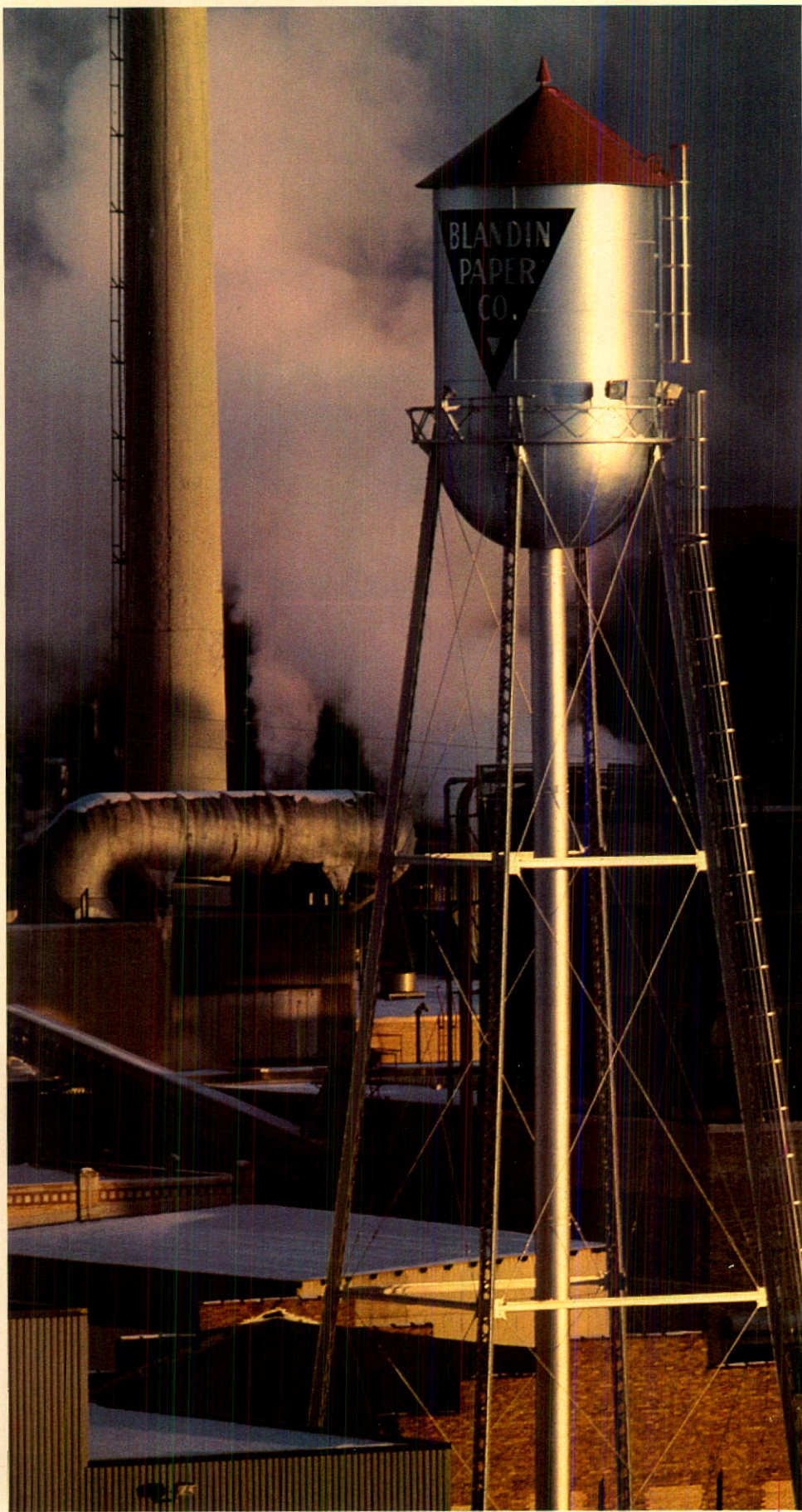
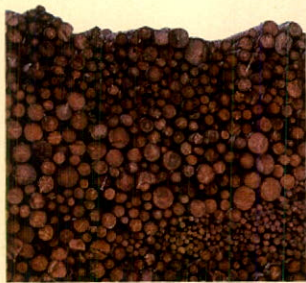




# M A K I N

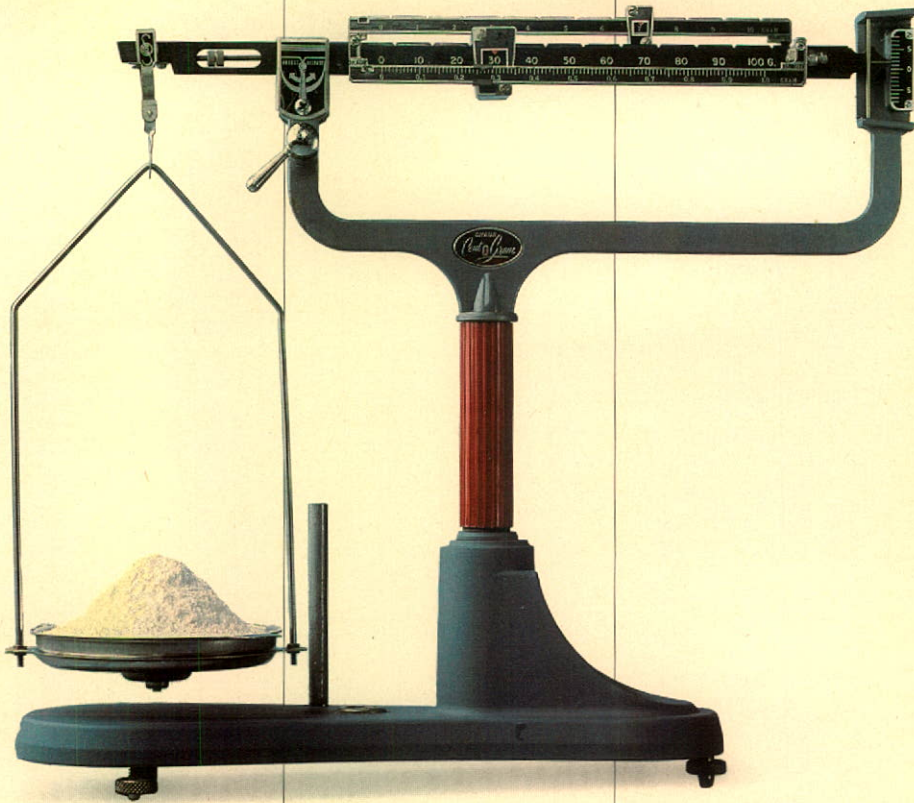
**B**landin's modern paper mill features four fourdrinier paper machines including the inveterate No. 1 machine installed in 1901 which after a few improvements over the years is still producing. The pride of the plant is No. 5 machine which operates at 3100 feet per minute to produce more than 300 tons per day. Total daily production is approximately 800 tons per day.

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# G



**T**he pulp mixture flows onto a moving plastic screen which quickly drains away water to form an unbroken fibrous sheet that after pressing and drying emerges as paper. After being wound on to rolls weighing more than nine tons, the paper is transferred to off-machine coaters where a thin film of clay, starch and latex is applied. Next, the paper feeds through giant super-calenders which press and polish the paper to give it the high gloss favored by publishers and printers. Rolls are later cut to customer specifications prior to use in hundreds of familiar magazines and catalogues.



**T**he manufacturing process that converts wood to paper begins in the aspen, spruce and balsam fir woodlands surrounding Grand Rapids. As the largest private forest land manager in Minnesota, Blandin either owns or manages a total 300,000 acres. In keeping with the State's massive effort to reforest the overcut lands, Blandin operates its own forestry program to sustain the renewable resource.

Once harvested, logs are debarked in the mill's woodroom. From there, the logs are routed to either the mechanical grinders, to produce groundwood pulp, or to an off-site chipper, to produce chips for thermo-mechanical pulp.

