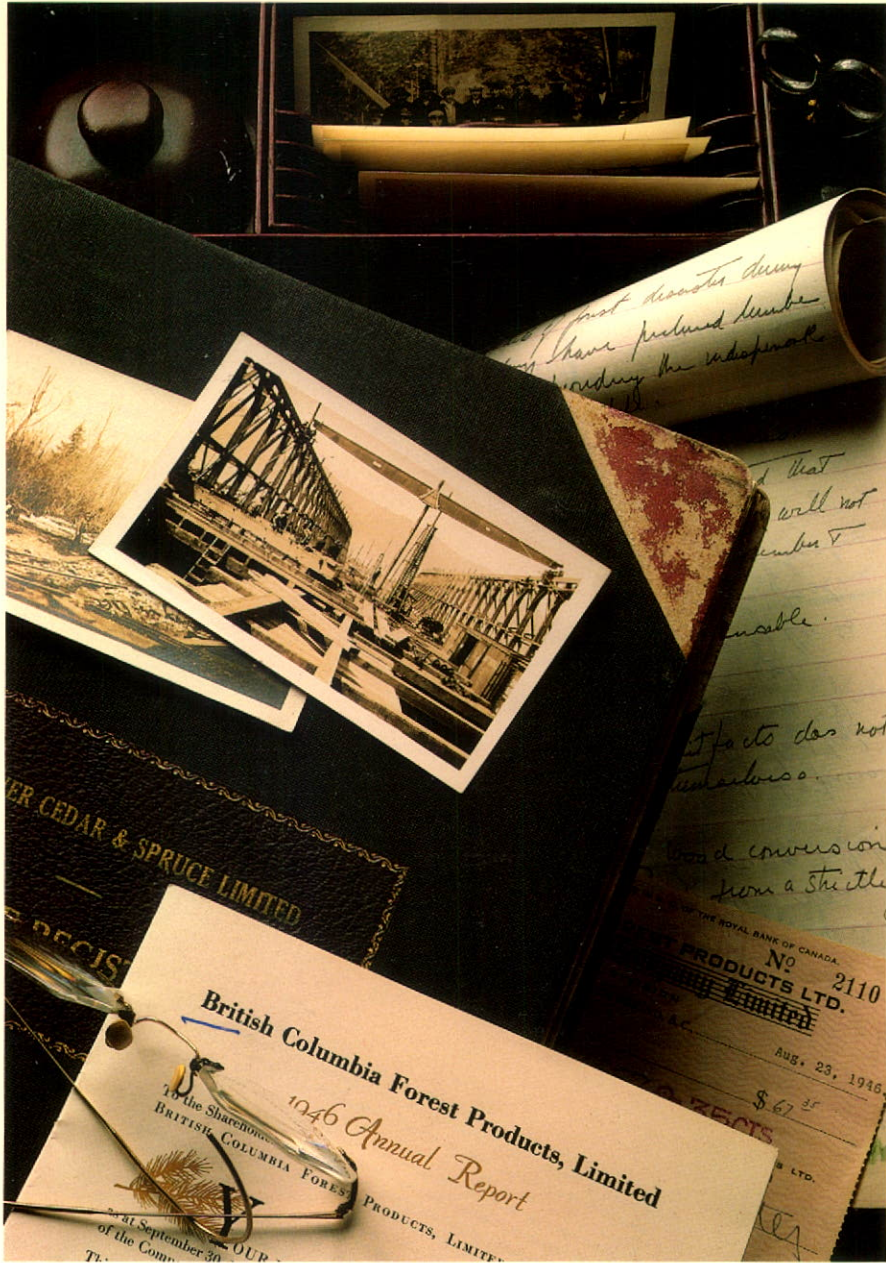


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## FINANCIAL HIGHLIGHTS

For the year (in thousands of dollars)

1986

1985

Net sales	\$1,100,950	\$1,139,963
Depreciation and depletion	60,747	62,260
Earnings before income taxes	74,585	73,082
Income taxes	34,353	42,997
Net earnings	40,232	30,085
<i>per common share</i>	\$0.79	\$0.60
Cash from operations	112,625	98,798
<i>per common share</i>	\$2.22	\$1.98
Return on net assets	6.9%	6.0%
Return on common shareholders' equity	8.7%	7.1%
Dividends paid		
common (1985 — stock dividends)	7,115	6,739
<i>per share</i>	\$0.14	\$0.13
preferred	261	308
<i>per share</i>	\$3.00	\$3.00
Capital expenditures	37,936	36,149
Salaries and wages	219,420	241,529
Employee benefits	64,138	76,350
Stumpage and royalty (to governments)	13,817	12,553
Property taxes	14,110	16,714
<b>At Year End</b>		
Ratio of current assets to current liabilities	1.6	1.8
Ratio of long term debt to equity	1.0	1.2
Shareholders' equity per common share	\$9.28	\$8.80
Number of common shareholders	4,047	4,628
Number of preferred shareholders	608	655
Number of employees	6,890	7,090
Assets per employee	\$169,000	\$170,000
<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	





BCFP celebrated its fortieth year of operation in 1986, a year marked by contrasting elements of success and disappointment. Fortunately, a strong recovery in kraft pulp and newsprint markets led the Company to a profitable year permitting a return to cash dividends for shareholders. These positive results are extremely gratifying following the severe forest industry recession and they could not have been achieved without the dedication of our employees.

Net earnings for 1986 of \$40.2 million, or \$.79 per common share, were up 34 per cent over the previous year's earnings. For the third year in a row, sales exceeded the one billion dollar mark, although they declined slightly from \$1.14 billion in 1985 to \$1.10 billion in 1986 as a result of lower revenues from wood products.

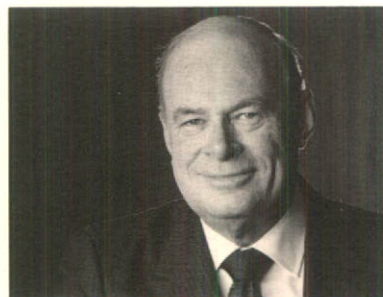
Regrettably, strikes in the wood products sector which lasted more than four months, had an unfortunate and costly impact on the Company and many of its employees. The contentious issue which caused the strikes, a demand by unions to limit the ability of companies to use outside contractors, has yet to be resolved satisfactorily. A long-term solution which recognizes the need for security of employment for employees and yet offers the companies the flexibility which is essential for them to compete in today's difficult economic world must be found. The cost to the Company of the strikes by the International Woodworkers of America and by sawmill employees represented by the Pulp, Paper and Woodworkers of Canada was approximately \$30 million, or \$.60 per common share. Meanwhile, negotiations with two pulp unions representing Company employees at Crofton and Mackenzie commenced in January and were successfully concluded in April with a two-year collective agreement.

After months of uncertainty about the future of this large block of shares, the matter was resolved in February 1987 when Fletcher Challenge Limited, of New Zealand, entered into an agreement to acquire the shares from Gordon Capital at a purchase price of \$19 per share. At the request of your Board, Fletcher Challenge purchased 6,266,239 treasury shares from the Company, also at \$19 per share, thereby increasing BCFP's paid-up capital by \$119 million.

In view of Fletcher Challenge's international reputation and its own sizable investment in the forest industry both in B.C. and overseas, the Board of Directors looks upon this event as a progressive development. The injection of new equity capital will allow the Company to reduce its debt substantially and will permit it to execute its plans for further growth and development.



*Kenneth P. Benson, Chairman and Chief Executive Officer*



*George G. Flater, President and Chief Operating Officer*

Continued strong market conditions are foreseen for pulp and newsprint in 1987 and earnings should reflect this positive trend. The future for North American wood products markets remains clouded and it will take time under a variety of demand conditions to determine the effect of the 15 per cent export charge. Lower prices for coated paper are being realized in early 1987. On balance, however, the Company expects to improve upon the progress made in 1986.

*On behalf of the Board, February 19, 1987*

A handwritten signature in dark ink that reads "K.P. Benson". The signature is written in a cursive, slightly slanted style.

*Kenneth P. Benson, Chairman and Chief Executive Officer*

A handwritten signature in dark ink that reads "G. Flater". The signature is written in a cursive, slightly slanted style.

*George G. Flater, President and Chief Operating Officer*

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*BCFP has emerged from its first 40 years since incorporation as a major Canadian integrated forest products company which today serves an international marketplace. The historical milestones which appear on the next few pages measure the Company's progress since 1946, concluding with a detailed review of our fortieth year.*

BCFP's predecessor company, Vancouver Cedar and Spruce Company Limited, is incorporated in January 1946 by Canadian industrialist E.P. Taylor and his associates in the Argus Corporation. The new company acquires the assets of Sitka Spruce Lumber Company on Vancouver's False Creek. ■ At an extraordinary meeting held April 17,



1946, the name of the company is changed to British Columbia Forest Products Limited. After lengthy negotiations, the assets of Industrial Timber Mills Limited, Hammond Cedar

Company Limited and Cameron Lumber Company Limited are acquired. These companies operate sawmills at Lake Cowichan, Hammond and Victoria and hold substantial timber holdings and active logging operations. The purchase is financed by the sale of bonds and common shares to form a public company with E.P. Taylor as its first president. ■ By year-end, 1,850 people are employed by the new company. Net earnings per common share are \$.09 or \$355,000. ■ The Company applies for its first Forest Management Licence in 1947 under the Province's new forest tenure system. ■ In the first annual report to shareholders, Taylor sums up BCFP's operating philosophy:

"Steps are being taken to ensure the highest







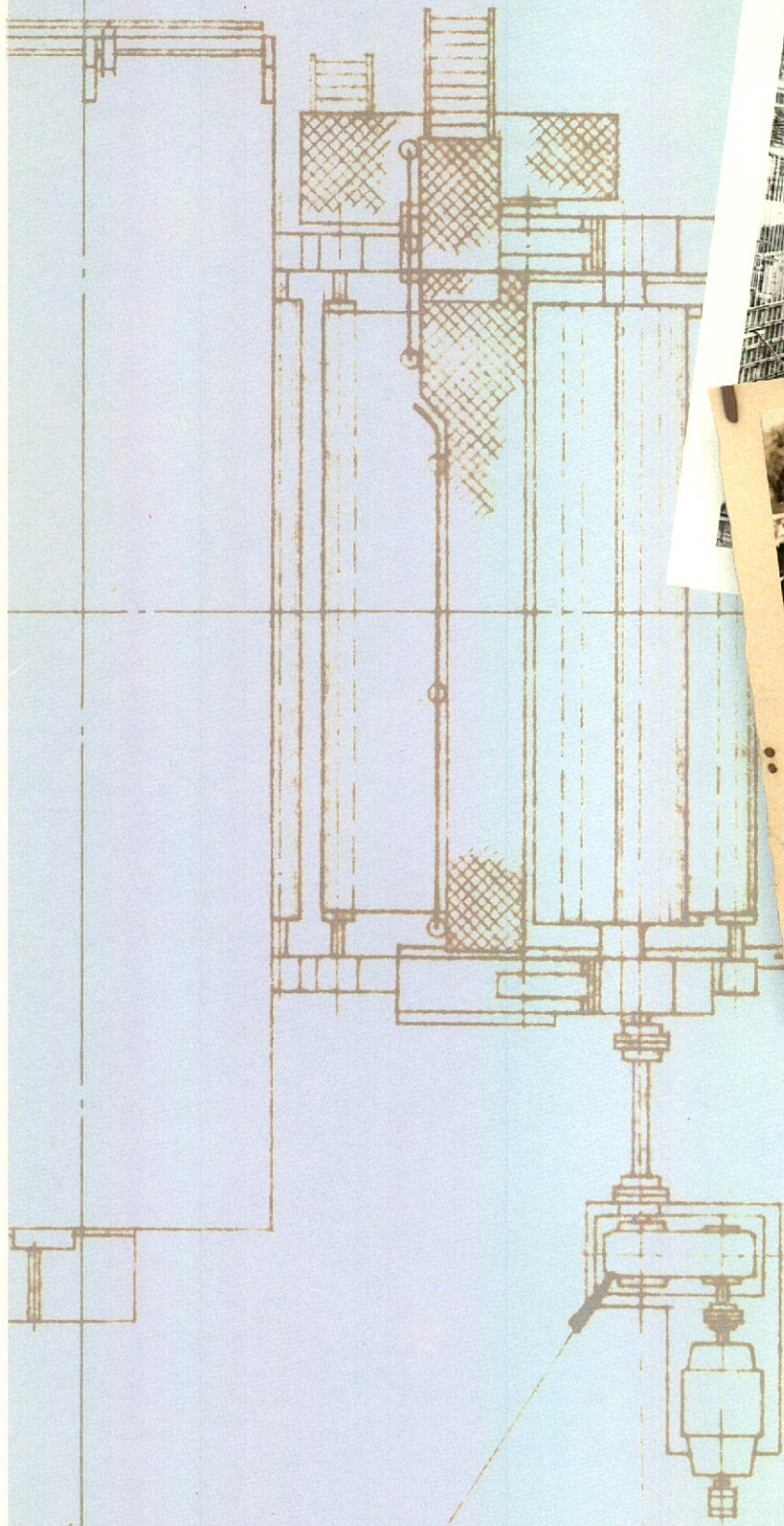
utilization of the forest resources of the Company, to maintain the Company's standing timber at a level necessary for the Company's operations until the next forest crop becomes available, and to promote sound relations between all those engaged in converting these resources into high-quality finished products." ■ First dividend of \$.15 per common share declared payable February 1, 1948. In the same spring, a flood on the Fraser River closes the Hammond mill for three weeks. ■ The last Davis raft at Port Renfrew is constructed in 1949. From about 1913, this method of bundling logs with cable and chain enabled rafts to withstand transport down the Pacific coast. ■ In 1950, railroad logging gives way to the logging truck. Until this time the Company has operated more than 100 miles of railroad line through its Vancouver Island logging divisions. ■ A veneer plant is constructed at Youbou in 1951 to provide veneer for the Victoria Plywood plant which starts operation in 1952. ■ A Pres-to-log plant is started up in Victoria in 1953 to utilize waste from the plywood plant which has doubled in capacity. E.P. Taylor moves from president to chairman; H.G. Munro, elected president. ■ Preliminary reports for a 425 ton per day pulp mill at Crofton are completed in 1954. To help finance the project, BCFP sells a 29 per cent interest in the Company to Scott Paper Company in 1955.

Construction of Crofton pulp mill begins in February 1956. More than 850 men are at work on the \$38 million project on the east coast of Vancouver Island, 40 miles north of Victoria. ■ The final load of logs is delivered by locomotive and the Bear Creek rail trestle, which at 243 feet high was said to be one of the highest wooden bridges in the world, is demolished for safety reasons. The



Crofton pulp mill is completed and the first ton of bleached pulp is produced in December 1957. In the same year, H.G. Munro dies and Charles D. Dickey, Jr., of Scott Paper, is named president of the Company. ■ Stuart Channel Wharves Limited is incorporated in 1958 to operate deep sea docks and lumber assembly facilities at Crofton. ■ The Company employs 2,986 men and women in 1959 and net sales are \$44,967,000. ■ The largest fire in the City's history claims the Vancouver sawmill and adjacent head office of the Company on False Creek in July 1960. The Mead Corporation becomes a major shareholder in the Company through a joint-venture company with Scott Paper. ■ A decision is reached in