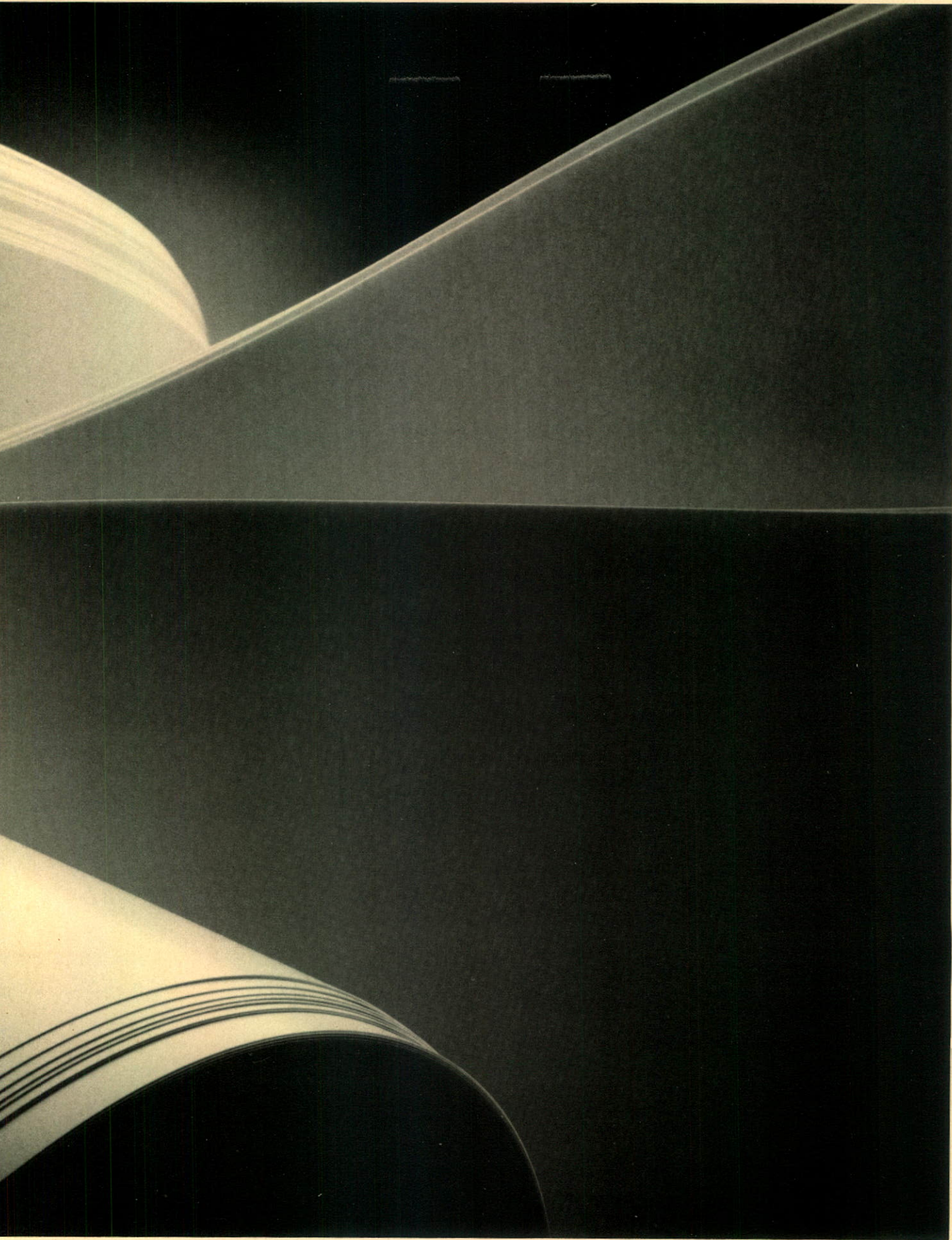
# P A P E R



Endless ribbon of paper feeds a publishing industry which continues to grow.









# P R I N T

**P**rinters have their own criteria for judging the worth of lightweight coated paper, runability and printability. Simply defined, runability is the paper's ability to pass in a continuous web through a printing press without breaking. Obviously, web breaks are costly to a printer. Wasted paper, wasted ink, and worst of all, wasted time are the aftermath of a paper break. The standard for evaluating runability is the number of web breaks which occur for every 100 rolls run on the press. In times past, printers lived with 10 breaks per hundred rolls. Today two breaks is the upward limit and since 100 rolls can contain 1000 lineal miles of paper, that's only one break every 500 miles.

To meet the standard, Blandin paper rolls are wound to a uniform hardness and examined dutifully to assure they are free from defects such as holes and wrinkles.

**These pages of the annual report are printed on 60-pound Blandin Lithobrite.**

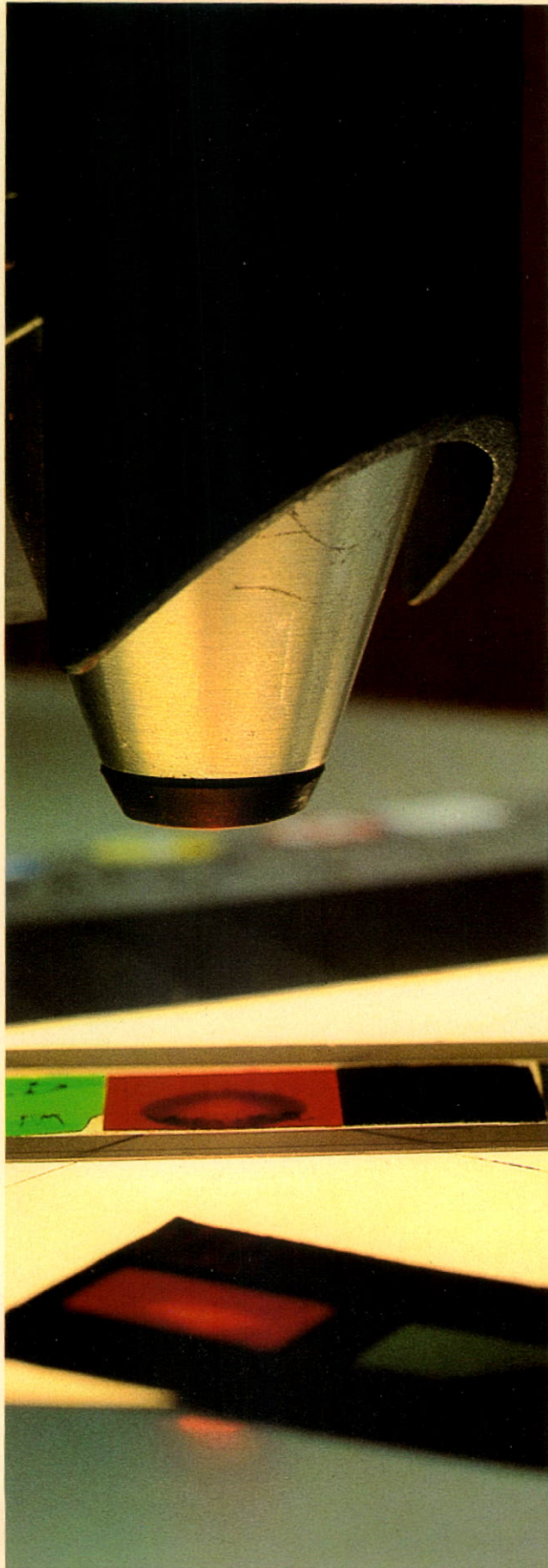


**P**rintability, the visual cosmetics of paper, is perhaps the most important criterion for a printer who is also trying to meet high standards set by his customers. To achieve the closest possible reproduction, a coated sheet must be able to produce high ink holdout, high ink gloss with good opacity and brightness. Ink holdout and gloss are important to show fine details, to enhance the sharpness of the printed image and to give snap or lustre to the printing.



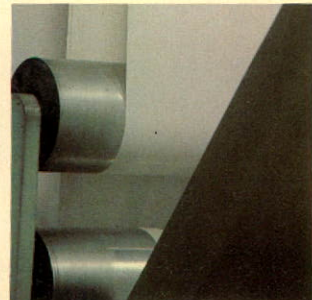
# I N G

To maintain its reputation as a first-rate manufacturer, Blandin's stringent quality controls reflect high expectations and pride of product. These controls consist not only of exacting lab tests but also the critical eyes of skilled papermakers. Underlying all of these measures is the most severe test of all: the customer.



Opacity is necessary to prevent the image on one page from showing through the previous page thus detracting from the overall appearance while brightness makes the printing more appealing to the reader. Uniformity of paper properties to guarantee all of these demands is essential, particularly in this modern age of high speed presses.

For a company that has never lost a single day's production for lack of a sales order, quality is more than just a jingle. It represents a cornerstone of the business itself.



# P A P E R



Commonplace in their availability and yet diverse in subject matter, magazines rely on coated paper to recount the words and images of the day.







**With a reputation for uniform quality, Blandin paper is used by America's best-known magazines and catalogues.**



**The class of 1984. Descended from generations of papermakers, the crew of No. 5 machine is representative of the men and women who pack pride into quality products.**

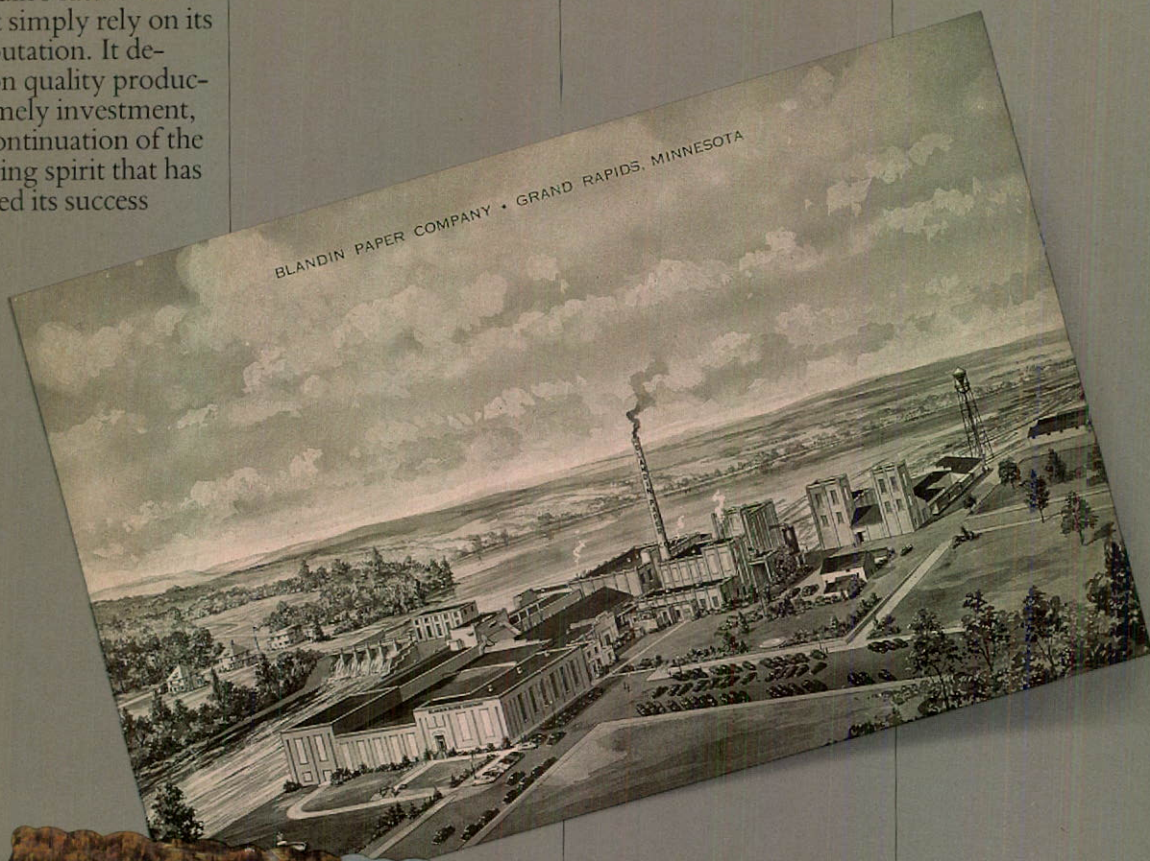








**B**landin's future does not simply rely on its past reputation. It depends on quality production, timely investment, and a continuation of the pioneering spirit that has fashioned its success to date.



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*Blandin Paper Company, Grand Rapids, Minnesota*







## Financial Review

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

### STATEMENT OF EARNINGS

Net earnings in 1984 were \$9.2 million or \$.18 per share on record sales of \$1,014.7 million compared to a net loss of \$32.7 million in 1983 on sales of \$899.7 million. The sales increases were achieved in spite of a ten week labor dispute in the B.C. pulp and paper industry which also affected other B.C. operations for shorter periods of time. Strong demand for newsprint and coated paper resulted in increased sales. Pulp sales were unchanged in 1984 as declines in shipment volumes due to the labor dispute were offset by higher average prices. Lumber sales were also unchanged as price declines offset gains in shipment volumes.

Total costs and expenses increased in 1984 to \$1,010.6 million from \$936.8 million. Cost of products sold at \$819.8 million was 81% of sales, 3% lower than in 1983. Increases in energy costs and negotiated labor costs were significant factors in the total production costs. Interest expenses increased to \$78.5 million from \$70.4 million as higher interest rates prevailed for most of 1984 and increases in term loans were experienced in the second half of the year.

Total other income increased by \$32.4 million in 1984. In 1983, the Company reported a loss of \$19.3 million from Western Forest Products Limited with no losses reported in 1984 (see Note 4 to the Consolidated Financial Statements). The balance of the increase in other income represents significantly improved results of other associate companies, particularly Donohue St-Felicien Inc, increased returns on other investments, and management fees received from Western Pulp Limited Partnership.

The consolidated tax rate for 1984 was 58.8% compared to 36.2% in 1983. A comparative summary of the Company's income taxes, with explanations for variances from statutory tax rates, appears in Note 10 to the Consolidated Financial Statements. The tax rate in 1983 is lower primarily due to the tax effect of the Company's share of Western Forest Products Limited's losses.

Earnings reinvested in the business increased by \$2.6 million to \$212.9 million at December 31, 1984. Dividends totalling \$6.6 million were declared during the year.

### CHANGES IN FINANCIAL POSITION

Reflecting improved earnings in 1984, cash flow from operations was higher at \$29.3 million net of increased operating working capital requirements as newsprint and coated paper accounts receivable were \$21.0 million higher. Term loans increased by \$14.8 million with repayment of funded debt at \$10.8 million. The Company's cash position at year end increased by \$18.0 million during 1984 to \$21.2 million.

Capital expenditures in 1984 increased to \$16.2 million compared to \$4.3 million in 1983. Logging road construction costs were \$3.7 million. Other capital expenditures were closely controlled but some projects essential to the maintenance of efficient operations were completed.

Dividends on preferred shares in both 1984 and 1983 were \$.4 million. Cash dividends on common shares remain suspended until earnings improve. A stock dividend of \$6.2 million was declared in November 1984.

### FINANCIAL POSITION

The ratio of current assets to current liabilities improved to 1.9 at year end compared to 1.7 at December 31, 1983.

Long term debt increased during 1984 by \$27.1 million; \$23.1 million of this increase is the result of the Company's adoption of the Canadian Institute of Chartered Accountants' recommendations on accounting for foreign currency translation. This debt totalling \$618.0 million at year end includes 18 month notes due to the Bank of \$180.7 million, bankers' acceptances and commercial notes of \$220.0 million which are payable from the proceeds of bank loans which would be due in 18 months and long term funded debt of \$217.3 million.

Deferred income taxes decreased by \$15.5 million to \$31.2 million primarily from claiming capital cost allowances for income tax purposes less than depreciation charged to earnings.

Common shareholders equity at December 31, 1984 was \$391.9 million or \$7.98 per common share for 49,102,070 outstanding common shares. At the end of 1983, common shareholders' equity amounted to \$363.1 million or \$7.50 per common share for 48,396,376 common shares. The ratio of long term debt to equity at December 31, 1984 was 1.6, unchanged from 1983. The trading of the Company's shares on the Vancouver, Alberta, Toronto and Montreal Stock Exchanges amounted to 6,070,105 common and 25,950 preferred shares. The price range during 1984 on The Toronto Stock Exchange for common shares was \$14.88 to \$8.38 and for preferred shares \$34.00 to \$30.00. At year end there were 5,141 common and 734 preferred shareholders holding 49,102,070 and 113,900 shares respectively.



## Consolidated Statement of Earnings and Earnings Reinvested in the Business

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

FOR THE YEAR ENDED DECEMBER 31, 1984  
(IN THOUSANDS OF DOLLARS)

	1984	1983
NET SALES	<u>\$1,014,726</u>	<u>\$899,676</u>
Costs and expenses		
Cost of products sold	819,783	756,872
Depreciation and depletion	61,512	60,350
Selling and administration	50,808	49,172
Interest on long term debt	71,919	64,301
Other interest	<u>6,599</u>	<u>6,099</u>
	1,010,621	936,794
	4,105	(37,118)
Other income		
Earnings (losses) from associate companies before income taxes	10,165	(16,972)
Gain on disposal of fixed assets	396	45
Investment and other income	<u>7,621</u>	<u>2,716</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	<u>22,287</u>	<u>(51,329)</u>
Income taxes (Note 10)		
Current	27,212	7,898
Deferred	(18,600)	(23,051)
Share of income taxes of associate companies	<u>4,485</u>	<u>(3,432)</u>
	13,097	(18,585)
NET EARNINGS (LOSS)	9,190	(32,744)
<i>Per common share</i>	\$0.18	\$(.68)
Earnings reinvested in the business at beginning of year	<u>210,288</u>	<u>250,144</u>
	219,478	217,400
Dividends		
6% preferred shares	342	363
Common shares (Note 9)	<u>6,202</u>	<u>6,749</u>
	6,544	7,112
EARNINGS REINVESTED IN THE BUSINESS AT END OF YEAR	<u>\$ 212,934</u>	<u>\$210,288</u>