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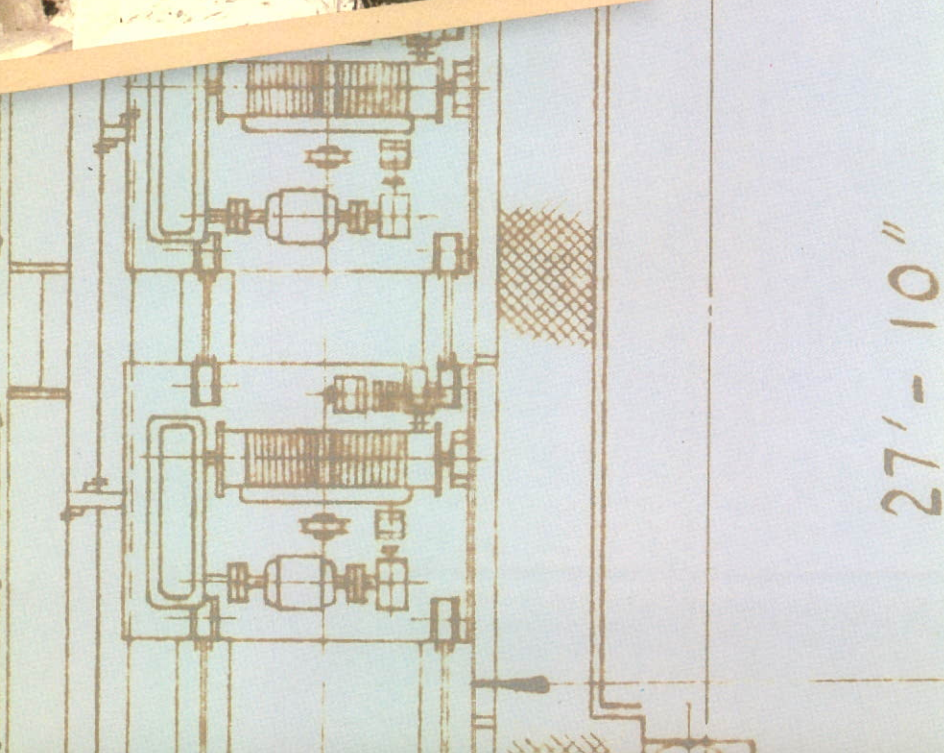
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1961 to expand into production of newsprint at Crofton and plans are prepared for a 350 ton per day mill. A new era of forest management begins in 1961 with the planting of more than one million seedlings at Cowichan and Renfrew. Charles Dickey resigns to return to Scott Paper and T.N. Beaupré replaces him as president. ■ Major construction of a 25-acre dry land log sorting area, the largest of its kind in B.C., starts in 1962 at Port Renfrew. ■ An expansion is announced in 1963 for Crofton Kraft mill with plans calling for an addi-

tional 325 tons per day of market pulp capacity. ■ A majority interest in Alexandra Forest Holdings Ltd. is acquired in 1964 to complete plans for an integrated forest products complex in the Rocky Mountain Trench of B.C.'s northern interior. T.N. Beaupré becomes chairman; Alex Hamilton, president. ■ A second newsprint machine is planned for Crofton in 1965. A start is made on the first sawmill and townsite at Mackenzie. The 180-mile long reservoir that is created by the Peace River dam project becomes Lake Williston, the largest man-made lake of its kind.

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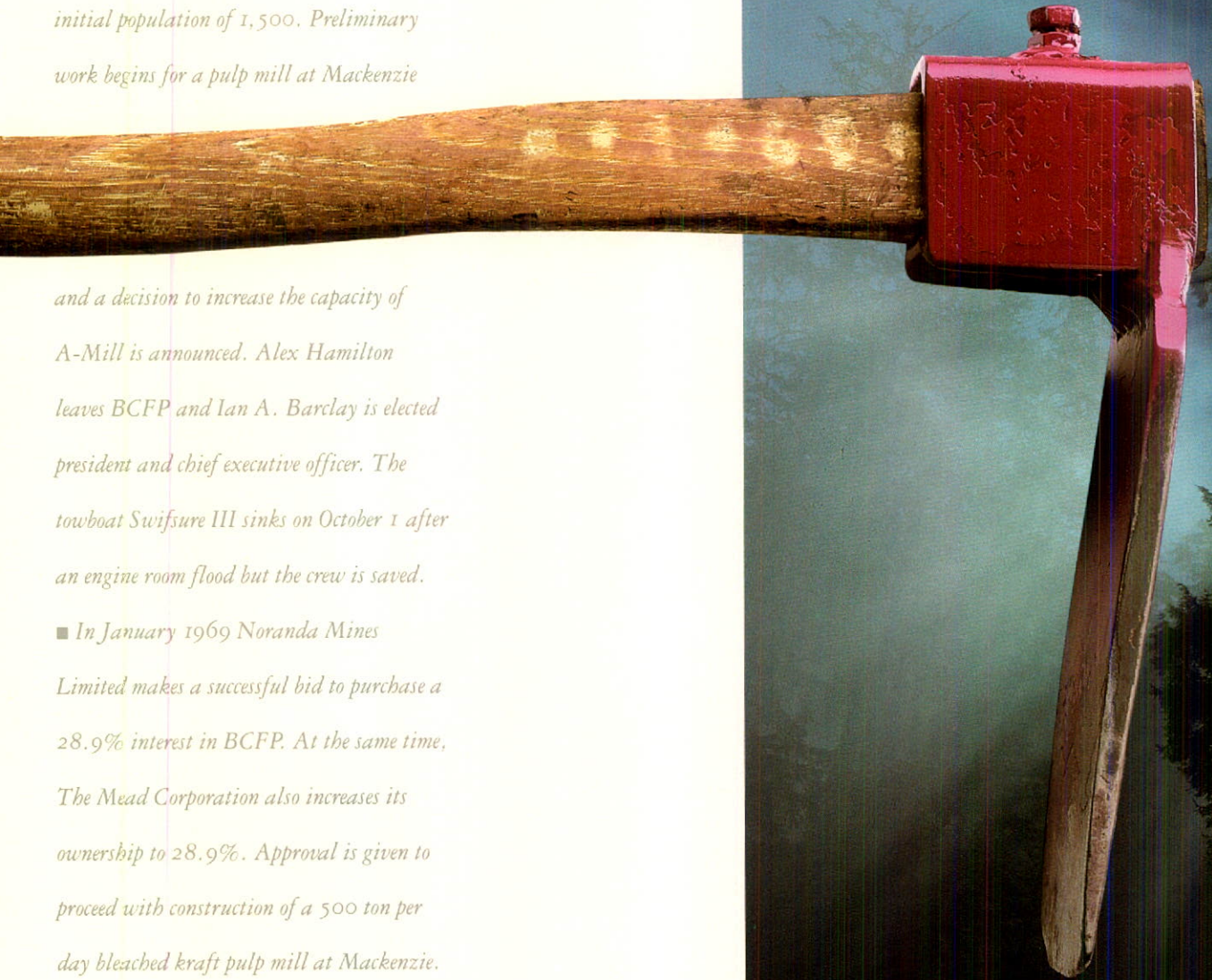
■ The Municipality of Mackenzie is incorporated, and the first residents move in by summer 1966; A-Mill sawmill is completed and production begins. BCFP celebrates its twentieth year of operation with 3,800 employees and annual sales approaching \$100 million. ■ BCFP purchases Swiftsure Towing Company Ltd. in 1967 to improve the transportation of logs to its manufacturing facilities. ■ The town of Mackenzie officially opens July 6, 1968 with an initial population of 1,500. Preliminary work begins for a pulp mill at Mackenzie

and a decision to increase the capacity of A-Mill is announced. Alex Hamilton leaves BCFP and Ian A. Barclay is elected president and chief executive officer. The towboat Swiftsure III sinks on October 1 after an engine room flood but the crew is saved.

■ In January 1969 Noranda Mines Limited makes a successful bid to purchase a 28.9% interest in BCFP. At the same time, The Mead Corporation also increases its ownership to 28.9%. Approval is given to proceed with construction of a 500 ton per day bleached kraft pulp mill at Mackenzie.

■ The self-loading, self-dumping log barge Swiftsure Prince is launched in 1970. ■ Policy guidelines are established in 1971 for the management of forest land

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and related resources. Cumulative planting of over 25 million trees on 77,000 acres is completed. B-Mill sawmill at Mackenzie is completed. A major timber position is acquired with purchase of 14 small companies held by Cattermole-Trethewey.

■ Canadian Plywood Corporation's plant on Annacis Island is purchased in 1972 to replace the Douglas Plywood mill which was destroyed by fire in the previous year. The new plant becomes Delta Plywood Division. BCFP acquires a 50 per cent interest in



Pinette & Therrien Mills Limited to utilize its timber position in the Interior. ■ In January 1973, the Mackenzie pulp mill begins operation producing bleached kraft pulp. ■ A third sawmill at Mackenzie, C-Mill, starts up in 1974 and a small log sawmill on the Fraser River is acquired from Acorn Forest Products Limited to become Tilbury Sawmill Division. ■ Donobue St-Félicien Inc. is formed in partnership with Donobue Inc. of Quebec. The new company is established to carry out feasibility studies for a major pulp and wood products complex near St-Félicien, Quebec. Assets of Hampton Lumber Mills Ltd. are acquired to form the Boston Bar Division.

■ The DSF project gets underway in 1976 with the purchase of three sawmills and a start on the construction of a pulp mill.

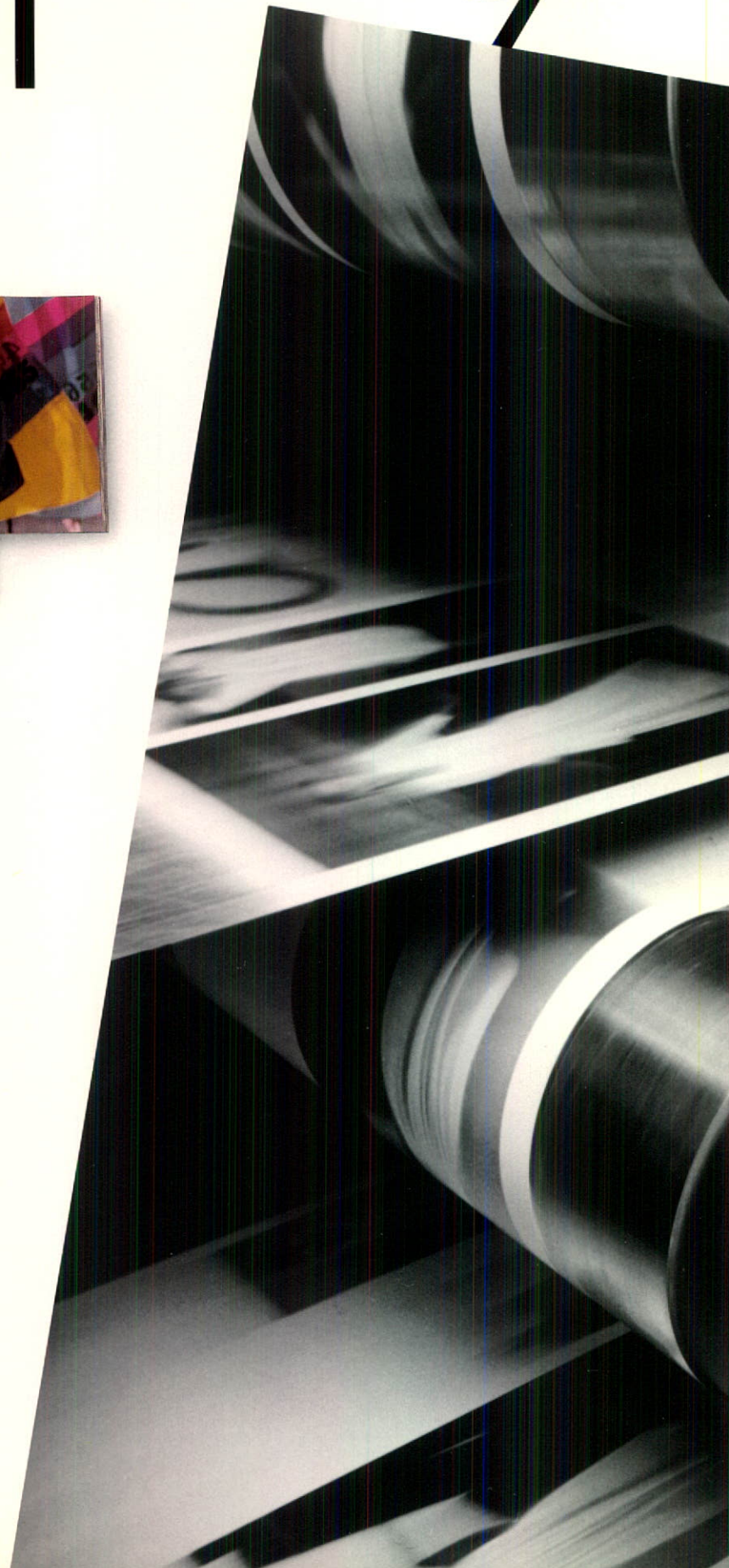
With rising oil prices, the Company decides to proceed with construction of a \$13 million bog fuel burning boiler at Crofton. Ian A. Barclay becomes chairman and K.P. Benson is elected president. ■ The Company acquires



its first operation outside of Canada in 1977 with the purchase of Blandin Paper Company for \$79 million (U.S.). Blandin is a major producer of magazine and catalogue paper. ■ The new DSF pulp mill starts up in November 1978. ■ The highest earnings in the Company's history, \$96,743,000, are achieved in the 'boom' economy of 1979. K.P. Benson is named President and Chief Executive Officer. In June, a 43 per cent interest in Finlay Forest Industries Ltd., is acquired. The Company is advised by the Alberta Provincial Government that its proposal for a \$300 million forest development proposal has been accepted.

■ In April 1980, the Company purchases

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100,000 acres of private timberlands and other assets from Elk River Timber Company Limited for \$151 million. Construction is underway on the Grande Cache Sawmill, the first phase of BCFP's Alberta project. In partnership with two other companies, BCFP buys the assets of ITT Rayonier Canada and forms a new company, Western Forest Products Limited. Construction begins on a third newsprint machine at Crofton.

■ High interest rates and inflation trigger a major recession in 1981 and markets for forest products collapse. Noranda Mines Limited sells its shares in BCFP to Alberta Energy Company Ltd. ■ A \$61 million loss in 1982 is the worst in the Company's history as the recession deepens. No. 3 newsprint machine and a new \$35 million sawmill at Hammond are started up successfully but the Company withdraws from the remaining phases of its Alberta development.

■ Western Forest Products Limited is restructured and a new entity, Western Pulp Limited Partnership, is formed in 1983.

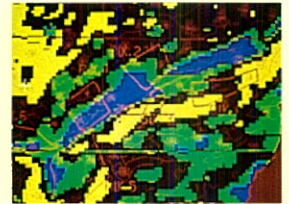
■ Record sales carry the Company past the \$1 billion mark for the first time in 1984 and a return to profitability. In September, K.P. Benson is appointed Chairman and Chief Executive Officer and George G. Flater is named President and Chief Operating Officer. ■ Pinette & Therrien Mills Limited becomes a wholly-owned subsidiary in February 1985.

# 19

*Forestry and Wood Supply* Operational programs in resource planning, silviculture and inventory functioned at high levels in 1986 despite a shortened production year caused by the strikes in the B.C. forest industry.

Forestry crews planted a record 8.5 million seedlings on logged-over lands on the Coast, at Mackenzie and in Alberta as Company programs were augmented by a number of Provincial and Federal government job creation programs. Brush

■ *Forest resources under the Company's care are managed on a sustained yield basis, providing not only the harvest for present manufacturing but also regeneration of fibre for future requirements. Reflecting this priority, BCFP's cumulative tree planting program is approaching the 100 million mark.*



clearance on Coastal plantations was conducted on 4,816 hectares and juvenile spacing was applied to an additional 2,763 hectares. Helicopters were used in an extensive aerial fertilization program of 6,600 hectares.

Total stumpage and royalty fees of \$13.8 million were paid during 1986.

The resource planning group completed an active year with major projects including an inventory of deer winter ranges and strategic planning for stream crossings for major access roads on the Coast and at Mackenzie.

The Mt. Newton seed orchard on Vancouver Island, operated in cooperation with Crown Forest Industries, produced its first harvest of Western red cedar cones for use as seed stock.

Mild weather at the first of the year permitted an early start to logging on the Coast, which partially compensated for the loss of production during the IWA strike. Total log production in B.C. and Alberta of 5.5 million cubic metres compared with 6.3 million cubic metres harvested in 1985.

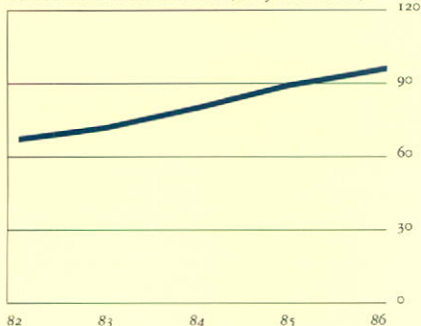




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CUMULATIVE TREE PLANTING (No. of trees in millions)



LOG PRODUCTION (In thousands of cubic metres)



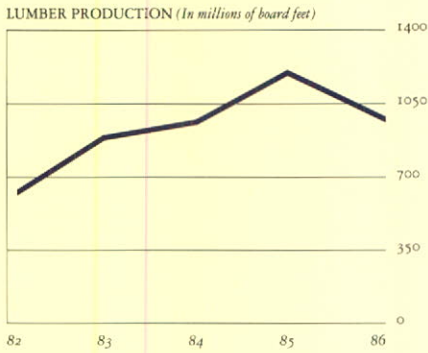
On the Coast, full implementation of direct hauling from Renfrew to the Company's dry land sort at Shoal Island was facilitated by a new fleet of highway logging trucks. A new logging division was opened at Smanit Creek, on Jervis Inlet, following campsite preparation and dry land sort construction.