## Consolidated Balance Sheet

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

AS AT DECEMBER 31, 1984  
(IN THOUSANDS OF DOLLARS)

1984

1983

### Assets

#### CURRENT ASSETS

Cash and short term investments  
Accounts receivable  
Inventories (Note 3)  
Prepaid expense

\$ 21,174

147,639

148,731

6,039

323,583

\$ 3,196

123,612

144,137

5,535

276,480

#### LONG TERM INVESTMENTS AND ADVANCES

Investment in associate companies (Note 4)  
Other investments and advances (Note 5)

54,801

36,324

91,125

83,530

9,352

92,882

#### FIXED ASSETS (NOTE 6)

Property, plant and equipment  
Timberlands and logging roads

616,027

170,440

786,467

638,279

164,208

802,487

#### DEFERRED CHARGES (NOTE 7)

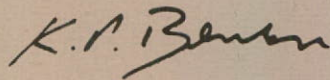
15,998

1,197

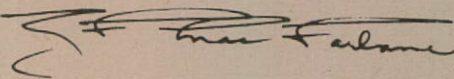
\$1,217,173

\$1,173,046

Approved by the Directors



Director



Director



## BRITISH COLUMBIA FOREST PRODUCTS LIMITED

AS AT DECEMBER 31, 1984  
(IN THOUSANDS OF DOLLARS)

	1984	1983
<b>Liabilities</b>		
<b>CURRENT LIABILITIES</b>		
Bank loans (Note 8)	\$ 56,101	\$ 55,783
Accounts payable and accrued liabilities	94,325	95,816
Dividends payable	85	91
Income taxes payable	8,991	6,755
Current portion of long term debt	10,952	7,857
	<u>170,454</u>	<u>166,302</u>
LONG TERM DEBT (NOTE 8)	<u>617,989</u>	<u>590,928</u>
DEFERRED INCOME TAXES	<u>31,177</u>	<u>46,697</u>
<b>Shareholders' Equity</b>		
<b>SHARE CAPITAL (NOTE 9)</b>		
6% cumulative preferred shares of \$50 par value, redeemable at \$53		
Authorized — 240,000 shares		
Outstanding — 113,900 shares (1983 — 121,100 shares)	5,695	6,055
Common shares without par value		
Authorized — 60,000,000 shares		
Outstanding — 49,102,070 shares (1983 — 48,396,376 shares)	<u>159,254</u>	<u>152,776</u>
	164,949	158,831
EARNINGS REINVESTED IN THE BUSINESS	212,934	210,288
FOREIGN CURRENCY ADJUSTMENT (NOTE 2)	<u>19,670</u>	<u>—</u>
	397,553	369,119
	<u>\$1,217,173</u>	<u>\$1,173,046</u>
<b>Commitments and Contingencies</b> (Notes 9 and 12)		



## Consolidated Statement of Changes in Financial Position

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

FOR THE YEAR ENDED DECEMBER 31, 1984  
(IN THOUSANDS OF DOLLARS)

	1984	1983
<b>SOURCES OF CASH</b>		
Net earnings (loss)	\$ 9,190	\$(32,744)
Depreciation and depletion	61,512	60,350
Deferred income taxes	(18,600)	(23,051)
Associate companies		
(Earnings) losses	(5,680)	13,540
Dividends received	7,016	2,411
Other	4,243	(1,356)
	<u>57,681</u>	<u>19,150</u>
Cash generated from (used for) operating working capital (below)	<u>(28,380)</u>	<u>6,389</u>
<b>CASH FROM OPERATIONS</b>	29,301	25,539
<i>Per common share</i>	\$0.60	\$0.53
Increase in term loans	14,831	224
Increase in current bank loans	318	1,736
Issue of common shares	299	514
Proceeds from disposal of fixed assets	1,425	1,342
	<u>46,174</u>	<u>29,355</u>
<b>USES OF CASH</b>		
Additions to fixed assets	16,215	4,277
Repayment of long term debt	10,785	10,317
Dividends paid	370	388
Purchase of preferred shares	239	217
Investments and advances	587	12,488
	<u>28,196</u>	<u>27,687</u>
<b>INCREASE IN CASH</b>	17,978	1,668
<b>CASH AT BEGINNING OF YEAR</b>	<u>3,196</u>	<u>1,528</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 21,174</u>	<u>\$ 3,196</u>
<b>Cash generated from (used for) operating working capital</b>		
Accounts receivable	(24,027)	(9,690)
Income taxes payable	2,236	1,542
Inventories	(4,594)	(11,654)
Prepaid expenses	(504)	4,068
Accounts payable	(1,491)	22,123
	<u>\$(28,380)</u>	<u>\$ 6,389</u>

(Cash is defined to include cash and short term investments.)



## Notes to Consolidated Financial Statements

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Consolidation

The consolidated financial statements include Blandin Paper Company, Croftech Inc., Fraser River Pile Driving Company Limited, Stuart Channel Transportation Limited and Swiftsure Towing Company Ltd., all of which are wholly owned.

#### (b) Inventories

Inventories, other than supplies which are valued at cost, are valued at the lower of average cost and net realizable value.

#### (c) Investment in Associate Companies

Investments in Donohue St-Felicien Inc. (45% owned), Finlay Forest Industries Ltd. (42.7% owned) and Pinette & Therrien Mills Limited (50% owned) are accounted for by the equity method, whereby the Company takes into earnings and reflects in the investment account its share of the earnings or losses; dividends received are credited to the investment account. In the statement of earnings the equity in earnings or losses of associate companies is shown before income taxes with income taxes shown separately.

#### (d) Fixed Assets

Fixed assets are stated at cost, which for major expansion projects includes interest on funds borrowed for their construction. Plants, buildings and equipment are depreciated on a straight-line basis at rates (ranging from 3% to 15% per annum) which reflect estimates of the economic life of the assets. Timberlands and logging roads are amortized in a systematic manner based on the utilization of the timber resources.

#### (e) Foreign Currency Transactions

The assets and liabilities of the Company's Canadian operations denominated in foreign currencies are translated at the year end exchange rates. Gains or losses on translation of current assets and current liabilities are reflected in net earnings for the year. Unrealized foreign currency losses on long term debt are recorded as a deferred charge and amortized to earnings over the remaining term of the debt.

The assets and liabilities of self-sustaining foreign subsidiaries are translated at the year end rates of exchange with the resulting foreign currency adjustment forming part of shareholders' equity. Revenue and expense items are translated at the rates of exchange prevailing during the year.

#### (f) Comparative Figures

Certain comparative figures have been reclassified to conform with the basis of presentation adopted for 1984.

### NOTE 2. ACCOUNTING CHANGE

Effective January 1, 1984 the Company has adopted, prospectively, the recommendations of the Canadian Institute of Chartered Accountants, concerning foreign currency translation [Note 1(e)].

The effect of this change on the balance sheet at December 31, 1984 is as follows:

(in thousands of dollars)

Translation of Series F and G debentures at current rate of exchange	\$17,330
Less amortization	<u>2,401</u>
Unrealized foreign exchange losses (Note 7)	<u>\$14,929</u>
Changes resulting from translation of Blandin Paper Company:	
Translation of working capital	\$ 1,157
Increase in value of fixed assets	<u>29,553</u>
	30,710
Less increase in value of long term debt and deferred income taxes	<u>11,040</u>
Foreign currency adjustment	<u>\$19,670</u>

The effect of this change has been to reduce net earnings for the year ended December 31, 1984 by approximately \$4,300,000 (.09¢ per share).



## BRITISH COLUMBIA FOREST PRODUCTS LIMITED

## NOTE 3. INVENTORIES

(in thousands of dollars)	1984	1983
Logs and wood chips	\$ 63,347	\$ 61,830
Lumber and other wood products	29,103	27,219
Pulp, paper and newsprint	17,603	19,443
Supplies	38,678	35,645
	<u>\$148,731</u>	<u>\$144,137</u>

## NOTE 4. INVESTMENT IN ASSOCIATE COMPANIES

(in thousands of dollars)	1984	1983
Donohue St-Felicien Inc.	\$ 46,520	\$ 42,491
Finlay Forest Industries Ltd.	4,339	11,120
Pinette & Therrien Mills Limited	3,942	3,390
Western Forest Products Limited	—	26,529
	<u>\$ 54,801</u>	<u>\$ 83,530</u>

The recapitalization of Western Forest Products Limited (Western) in December, 1983 resulted in the Company's common share interest being reduced to 19.4%. This, together with other factors caused the Company to cease, as of January 1, 1984, equity accounting for its investment in Western. The carrying value of this investment has been included in Other Investments and Advances for 1984.

Condensed financial information for associate companies accounted for by the equity method has been summarized below for 1984, with comparative figures excluding Western for 1983.