In the Interior, winter logging volumes were increased substantially in Mackenzie to compensate for an anticipated low water level in Lake Williston which would have made dewatering of logs difficult following spring breakup.

Logging at Grande Cache, Alberta, which was not affected by the labor dispute in B.C., operated at a high level producing 540,000 cubic metres compared with 431,000 cubic metres logged in 1985. Productivity increased with the successful trial of a new delimber which has the ability to buck and top logs at fixed lengths.

Reflecting lower volumes as a result of the strike, Swiftsure Towing's self-loading, self-dumping barges completed 109 trips in 1986, compared with 128 trips in the previous year.





*Wood Products* Market conditions for wood products were distorted during the year by reduced production resulting from labor disputes and by protectionist measures applied against Canadian softwood lumber exports to the U.S.

Fueled by lower interest rates, the annualized rate of housing starts in the U.S. hovered near the two million units mark from January to April. In the presence of this strong demand, prices for dimension lumber in the U.S. rail market recovered from the low levels experienced in 1985. At midyear, however, housing starts began a gradual descent to finish the year at an annualized rate of 1.8 million units. Demand and prices followed this trend correspondingly. Canadian housing starts of 200,000 were up over the previous level of 160,000 units in 1985.

Domestic sales of sanded Douglas fir plywood were good prior to the strike, however offshore shipments declined as a result of U.S. competition.

Uncertainty hung over North American markets late in the year when an interim 15 per cent countervailing duty was applied by the U.S. Department of Commerce on all softwood imports from Canada. The duty was retroactively removed at year-end, but replaced by a 15 per cent export charge as the result of an international agreement.

Favorable foreign exchange rates in relation to the Canadian dollar led to general improvement in most offshore markets for the Company. Japanese market demand grew steadily through the year, becoming very strong in the second half as inventories fell to lower levels due to the Coastal strike and the highest level of housing starts in that country in five years. Market conditions in Australia were below previous levels but improvement was noted in export sales to Europe.

With approximately 100 days of operation lost due to the strikes, annual production levels do not compare on an equal basis with other years. Total sawmill





production from B.C. coastal and interior sawmills, Pinette & Therrien Mills Limited, and the Grande Cache sawmill in Alberta was 984 million board feet, down substantially from the record 1.2 billion board feet produced in 1985.

Delta Plywood produced 54 million square feet ( $\frac{3}{8}$ -inch basis) of plywood, compared with 69 million square feet in the previous year.

In the area of new product development, the Company is developing a pressure-treated lumber program. Pressure-treated lumber is a long-life building material suitable for residential installations of decks, fences and other outside applications.

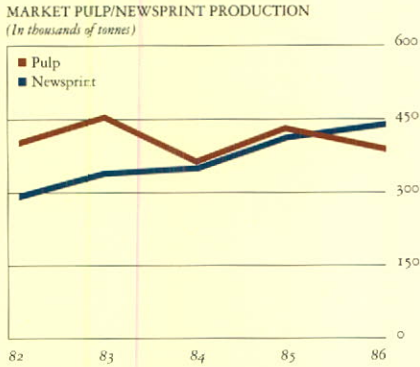
■ *New markets for wood products were pursued vigorously in 1986 as selling conditions in North America were affected by a number of negative factors. By contrast, housing starts in Japan were the highest in five years as Western-style frame construction continued to gain in popularity.*

A number of capital projects were completed successfully during the year. At Tilbury, a new bin sorter was installed and began operation early in the year while at Mackenzie, new scanning and optimizing equipment was placed to aid in lumber recovery.

*Pulp and Newsprint* Markets for pulp and newsprint recovered steadily during the course of 1986, leading to improved operating rates and prices.

Stronger world economies, higher consumption levels and less new capacity entering the marketplace resulted in record sales and production of Crofton newsprint.





Pulp markets in 1986 were better as buyer currencies in Europe and Japan gained considerable strength against a weaker U.S. dollar. Responding to improved paper demand, offshore sales of kraft pulp were excellent in all of the Company's major market areas.

The loss of 100 days of production at the Mackenzie pulp mill due to secondary picketing by sawmill employees resulted in significantly lower pulp production in 1986. Total combined market pulp production at Crofton and Mackenzie was 385,000 tonnes, compared with 426,000 tonnes in the previous year.

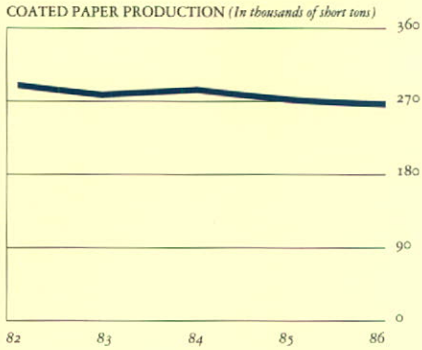
Crofton, which was able to maintain near normal operations, reached its second highest level ever in slush pulp production. Newsprint production was a record high of 446,000 tonnes, surpassing the previous record set in 1985 by 35,000 tonnes. All three newsprint machines posted higher speeds, the No. 3 machine establishing a record average speed of 3,750 feet per minute.

■ *BCFP is a leading producer of pulp and newsprint with an international reputation for quality and consistency. Recovering pulp markets and record sales and shipments of Crofton newsprint resulted in a more profitable year for the Company.*



The major capital project completed in 1986 was the \$12.5 million No. 5 Power Boiler which has already contributed substantially to increased production by providing reliable back-up steam supply.

*Blandin Paper Company* New capacity in North America and excessive imports in U.S. markets, resulted in lower demand and weak prices for Blandin lightweight coated paper during the first half of 1986.



Blandin returned to full production from August until the end of the year in response to an upturn in demand for coated paper caused by the seasonal rise in catalogue publishing. With no restrictions on production in the fourth quarter, the paper machines averaged 817 short tons per day of production, a new record for the company.

Total production of 267,000 short tons was only slightly less than the 270,000 tons produced in 1985.

New coated grades, both groundwood and free sheet, were developed and continue to undergo trials. Lower basis weights in established grades were also developed and quality control improvements were established in all existing grades to produce better printing results for publishers.

■ Coated paper markets in the U.S. rallied in the second half of 1986 permitting stronger sales for Blandin Paper Company. Meanwhile, Blandin Wood Products entered the market place with its new oriented strandboard product.



A major conversion project at Blandin Wood Products was completed in 1986 to produce oriented strandboard (OSB), a premium building product. Startup problems were encountered in the initial stages but by year end the plant was operating smoothly. Actual production in the shortened operating period due to plant conversion was 272 million square feet ( $\frac{3}{8}$ -inch basis). Waferboard production, which was replaced by OSB in the conversion, was 274 million square feet in 1985.

*Croftech Inc.*

*Transportation*

*Croftech Inc.* BCFP's project management subsidiary, Croftech Inc., was engaged in three projects at the Crofton Pulp and Paper Division, designed to improve newsprint quality and increase energy efficiency.

Early in the year, installation of the new No. 5 power boiler proceeded on time and under budget for startup in June. The project was linked to a \$7 million rebuild of the No. 4 power boiler which was started later in the year and is scheduled for completion in 1987.

The boiler rebuilds will have an immediate impact on Crofton's unit production costs by cutting energy requirements and eliminating costly production curtailments caused by periodic steam shortages.

Work began late in the year on plans to convert Crofton's No. 1 fourdrinier newsprint machine to a twin-wire machine. The \$12.5 million project involves the addition of a twin-wire former, a new headbox and other related equipment.

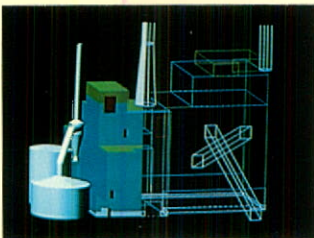
Completion is scheduled for mid-1987.

*Transportation* Increased shipments of pulp and newsprint but lower volumes of lumber were transported from the Company's dock complex at Crofton.

Total pulp and newsprint exports rose 26,000 tonnes to 449,000 tonnes compared with 423,000 tonnes shipped in 1985.

Lumber shipments declined due to the strike to 169 million board feet from 278 million board feet in the previous year.

A total of 186 vessels berthed at the docks, down from the previous record of 222 vessels in 1985.





The Company's charter vessel, Ferncroft, completed 42 voyages between Crofton and California carrying a record 165,000 tonnes of newsprint. Rail shipments of BCFP products amounted to 11,000 cars which were directed to a variety of North American locations.