(in thousands of dollars)

	1984	1983
Working capital	\$ 93,485	\$ 88,461
Fixed assets	239,055	247,084
Deferred charges	19,752	14,500
Other assets	3,730	4,908
	<u>356,022</u>	<u>354,953</u>
Less: Long term debt	216,879	218,269
Deferred taxes	42,824	38,578
Shareholders' equity	<u>\$ 96,319</u>	<u>\$ 98,106</u>
Net Sales	<u>\$321,834</u>	<u>\$286,396</u>
Net Earnings	<u>\$ 13,746</u>	<u>\$ 5,741</u>
BCFP's Share of Net Earnings	<u>\$ 6,525</u>	<u>\$ 2,782</u>

The Company has not guaranteed any debts of associate companies.

## NOTE 5. OTHER INVESTMENTS AND ADVANCES

(in thousands of dollars)	1984	1983
Western Forest Products Limited	\$ 25,521	\$ —
Other, at cost	10,803	9,352
	<u>\$ 36,324</u>	<u>\$ 9,352</u>

The investment in Western Forest Products Limited is the carrying value at January 1, 1984 less amortization.



BRITISH COLUMBIA FOREST PRODUCTS LIMITED

NOTE 6. FIXED ASSETS

(in thousands of dollars)

1984	Cost	Accumulated Depreciation and Depletion	Net Book Value
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Pulp and paper mills	\$ 685,899	\$301,409	\$384,490
Sawmill and other wood products plants	319,592	131,132	188,460
Logging buildings and equipment	63,220	42,606	20,614
Other equipment and facilities	25,225	17,089	8,136
Land	14,327	—	14,327
	<u>\$1,108,263</u>	<u>\$492,236</u>	<u>\$616,027</u>
<b>TIMBERLANDS AND LOGGING ROADS</b>			
	<u>\$ 253,167</u>	<u>\$ 82,727</u>	<u>\$170,440</u>
<b>1983</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Pulp and paper mills	\$ 650,134	\$259,333	\$390,801
Sawmill and other wood products plants	304,740	105,634	199,106
Logging buildings and equipment	63,269	38,885	24,384
Other equipment and facilities	27,379	17,262	10,117
Land	13,871	—	13,871
	<u>\$1,059,393</u>	<u>\$421,114</u>	<u>\$638,279</u>
<b>TIMBERLANDS AND LOGGING ROADS</b>			
	<u>\$ 238,468</u>	<u>\$ 74,260</u>	<u>\$164,208</u>

NOTE 7. DEFERRED CHARGES

(in thousands of dollars)

	1984	1983
Unrealized foreign exchange losses on long term debt (Note 2)	\$ 14,929	\$ —
Unamortized debt discount and expenses	1,069	1,197
	<u>\$ 15,998</u>	<u>\$ 1,197</u>

NOTE 8. LONG TERM DEBT

(in thousands of dollars)

BRITISH COLUMBIA FOREST PRODUCTS LIMITED	1984	1983
<b>Sinking fund debentures</b>		
Series B, 5½% due 1989	\$ 5,070	\$ 5,712
Series C, 6½% due 1992	8,378	9,155
Series D, 9¾% due 1992	11,613	12,150
Series E, 9% due 1995	26,862	28,596
Series F, 8.95% due 1997 (U.S. \$34,720,000; 1983 — U.S. \$36,040,000)	45,879	44,848
Series G, 11¾% due 2001 (U.S. \$60,000,000)	79,284	74,664
	<u>177,086</u>	<u>175,125</u>
<b>Purchase money mortgage</b>		
due 1985-1990 (U.S. \$23,998,000; 1983 — U.S. \$26,665,000)	31,711	33,182
<b>18-month notes due to bank, secured (including U.S. \$95,000,000; 1983 — U.S. \$95,000,000)</b>		
	180,717	166,436
<b>Bankers' acceptances and notes payable due in following year</b>		
	220,000	219,450
<b>Housing development mortgages</b>		
	2,249	2,393
	<u>611,763</u>	<u>596,586</u>



## BLANDIN PAPER COMPANY

Notes payable, 10 $\frac{1}{8}$ % due 1985-1988, unsecured (U.S. \$13,000,000; 1983 — U.S. \$15,250,000)	17,178	18,977
	628,941	615,563
Less current portion of long term debt	10,952	7,857
	617,989	607,706
Less adjustment to convert to the historic amount of exchange	—	16,778
	<u>\$617,989</u>	<u>\$590,928</u>

The individual figures for 1983 have been restated at the December 31, 1983 rate of exchange in accordance with the accounting policy for 1984 [Note 1(e)] in order to more effectively compare the individual account balances. The resulting debt for 1983 is reduced by \$16,778,000 in order to present the aggregate balance on the previous basis of presentation.

Subject to fixed charges granted on specific assets, the sinking fund debentures are secured by a first floating charge on the assets of the Company. The bank loans, the 18-month bank notes and the bankers' acceptances are secured by a charge on inventory, an assignment of accounts receivable and, in the case of 18-month notes and bankers' acceptances included under long term debt, by a \$350 million second floating charge debenture on all other assets of the Company. The purchase money mortgage is secured by the shares of Blandin Paper Company.

The purchase money mortgage and the U.S. dollar 18-month notes due to bank bear interest at rates (averaging 11.4% on December 31, 1984) which fluctuate with the lender's prime rate or, at the Company's option, rates which are fixed for varying periods and based on Eurodollar rates. The balance of the 18-month notes bear interest at prime rates plus  $\frac{1}{4}$  of 1%.

Arrangements with the Company's bankers permit the Company to repay \$220,000,000 of bankers' acceptances and notes payable due in 1985 out of the proceeds of bank loans which would be due 18 months from the date of issue. Accordingly, the bankers' acceptances and notes payable, which bear interest at an average rate during 1984 of 12.5%, are classified as long term debt.

Payments on long term debt required to 1989 are as follows:

(in thousands of dollars)

1985	\$ 10,952
1986	413,000
1987	14,000
1988	19,000
1989	17,000

## NOTE 9. SHARE CAPITAL

## (a) Issue of Additional Common Shares

In November, 1984 the Company paid a stock dividend consisting of 652,094 common shares at \$9.475 per share.

At December 31, 1984 there were options outstanding under the terms of the Company's Employee Share Option Incentive Plan to purchase an aggregate of 1,108,323 common shares. The options are exercisable over a ten year period, on a cumulative basis commencing one year after the date of grant. Option prices, which range from \$5.00 to \$14.25 per share, are not less than the price at which the last board lot traded on The Toronto Stock Exchange immediately preceding the date of each grant. In 1984, 53,600 shares were issued under this plan for \$299,000.

Under an agreement with the partners of Western Pulp Limited Partnership, the Company is contingently obligated to issue a maximum of 1,955,555 common shares commencing April 1, 1987 in exchange for units of the Partnership. The maximum dilutive effect of this exchange to the Company is 4% of the common shares outstanding at December 31, 1984.

Under an agreement with the other shareholders of Pinette & Therrien Mills Limited, the Company is obligated to purchase in 1985 the remaining 50% interest in Pinette & Therrien Mills Limited. The purchase was made in February 1985, by the issue of 760,227 BCFP common shares.



*(b) Purchase of Preferred Shares*

The Company is obligated, subject to certain relief provisions, to purchase 7,200 preferred shares annually for cancellation when available at \$50 per share or less including costs of purchase. In 1984, 7,200 shares were purchased and cancelled at an average cost of \$33.20 per share, reducing preferred share capital by \$360,000.

## NOTE 10. INCOME TAXES

The Company's income tax provision (recovery) is as follows:

	1984	1983
Statutory rate of Federal and Provincial taxes, net of manufacturing and processing credit of 6%	<u>46.0%</u>	<u>46.7%</u>
<i>(in thousands of dollars)</i>		
Expected income taxes	\$ 10,252	\$(23,971)
Differences from expected taxes:		
Inventory allowance deduction	(1,401)	(1,274)
Foreign taxes in excess of Canadian taxes	1,468	766
Withholding tax on dividends	2,725	2,213
Associate company taxes greater (less) than expected taxes	(191)	4,494
Miscellaneous	<u>244</u>	<u>(813)</u>
Income tax provision (recovery)	<u>\$ 13,097</u>	<u>\$(18,585)</u>
Effective rate of income tax	<u>58.8%</u>	<u>(36.2)%</u>

## NOTE 11. RELATED PARTY TRANSACTIONS

Related parties as defined by the Canadian Institute of Chartered Accountants include The Mead Corporation, Scott Paper Company, Finlay Forest Industries Ltd. and Pinette & Therrien Mills Limited (and Western Forest Products Limited to December 31, 1983), together with their subsidiaries and affiliates.