*Associate Companies* Donohue St-Félicien Inc., 45 per cent owned by the Company, operates a softwood bleached kraft pulp mill and four sawmills in the Lac St. Jean region of Quebec. DSE, completed a successful year of sales and shipments in 1986, contributing significantly to BCFP's consolidated net earnings.

■ *Pulp and lumber operations of the Company's two associate companies, Donohue St-Félicien Inc. and Finlay Forest Industries Ltd. achieved record production levels as markets for forest products rebounded.*

Built with an original designed capacity of 240,000 tonnes, the DSF pulp mill has consistently performed well in excess of that mark. Production of 303,000 tonnes in 1986 represents the latest record and compares with 290,000 tonnes in 1985.

Combined lumber production from DSF's mills at Girardville, Chibougamau, Notre-Dame-de-la-Doré and St-Thomas Didyme, was also a record 375 million board feet compared with 294 million board feet in the previous year.

Finlay Forest Industries Ltd., in which the Company holds a 42.7 per cent interest, owns and operates two sawmills and a groundwood pulp mill at Mackenzie.

FFI's profitable operations in 1986, included in BCFP's net earnings, were achieved by record production and sales of lumber and pulp.



Lumber production of 246 million board feet, compared with 240 million board feet in the previous year. A major rebuild of Site I sawmill, originally planned for June, was deferred for one year. However, installation of a J-Bar sorter at Site II sawmill was completed and began full operation with good results in September.

Groundwood pulp production, responding to improving market conditions and demand, was a record 137,000 tonnes compared with 121,000 tonnes in the previous year.

■ *A safe working environment leading to the prevention of all industrial accidents*

*is the common goal of the Company and its employees. With the conscientious effort of many individuals and committees, much progress has been made over the past few years.*

*Employee Relations* The Company's efforts to reduce accidents in all operating sectors resulted in a modest improvement in safety performance. Most encouraging was the fact that 1986 was completed without a fatality in the workplace, a first in recent years.

The accident frequency rate in the logging sector was equivalent to the industry average. Coast wood products accident frequency was less than 50 percent of the industry average although slightly higher than its own performance in 1985.

Several divisions attained new levels of safety performance, including the three sawmills at Mackenzie, which as a group, lowered the frequency by 40 per cent.

On the pulp and paper side, Company operations reported a 25 percent decline in compensable accidents compared to the previous year.





*British Columbia Forest Products Limited Financial Report*



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**Statement of Earnings**

Net earnings for 1986 increased to \$40.2 million or \$.79 per common share from \$30.1 million or \$.60 per share in 1985. Improved profits for pulp, newsprint, and wood products operations were offset by reduced profits in coated paper. Sales in 1986 were \$1.1 billion representing a slight decline from 1985's level of \$1.14 billion due to the loss of approximately four months' operations in several divisions due to labor disputes. Record shipments of newsprint highlighted 1986's operations; newsprint prices improved late in the year but the average prices for 1986 were comparable to 1985 levels. Dramatic strengthening in sales prices for kraft pulp combined with lower energy costs, caused primarily by declining oil prices, resulted in increased profitability in pulp operations in spite of lower shipments. Lumber prices improved in 1986 but the benefits were overshadowed by decreased sales volumes as production levels at sawmills on the B.C. Coast and in Mackenzie were significantly below 1985 volumes due to strike related closures. Significant increases in coated paper capacity in the U.S. resulted in price declines for that product, however, the production levels achieved were consistent with 1985.

Total costs and expenses were \$1.043 billion compared to \$1.087 billion in 1985. Cost of products sold decreased to \$863.1 million from \$902.1 million in 1985 due to lower total production volumes. Improved sales prices offset increases in unit costs resulting in cost of products sold declining to 78.4% of sales in 1986 compared to 79.1% in 1985. Interest rates peaked in February and moderated slightly for the balance of the year; the lower rates combined with lower debt levels resulted in a reduction in interest expense of \$6.3 million to \$59.3 million in 1986.

Total other income of \$16.6 million was \$3.9 million less than in 1985. Higher pulp and lumber prices resulted in significant improvements in the earnings of associate companies. Offsetting these improved earnings were exchange losses arising from the strengthening of the Canadian dollar in relation to the U.S. dollar and the inclusion in 1985's results of a gain on the sale of assets of a subsidiary company.

The consolidated tax rate in 1986 declined to 46.1% from 58.8% in 1985. The tax provision decline results from lower withholding tax payments, arising on dividends from Blandin Paper Company, and lower effective tax rates on earnings of associate companies.

**Changes in Financial Position**

Cash from operations improved by \$13.8 million in 1986 to \$112.6 million. Decreased operating working capital requirements, primarily in accounts receivable, were partially offset by lower dividends received from associate companies.

Common share dividends of \$7.1 million were paid in 1986 as the Board of Directors resumed declaration of cash dividends after having declared stock dividends on the common shares in the three preceding years. Preferred share dividends were paid at the rate of \$3.00 per outstanding share.

Capital expenditures of \$37.9 million were slightly higher than 1985. Spending on several projects in the wood products sector was deferred to 1987 due to closure of operations by the labor disputes. Projects in the pulp and paper operations were related to reduction of energy costs and improvements in product quality.

Under the terms of agreements with Western Forest Products Limited's bankers, the Company paid \$2.5 million to acquire additional shares of Western from the bankers. The Company also made temporary advances of \$1.4 million to Western Pulp Limited Partnership in accordance with the terms of the Contingency Fund Agreement.

Repayments of long term debt of \$69.1 million were achieved in 1986 compared to \$93.9 million in 1985. Debt repayments included scheduled payments of \$16.6 million and the prepayment of \$11.7 million notes payable by Blandin Paper Company. The balance of the debt repayment consisted of reduction in 18-month notes and bankers' acceptances.

#### **Financial Position**

The ratio of current assets to current liabilities declined to 1.6 at year end from 1.8 at December 31, 1985. Investment in associate companies increased by \$9.2 million as equity in earnings exceeded dividends received in the year.

Long term debt decreased in 1986 to \$470.9 million. At December 31, 1986, the ratio of long term debt to equity was 1.0 compared to 1.2 at the end of the previous year.

Changes in share equity were the redemption of 7,200 preferred shares for \$.3 million and the issue of common shares for \$.7 million as part of the Company's Employee Share Option Incentive Plan.

The foreign currency adjustment decreased to \$34.1 million from \$36.5 million due to the strengthening of the Canadian dollar in relation to the U.S. dollar.

Common shareholders' equity at December 31, 1986 totalled \$471.5 million or \$9.28 per common share for 50,836,417 outstanding common shares. At the end of 1985, common shareholders' equity was \$446.4 million or \$8.80 per common share for 50,719,750 common shares. The trading of the Company's shares on the Vancouver, Alberta, Toronto and Montreal Stock Exchanges amounted to 46,139,291 common and 43,114 preferred shares. The price range during 1986 on The Toronto Stock Exchange for common shares was \$10.75 to \$15.50 and for preferred shares \$36.25 to \$42.00. At year end there were 4,047 common and 608 preferred shareholders holding 50,836,417 and 84,500 shares respectively.

In the Annual Report for the year ended December 31, 1986, 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 Consolidated 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 Ernst & Whinney, 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.

We have examined the Consolidated Balance Sheet of British Columbia Forest Products Limited as at December 31, 1986 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, 1986 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 on a basis consistent with that of the preceding year.

Vancouver, Canada  
January 16, 1987

Thorne Ernst & Whinney  
*Chartered Accountants*

## CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS REINVESTED IN THE BUSINESS

For the year ended December 31, 1986  
(in thousands of dollars)

	1986	1985
<b>Net Sales</b>	<b>\$1,100,950</b>	<b>\$1,139,963</b>
Costs and expenses		
Cost of products sold	863,086	902,144
Depreciation and depletion	60,747	62,260
Selling and administration	59,786	57,392
Interest on long term debt	53,389	59,994
Other interest	5,958	5,625
	1,042,966	1,087,415
	57,984	52,548
Other income		
Earnings from associate companies before income taxes	17,696	395
Gain (loss) on disposal of fixed assets	(894)	5,728
Investment and other income (loss)	(201)	14,411
<b>Earnings Before Income Taxes</b>	<b>74,585</b>	<b>73,082</b>
Income taxes (Note 9)		
Current	28,517	36,536
Deferred	804	5,388
Share of income taxes of associate companies	5,032	1,073
	34,353	42,997
<b>Net Earnings</b>	<b>40,232</b>	<b>30,085</b>
Per common share	\$0.79	\$0.60
Earnings reinvested in the business at beginning of year	235,988	212,934
	276,220	243,019
Dividends		
6% preferred shares	256	292
Common shares	13,215	6,739
	13,471	7,031
<b>Earnings Reinvested in the Business at End of Year</b>	<b>\$ 262,749</b>	<b>\$ 235,988</b>

**British Columbia Forest Products Limited**  
**CONSOLIDATED BALANCE SHEET**

As at December 31, 1986  
 (in thousands of dollars)

	1986	1985
<b>Assets</b>		
<b>Current Assets</b>		
Cash and short term investments	\$ 5,091	\$ 3,319
Accounts receivable	109,683	130,009
Inventories (Note 2)	170,757	170,520
Prepaid expense	8,598	5,707
	294,129	309,555
<b>Long Term Investments and Advances</b>		
Investment in associate companies (Note 3)	52,013	42,785
Other investments and advances (Note 4)	37,423	36,445
	89,436	79,230
<b>Fixed Assets (Note 5)</b>		
Property, plant and equipment	591,639	611,797
Timberlands and logging roads	164,271	171,688
	755,910	783,485
<b>Deferred Charges (Note 6)</b>	28,209	31,888
	\$1,167,684	\$1,204,158

Approved by the Directors



Director



Director



As at December 31, 1986  
(in thousands of dollars)

	1986	1985
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank loans (Note 7)	\$ 61,117	\$ 55,842
Accounts payable and accrued liabilities	95,691	104,565
Dividends payable	6,164	69
Income taxes payable	7,661	256
Current portion of long term debt	9,835	12,911
	180,468	173,643
<b>Long Term Debt</b> (Note 7)	470,884	539,188
<b>Deferred Income Taxes</b>	40,564	40,318
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (Note 8)		
6% cumulative preferred shares of \$50 par value, redeemable at \$53		
Authorized — 240,000 shares		
Outstanding — 84,500 shares (1985 — 91,700 shares)	4,225	4,585
Common shares without par value		
Authorized — 60,000,000 shares		
Outstanding — 50,836,417 shares (1985 — 50,719,750 shares)	174,717	173,981
	178,942	178,566
<b>Earnings Reinvested in the Business</b>	262,749	235,988
<b>Foreign Currency Adjustment</b>	34,077	36,455
	475,768	451,009
	\$1,167,684	\$1,204,158

Commitments and Contingencies (Notes 8 and 11)

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1986  
(in thousands of dollars)

	1986	1985
<b>Cash Provided By (Used For)</b>		
<b>Operations</b>		
Net Earnings	\$ 40,232	\$ 30,085
Items not requiring an outlay of cash		
Depreciation and depletion	60,747	62,260
Deferred income taxes	804	5,388
Associate companies		
(Earnings) losses	(12,664)	678
Dividends received	3,436	6,873
Other	4,341	(4,164)
	96,896	101,120
Cash generated from (used for) operating working capital (below)	15,729	(2,322)
	112,625	98,798
<i>Per common share</i>	\$2.22	\$1.98
<b>Financing</b>		
Decrease in long term debt	(69,052)	(93,888)
Increase (decrease) in current bank loans	5,275	(259)
Issue of common shares — for cash	736	429
— on acquisition of subsidiary	—	7,602
Purchase of preferred shares	(274)	(860)
Dividends paid	(7,376)	(351)
	(70,691)	(87,327)
<b>Investment</b>		
Additions to fixed assets	(37,936)	(36,149)
Proceeds from disposal of fixed assets	1,277	11,418
Investments and advances	(3,503)	(4,595)
	(40,162)	(29,326)
<b>Increase (Decrease) in Cash</b>	1,772	(17,855)
<b>Cash at Beginning of Year</b>	3,319	21,174
<b>Cash at End of Year</b>	\$ 5,091	\$ 3,319
<b>Cash generated from (used for) operating working capital</b>		
Accounts receivable	20,326	17,630
Inventories	(237)	(21,789)
Prepaid expense	(2,891)	332
Accounts payable and accrued liabilities	(8,874)	10,240
Income taxes payable	7,405	(8,735)
	\$ 15,729	\$ (2,322)

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

**1. Significant Accounting Policies***(a) Basis of Consolidation*

The consolidated financial statements include Blandin Paper Company, BCFP Coast Sawmills Limited, Croftech Inc., Pinette & Therrien Mills 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-Félicien Inc. (45% owned), and Finlay Forest Industries Ltd. (42.7% 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; dividends received are credited to the investment account. In the statement of earnings the equity in earnings 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. For U.S. funds long term debt not hedged by forward contracts, the Company utilizes a revenue stream hedge whereby exchange losses are recorded when repayments are made.

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.

**2. Inventories**

<i>(in thousands of dollars)</i>	1986	1985
Logs and wood chips	\$ 73,742	\$ 77,982
Lumber and other		
wood products	29,542	29,529
Pulp, paper and newsprint	26,558	21,755
Supplies	40,915	41,254
	\$170,757	\$170,520

**3. Investment in Associate Companies**

<i>(in thousands of dollars)</i>	1986	1985
Donohue St-Félicien Inc.	\$ 46,528	\$ 41,214
Finlay Forest		
Industries Ltd.	5,485	1,571
	\$ 52,013	\$ 42,785

Condensed financial information for associate companies accounted for by the equity method is as follows:

<i>(in thousands of dollars)</i>	1986	1985
Working capital	\$125,424	\$ 85,129
Fixed assets	195,503	209,282
Deferred charges	20,210	23,598
Other assets	1,064	943
	342,201	318,952
Less: Long term debt	196,467	205,488
Deferred taxes	49,139	40,044
Shareholders' equity	\$ 96,595	\$ 73,420
Net Sales	\$356,207	\$280,080
Net Earnings	\$ 30,705	\$ 259
BCFP's Share of		
Net Earnings	\$ 13,533	\$ 191

The Company has not guaranteed any debts of associate companies at December 31, 1986.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 4. Other Investments and Advances

<i>(in thousands of dollars)</i>	1986	1985
Western Forest Products Limited	\$ 26,005	\$ 24,513
Other, at cost	11,418	11,932
	\$ 37,423	\$ 36,445

The Western Forest Products Limited (Western) investment represents a 20.1% ownership and is the carrying value net of amortization of interest charges which were deferred during the initial reorganization. The current ownership increased from 19.4% in 1985 through the acquisition of shares from Western's bankers in 1986 for \$2,500,000.

## 5. Fixed Assets

<i>(in thousands of dollars)</i>	<i>Cost</i>	<i>Accumulated Depreciation and Depletion</i>	<i>Net Book Value</i>
<b>1986 Property, plant and equipment</b>			
Pulp and paper mills	\$ 732,237	\$358,524	\$373,713
Sawmill and other wood products plants	361,354	178,722	182,632
Logging buildings and equipment	60,838	45,631	15,207
Other equipment and facilities	16,571	12,344	4,227
Land	15,860	—	15,860
	\$1,186,860	\$595,221	\$591,639
<b>Timberlands and logging roads</b>	\$ 259,922	\$ 95,651	\$164,271

## 1985

<b>Property, plant and equipment</b>			
Pulp and paper mills	\$ 713,899	\$333,981	\$379,918
Sawmill and other wood products plants	355,936	161,791	194,145
Logging buildings and equipment	63,894	46,123	17,771
Other equipment and facilities	16,374	11,786	4,588
Land	15,375	—	15,375
	\$1,165,478	\$553,681	\$611,797
<b>Timberlands and logging roads</b>	\$ 262,211	\$ 90,523	\$171,688

## 6. Deferred Charges

<i>(in thousands of dollars)</i>	1986	1985
Unrealized foreign exchange losses on long term debt	\$ 27,380	\$ 30,942
Unamortized debt discount and expenses	829	946
	\$ 28,209	\$ 31,888

## 7. Long Term Debt

<i>(in thousands of dollars)</i>	1986	1985
<b>British Columbia Forest Products Limited</b>		
Sinking fund debentures		
Series B, 5½% due 1989	\$ 3,987	\$ 4,459
Series C, 6½% due 1992	6,974	7,689
Series D, 9¾% due 1992	10,127	11,236
Series E, 9% due 1995	23,747	25,105
Series F, 8.95% due 1997 (U.S. \$32,080,000; 1985 — U.S. \$33,400,000)	44,286	46,677
Series G, 11¾% due 2001 (U.S. \$56,040,000; 1985 — U.S. \$58,020,000)	77,363	81,083
	166,484	176,249

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Purchase money mortgage due 1987-1990 (U.S. \$18,664,000; 1985 — U.S. \$21,331,000)	25,766	29,810
18-month notes due to bank, secured (including U.S. \$45,000,000; 1985 — U.S. \$60,000,000)	63,954	142,955
Bankers' acceptances and notes payable due in following year	217,850	179,600
Other	6,665	8,462
	480,719	537,076

**Blandin Paper Company**

Notes payable 10 $\frac{1}{8}$ % unsecured (U.S. \$10,750,000)	—	15,023
	480,719	552,099
Less current portion of long term debt	9,835	12,911
	\$470,884	\$539,188

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 9.1% on December 31, 1986) 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 the bankers' acceptances and notes payable due in 1987 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 of 9.2%, are classified as long term debt and are included in the principal due in 1988.