Sales to related parties for the years 1984 and 1983 amounted to \$72,433,000 and \$60,653,000 respectively. Purchases from related parties for the years 1984 and 1983 amounted to \$24,426,000 and \$39,905,000 respectively.

The prices and terms of these transactions are in accordance with normal trade practice. The net amount of trade receivables from these companies at December 31, 1984 was \$21,014,000 and at December 31, 1983 was \$16,414,000.

## NOTE 12. COMMITMENTS AND CONTINGENCIES

(a) Under a contingency fund agreement, the Company may be called upon to loan Western Pulp Limited Partnership up to \$10,000,000 to 1986 reducing thereafter to 1990.

(b) Under certain conditions, the Company is obligated, commencing March 31, 1986, to purchase up to \$10,000,000 of convertible preferred shares of Western Forest Products Limited

(c) The Company has no additional material commitments or contingencies other than those incurred in the ordinary course of business, except for those disclosed in Note 9.

## NOTE 13. EMPLOYEE RETIREMENT PLANS

The Company and its Canadian subsidiaries maintain pension plans open to all salaried employees and hourly employees not covered by union pension plans. The Company's U.S. subsidiary maintains various pension plans which cover substantially all of its employees. Based on actuarial evaluations of these plans as of December 31, 1981 and August 1, 1983 respectively there was no unfunded liability for past services.

## NOTE 14. SEGMENTED INFORMATION

Information concerning the Company's business on a segmented basis is set out in the Statement of Segmented Information which follows:



## Statement of Segmented Information By Geographic Region

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

YEAR ENDED DECEMBER 31, 1984  
(in millions of Canadian dollars)

	Canada		United States		Consolidated	
	1984	1983	1984	1983	1984	1983
<b>REVENUE</b>						
Sales to external customers	<u>\$709.4</u>	<u>\$660.9</u>	<u>\$305.3</u>	<u>\$238.8</u>	<u>\$1,014.7</u>	<u>\$ 899.7</u>
<b>EARNINGS</b>						
Earnings before interest and income taxes	<u>\$ 40.6</u>	<u>\$ (2.7)</u>	<u>\$ 60.2</u>	<u>\$ 21.8</u>	<u>\$ 100.8</u>	<u>\$ 19.1</u>
Interest					(78.5)	(70.4)
Income taxes					(13.1)	18.6
Net earnings (loss)					<u>\$ 9.2</u>	<u>\$ (32.7)</u>
TOTAL ASSETS	<u>\$939.0</u>	<u>\$939.0</u>	<u>\$278.2</u>	<u>\$234.0</u>	<u>\$1,217.2</u>	<u>\$1,173.0</u>
DEPRECIATION AND DEPLETION	<u>\$ 44.3</u>	<u>\$ 45.5</u>	<u>\$ 17.2</u>	<u>\$ 14.8</u>	<u>\$ 61.5</u>	<u>\$ 60.3</u>
ADDITIONS TO FIXED ASSETS	<u>\$ 10.0</u>	<u>\$ —</u>	<u>\$ 6.2</u>	<u>\$ 4.3</u>	<u>\$ 16.2</u>	<u>\$ 4.3</u>

### REVENUE

Canadian sales include export sales amounting to \$533.9 million (1983 — \$486.6 million).

### MANAGEMENT COMMENTS

Forest products operations in Canada are fully integrated, involving extensive transfers of logs and chips amongst divisions. In view of the total dependence of manufacturing plants on an adequate supply of suitable raw materials, the profitability of any individual business unit may not represent the value of the product to the Company as a whole. The Company views its operations as a fully integrated business and believes it can be best understood as presented above.



## Report of Management

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

In the Annual Report for the year ended December 31, 1984, management reviews the operations of the Company and its subsidiaries, and reports on any significant events which have occurred during the year.

Management declares its responsibility for all information and representations contained in the Annual Report. Financial data presented throughout the report is consistent with the information contained in the Company's Financial Statements.

The Consolidated Financial Statements have been prepared by management in accordance with generally accepted accounting principles in Canada. The Company maintains an internal accounting control system which is designed to provide reasonable assurance that assets are safeguarded and that reliable financial records are maintained.

The Consolidated Financial Statements have been examined by the Company's auditors, Thorne Riddell, and their report offers an independent opinion to shareholders of the financial position and operating results for the year.

The Audit Committee of the Board of Directors is composed entirely of Directors who are not employees of the Company. The Committee meets from time to time with management, the Company's internal audit staff and the Company's independent public accounting firm to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the Consolidated Financial Statements with the Company's auditors and has submitted its report to the Board of Directors.

The Board of Directors of the Company has reviewed the Annual Report in advance of its release and has approved its contents and authorized its publication and distribution to shareholders.

## Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of British Columbia Forest Products Limited as at December 31, 1984 and the consolidated statements of earnings and earnings reinvested in the business 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 December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change, with which we concur, in accounting for foreign currency translation explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Vancouver, Canada  
January 23, 1985

Thorne Riddell  
*Chartered Accountants*



## Ten Year Comparative Review

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

(millions of dollars except for financial and statistical data)

### NOTES AND EXPLANATIONS

#### A. STATEMENT OF EARNINGS

Divisional administration expenses, previously included in *cost of products sold*, are included in *selling and administration expenses* for 1983 and 1984.

#### B. MAJOR INCREASES IN CAPITALIZATION

	Amount	Year
	(U.S.)	
Series F debentures	\$ 40 million	1977
Purchase money mortgage	50 million	1977
Series G debentures	60 million	1981
Common shares (16,940,894 shares)	(Canadian) \$110 million	1982

#### C. STATEMENT OF CHANGES IN FINANCIAL POSITION

Increase (decrease) in cash reflects the net change in cash and short term investments.

#### D. TERMS AND DEFINITIONS

1. *Return on net assets* =  $\frac{\text{Net earnings plus Interest, after tax}}{\text{Average net assets}}$

2. *Return on common shareholders' equity* =  $\frac{\text{Net earnings} - \text{preferred dividends}}{\text{Average shareholders' equity} - \text{average preferred share capital}}$

3. *Ratio of long term debt to equity* =  $\frac{\text{Long term debt}}{\text{Shareholders' equity}}$

	1984	1983
<b>EARNINGS</b>		
Net sales	\$1,014.7	\$ 899.7
Cost of products sold	819.8	756.8
Depreciation and depletion	61.5	60.3
Selling and administration	50.8	49.3
Interest on long term debt	71.9	64.3
Earnings (losses) from associate companies	10.2	(17.0)
Other (income) expense	(1.4)	3.3
Income taxes	13.1	(18.6)
Net earnings (losses)	\$ 9.2	\$ (32.7)
<b>ASSETS AND CAPITALIZATION</b>		
Working capital	153.1	110.2
Investments & other	107.1	94.0
Fixed assets (net)	786.5	802.5
Net assets	\$1,046.7	\$1,006.7
Long term debt	618.0	590.9
Deferred income taxes	31.2	46.7
Shareholders' equity	397.5	369.1
Total capitalization	\$1,046.7	\$1,006.7
<b>CHANGES IN FINANCIAL POSITION</b>		
Sources of cash		
Operations	29.3	25.5
Funded debt and common shares	.3	.5
Increase (decrease) in term loans	14.8	.2
Increase (decrease) in current bank loans	.3	1.7
Other (net)	1.3	1.1
	\$ 46.0	\$ 29.0
Uses of cash		
Additions to fixed assets	16.2	4.3
Repayment of funded debt	10.8	10.3
Dividends	.4	.4
Investments and advances	.6	12.4
Increase (decrease) in cash	18.0	1.6
	\$ 46.0	\$ 29.0
<b>FINANCIAL &amp; STATISTICAL DATA</b>		
Per common share		
— net earnings	\$ .18	\$ (.68)
— cash flow from operations	.60	.53
— equity	7.98	7.50
— dividends	.13	.14
— market price range —		
high	14.88	14.75
low	8.38	8.38
Net earnings to sales (%)	.9	(3.6)
Return on net assets (%)	4.7	.1
Return on common shareholders' equity (%)	2.3	(8.7)
Ratios		
Current	1.9	1.7
Long term debt to equity	1.6	1.6
Common shares outstanding (000's)	49,102	48,396
Number of common shareholders	5,141	5,273
Number of employees	7,066	7,153



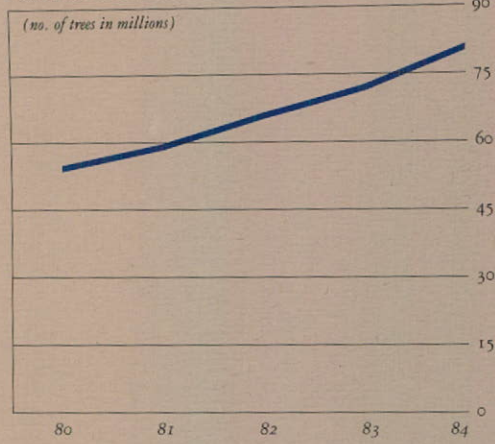
1982	1981	1980	1979	1978	1977	1976	1975
\$ 799.1	\$ 814.9	\$850.3	\$800.0	\$704.1	\$491.9	\$392.0	\$273.4
718.4	681.5	680.9	569.0	517.2	375.5	295.3	201.9
53.1	40.3	36.8	32.6	31.7	27.1	23.5	19.9
23.4	25.4	23.5	20.9	19.3	14.7	13.1	11.3
77.1	56.7	31.6	21.0	21.6	14.4	7.8	8.6
(25.3)	6.4	16.9	12.5	6.2	2.3	(.5)	.2
1.5	(5.8)	(3.2)	(7.0)	(3.6)	(1.2)	(.4)	(.2)
(38.7)	6.0	37.1	79.3	55.1	28.6	26.0	16.2
\$ (61.0)	\$ 17.2	\$ 60.5	\$ 96.7	\$ 69.0	\$ 35.1	\$ 26.2	\$ 15.9
97.4	120.4	129.0	138.6	122.6	95.8	68.9	55.0
113.3	189.9	130.8	71.6	44.6	43.9	31.3	12.4
861.5	811.2	634.6	392.0	367.3	356.9	240.7	244.4
\$1,072.2	\$1,121.5	\$894.4	\$602.2	\$534.5	\$496.6	\$340.9	\$311.8
600.4	653.3	431.0	192.9	208.1	236.5	110.2	101.1
69.7	111.2	104.0	85.6	79.2	71.3	67.9	65.5
402.1	357.0	359.4	323.7	247.2	188.8	162.8	145.2
\$1,072.2	\$1,121.5	\$894.4	\$602.2	\$534.5	\$496.6	\$340.9	\$311.8
(2.9)	40.0	76.4	108.3	104.5	41.6	51.2	34.1
106.2	71.5	.3	.3	.2	95.6	.2	—
(45.2)	159.8	249.6	(5.4)	(5.0)	6.9	13.9	2.0
(2.6)	38.5	18.2	—	(4.1)	(1.7)	(13.8)	(.3)
4.3	6.5	1.6	1.1	.5	1.4	.8	.4
\$ 59.8	\$ 316.3	\$346.1	\$104.3	\$ 96.1	\$143.8	\$ 52.3	\$ 36.2
105.3	219.6	277.5	58.3	42.6	31.9	20.0	24.3
8.6	9.9	7.4	9.9	28.9	7.7	4.2	3.8
3.5	24.9	24.0	17.9	9.6	8.7	8.2	8.1
(56.9)	60.7	61.0	21.4	(1.8)	84.2	19.9	—
(.7)	1.2	(23.8)	(3.2)	16.8	11.3	—	—
\$ 59.8	\$ 316.3	\$346.1	\$104.3	\$ 96.1	\$143.8	\$ 52.3	\$ 36.2
\$ (1.92)	\$ .55	\$ 1.98	\$ 3.18	\$ 2.27	\$ 1.15	\$ .85	\$ .51
(.09)	1.29	2.50	3.56	3.44	1.36	1.68	1.11
8.29	11.41	11.59	10.43	7.91	5.98	5.11	4.53
.10	.80	.78	.58	.30	.27	.26	.25
12.88	24.00	18.63	14.50	10.63	6.63	6.13	4.31
5.38	10.63	11.00	9.44	5.06	4.75	3.88	2.75
(7.6)	2.1	7.1	12.1	9.8	7.1	6.7	5.8
(2.0)	5.1	10.6	19.0	15.7	10.3	9.2	6.6
(18.9)	4.8	18.0	34.6	32.6	20.7	17.6	11.6
1.5	1.8	2.0	2.1	2.4	2.3	2.1	2.0
1.5	1.8	1.2	0.6	0.8	1.3	0.7	0.7
47,707	30,724	30,419	30,349	30,279	30,235	30,212	30,151
5,215	4,711	4,411	3,515	3,461	2,908	2,725	2,849
7,770	8,245	8,305	8,180	7,895	7,888	6,105	5,105



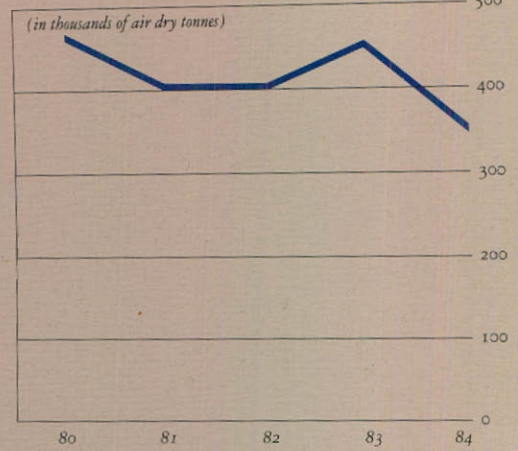
# Corporate Data

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

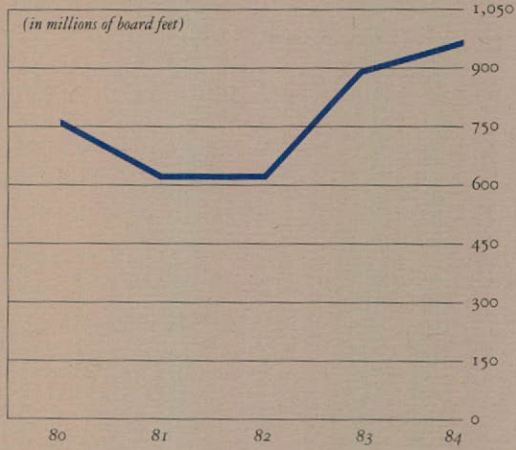
CUMULATIVE TREE PLANTING (CANADA)



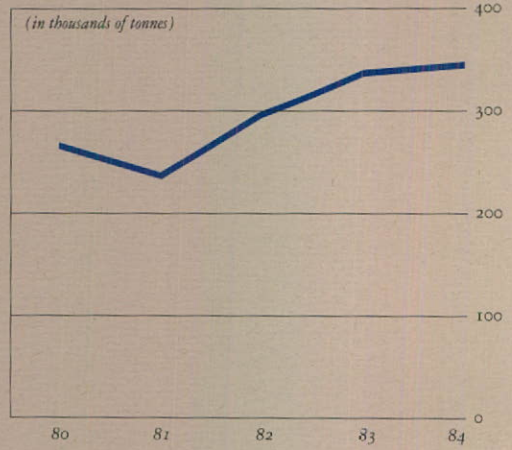
MARKET PULP PRODUCTION



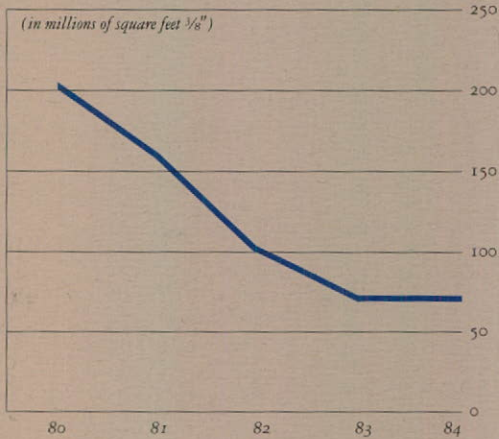
LUMBER PRODUCTION



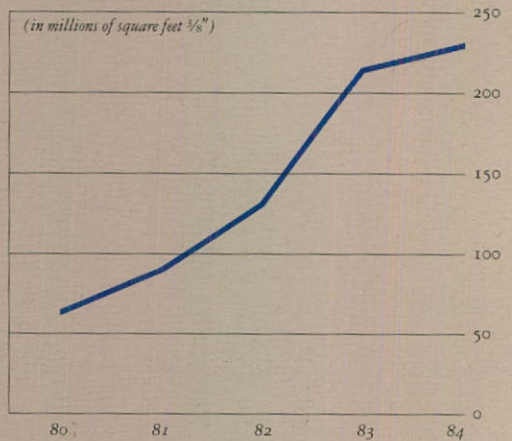
NEWSPRINT PRODUCTION



PLYWOOD PRODUCTION



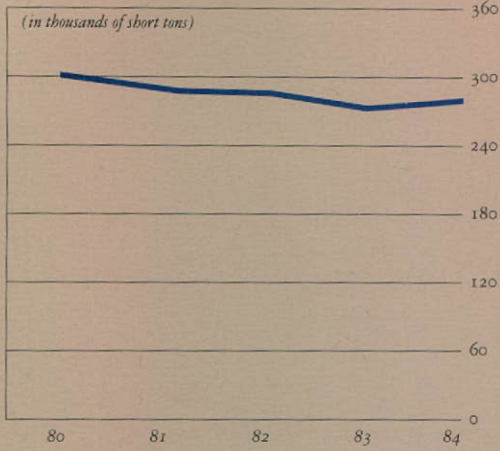
WAFFERBOARD PRODUCTION



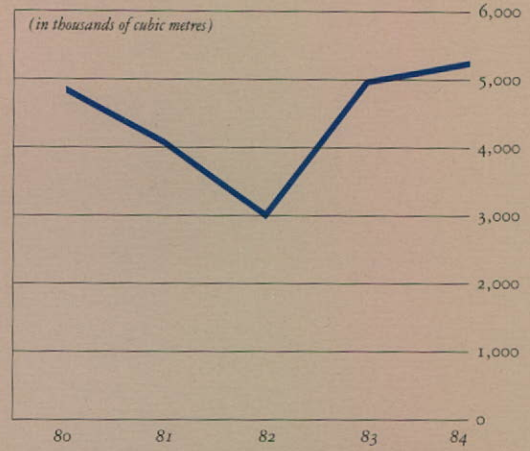


BRITISH COLUMBIA FOREST PRODUCTS LIMITED

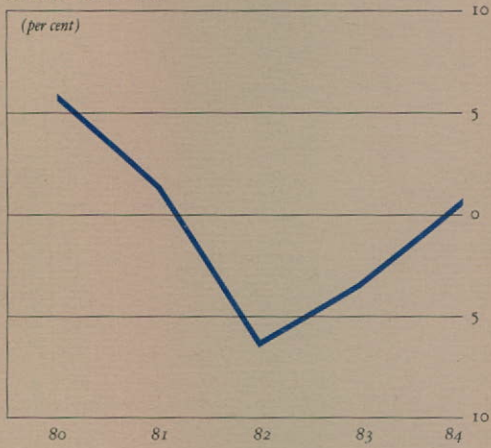
COATED PAPER PRODUCTION



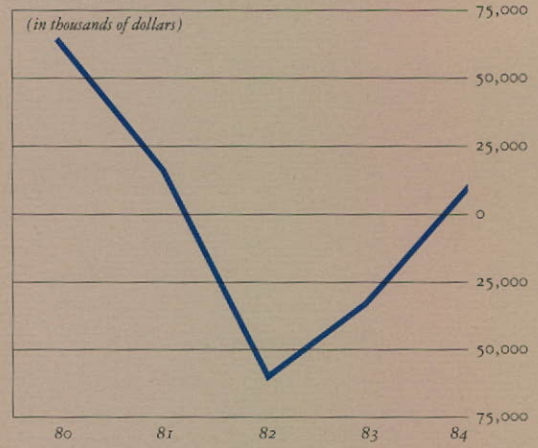
LOG PRODUCTION



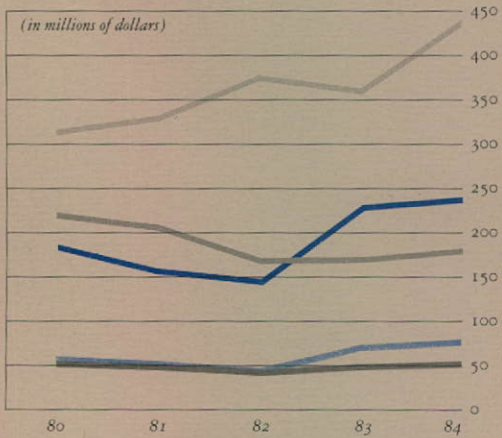
RETURN ON SALES



NET EARNINGS



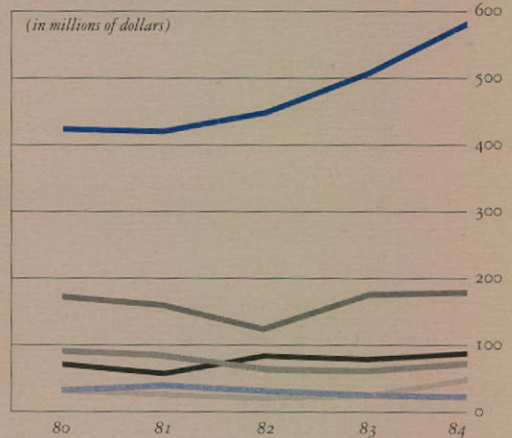
SALES BY PRODUCTS



Pulp  
Paper  
Lumber

Plywood/waferboard  
Other

SALES BY MARKETS



Domestic  
U.S.A.  
Europe

U.K.  
Japan  
Other



## Shareholder Information

BRITISH COLUMBIA FOREST PRODUCTS LIMITED

As December 31, 1984

### BOARD OF DIRECTORS

Jack G. Armstrong  
*Senior Vice-President, Finance  
Alberta Energy Company Ltd.  
Calgary, Alberta*

Ian A. Barclay  
*Vice-Chairman  
Vancouver, B.C.*

Kenneth P. Benson  
*Chairman and Chief Executive Officer  
Vancouver, B.C.*

H. Clark Bentall  
*Chairman of the Board  
The Bentall Group Ltd.  
Vancouver, B.C.*

Alan F. Campney  
*Chairman and Chief Executive Officer  
Dawn Development Canada Corporation  
President, Vanley Agencies Ltd.  
Vancouver, B.C.*

A.D. Correll, Jr.  
*Senior Vice-President, Forest Products  
The Mead Corporation  
Dayton, Ohio*

Charles D. Dickey, Jr.  
*Director and Retired  
Chairman of the Board  
Scott Paper Company  
Philadelphia, Pa.*

William A. Enouen†  
*Vice-President, Pulp Affiliates  
The Mead Corporation  
Dayton, Ohio*

George G. Flater  
*President and Chief Operating Officer  
Vancouver, B.C.*

W. Douglas H. Gardiner  
*President  
W.D.H.G. Financial Associates Ltd.  
Vancouver, B.C.*

Denham J. Kelsey  
*Consultant  
Vancouver, B.C.*

Gordon F. MacFarlane†  
*Chairman and Chief Executive Officer  
British Columbia Telephone Company  
Burnaby, B.C.*

Hector J. McFadyen  
*Vice-President  
Alberta Energy Company Ltd.  
Calgary, Alberta*

Raymond J. Nelson  
*President  
Nelson Lumber Company Ltd.  
Lloydminster, Alberta*

Ward C. Pitfield†  
*President  
Canadian General Investments Ltd.  
Toronto, Ontario*

†Member of Audit Committee

### HEAD OFFICE

1050 West Pender Street  
Vancouver, B.C., Canada  
V6E 2X3

### TRANSFER AGENT AND REGISTRAR

The National Victoria and Grey  
Trust Company  
Vancouver, Calgary, Winnipeg,  
Toronto, Montreal; and its agent,  
The Canada Trust Company in  
Regina and Halifax

### STOCK LISTINGS

Vancouver, Alberta, Toronto and  
Montreal Stock Exchanges

### WHOLLY-OWNED SUBSIDIARIES

Blandin Paper Company  
Croftech Inc.  
Fraser River Pile Driving Company  
Limited  
Liberty Leasing of Canada No. 3, Ltd.  
Mackenzie Forest Products Limited  
(Inactive)  
Stuart Channel Transportation Limited  
Swiftsure Towing Company Ltd.

### INTEREST IN OTHER COMPANIES

Pinette & Therrien Mills Limited (50%)  
Donohue St-Felicien Inc. (45%)  
Finlay Forest Industries Ltd. (42.7%)  
Owiken Lake Transportation Ltd.  
(33⅓%)  
Western Forest Products Limited  
(19.4%)

### OFFICERS

Kenneth P. Benson  
*Chairman and Chief Executive Officer*

George G. Flater  
*President and Chief Operating Officer*

W. John Connery  
*Group Vice-President, Wood Products*

C. Roy Sworder  
*Group Vice-President, Logging and Wood Supply*

Stuart Waddell  
*Group Vice-President, Pulp and Paper*

William R. Steen  
*Vice-President Finance and Secretary*

George N. Bird  
*Vice-President, Pulp & Paper Production*

W. Gerry Burch  
*Vice-President, Timberlands & Forestry*

Gordon F. Cameron  
*Vice-President, Employee Relations*

Morris J. Douglas  
*Vice-President, Wood Products Marketing*

Richard A. Drake  
*Vice-President, Wood Products Production*

John K. Graf  
*Vice-President and Treasurer*

Michael E. Hoole  
*Vice-President and General Counsel*

### ANNUAL GENERAL MEETING

The Company's *Annual General Meeting* will be held Thursday, April 18, 1985, in the Arbutus Room, Four Seasons Hotel, 791 West Georgia Street, Vancouver, B.C. commencing at 12 noon.







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