The U.S. dollar 18-month notes due to bank are hedged by specific forward contracts. Unrealized exchange losses on Series F and G sinking fund debentures and the purchase money mortgage are hedged by future revenue streams.

Payments on long term debt required to 1991 are as follows:

(in thousands of dollars)

1987	\$ 9,835
1988	292,000
1989	18,000
1990	22,000
1991	7,000

**8. Share Capital***(a) Issue of Additional Common Shares*

At December 31, 1986 there were options outstanding under the terms of the Company's Employee Share Option Incentive Plan to purchase an aggregate of 941,788 common shares. The options are exercisable over a maximum period of ten years, on a cumulative basis commencing one year after the date of grant. Option prices, which range from \$5.00 to \$14.75 per share, are at market prices based on the last board lot traded on The Toronto Stock Exchange immediately preceding the date of each grant. In 1986, 116,667 shares were issued under this plan for \$736,319.

Under an agreement with the partners of the 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, 1986.

*(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 1986, 7,200 shares were purchased and cancelled at an average cost of \$38.09 per share, reducing preferred share capital by \$360,000.

**9. Income Taxes**

The Company's income tax provision is as follows:

	1986	1985
Statutory rate of Federal and British Columbia Provincial taxes, net of manufacturing and processing credit of 6%	47.5%	46.9%
<i>(in thousands of dollars)</i>		
Expected income taxes	\$35,428	\$34,275
Differences from expected taxes:		
Withholding tax on dividends	1,745	7,044
Foreign taxes in excess of Canadian taxes	1,659	2,464
Variation of associate company tax rates from statutory rates	(3,373)	887
Inventory allowance deduction	(206)	(1,490)
Miscellaneous	(900)	(183)
Income tax provision	\$34,353	\$42,997
Effective rate of income tax	46.1%	58.8%

**10. Related Party Transactions**

Related parties include Finlay Forest Industries Ltd. (and The Mead Corporation and Scott Paper Company to May 30, 1986, together with their subsidiaries and affiliates).

Sales to related parties for the years 1986 and 1985 amounted to \$23,928,000 and \$67,258,000 respectively.

Purchases from related parties for the years 1986 and 1985 amounted to \$23,954,000 and \$21,878,000 respectively.

The prices and terms of these transactions are in accordance with normal trade practice. The net amount of trade payables to related parties at December 31, 1986 was \$2,689,000 and the net amount of trade receivables at December 31, 1985 was \$8,353,000.

**11. Commitments and Contingencies**

(a) Under a contingency fund agreement, the Company may be called upon to loan Western Pulp Limited Partnership a maximum of \$5,000,000 to June 30, 1988 decreasing thereafter to June 30, 1990 when the commitment terminates. At December 31, 1986, the Company has made temporary advances of \$1,400,000 in accordance with the terms of this agreement.

(b) Under certain conditions, the Company is obligated to purchase from Western's bankers up to \$7,800,000 of convertible preferred shares of Western Forest Products Limited at a price equal to the par value of the shares plus cumulative unpaid dividends thereon. As part of this commitment, the Company is required to pay \$2,500,000 for a portion of these shares in 1987.

(c) The Company has no additional material commitments or contingencies other than those incurred in the ordinary course of business and those disclosed in Note 8.

**12. 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, 1984 and September 30, 1986 respectively there was no unfunded liability for past services.

1984	1983	1982	1981	1980	1979	1978	1977
\$ 1,014.7	\$ 899.7	\$ 799.1	\$ 814.9	\$ 850.3	\$ 800.0	\$ 704.1	\$ 491.9
819.8	756.8	718.4	681.5	680.9	569.0	517.2	375.5
61.5	60.3	53.1	40.3	36.8	32.6	31.7	27.1
50.8	49.3	23.4	25.4	23.5	20.9	19.3	14.7
71.9	64.3	77.1	56.7	31.6	21.0	21.6	14.4
(10.2)	17.0	25.3	(6.4)	(16.9)	(12.5)	(6.2)	(2.3)
(1.4)	3.3	1.5	(5.8)	(3.2)	(7.0)	(3.6)	(1.2)
13.1	(18.6)	(38.7)	6.0	37.1	79.3	55.1	28.6
\$ 9.2	\$ (32.7)	\$ (61.0)	\$ 17.2	\$ 60.5	\$ 96.7	\$ 69.0	\$ 35.1
153.1	110.2	97.4	120.4	129.0	138.6	122.6	95.8
107.1	94.0	113.3	189.9	130.8	71.6	44.6	43.9
786.5	802.5	861.5	811.2	634.6	392.0	367.3	356.9
\$ 1,046.7	\$ 1,006.7	\$ 1,072.2	\$ 1,121.5	\$ 894.4	\$ 602.2	\$ 534.5	\$ 496.6
618.0	590.9	600.4	653.3	431.0	192.9	208.1	236.5
31.2	46.7	69.7	111.2	104.0	85.6	79.2	71.3
397.5	369.1	402.1	357.0	359.4	323.7	247.2	188.8
\$ 1,046.7	\$ 1,006.7	\$ 1,072.2	\$ 1,121.5	\$ 894.4	\$ 602.2	\$ 534.5	\$ 496.6
29.3	25.5	(2.9)	40.0	76.4	108.3	104.5	41.6
.3	.5	106.2	71.5	.3	.3	.2	95.6
14.8	.2	(45.2)	159.8	249.6	(5.4)	(5.0)	6.9
(10.8)	(10.3)	(8.6)	(9.9)	(7.4)	(9.9)	(28.9)	(7.7)
.3	1.7	(2.6)	38.5	18.2	—	(4.1)	(1.7)
(.2)	(.2)	(.1)	(.2)	(.3)	(.3)	(.3)	(.3)
(.4)	(.4)	(3.5)	(24.9)	(24.0)	(17.9)	(9.6)	(8.7)
(16.2)	(4.3)	(105.3)	(219.6)	(277.5)	(58.3)	(42.6)	(31.9)
1.5	1.3	4.4	6.7	1.9	1.4	.8	1.7
(.6)	(12.4)	56.9	(60.7)	(61.0)	(21.4)	1.8	(84.2)
\$ 18.0	\$ 1.6	\$ (.7)	\$ 1.2	\$ (23.8)	\$ (3.2)	\$ 16.8	\$ 11.3
\$ .18	\$ (.68)	\$ (1.92)	\$ .55	\$ 1.98	\$ 3.18	\$ 2.27	\$ 1.15
.60	.53	(.09)	1.29	2.50	3.56	3.44	1.36
7.98	7.50	8.29	11.41	11.59	10.43	7.91	5.98
.13	.14	.10	.80	.78	.58	.30	.27
14.88	14.75	12.88	24.00	18.63	14.50	10.63	6.63
8.38	8.38	5.38	10.63	11.00	9.44	5.06	4.75
.9	(3.6)	(7.6)	2.1	7.1	12.1	9.8	7.1
4.7	.1	(2.0)	5.1	10.6	19.0	15.7	10.3
2.3	(8.7)	(18.9)	4.8	18.0	34.6	32.6	20.7
1.9	1.7	1.5	1.8	2.0	2.1	2.4	2.3
1.6	1.6	1.5	1.8	1.2	0.6	0.8	1.3
49,102	48,396	47,707	30,724	30,419	30,349	30,279	30,235
5,141	5,273	5,215	4,711	4,411	3,515	3,461	2,908
7,066	7,153	7,770	8,245	8,305	8,180	7,895	7,888

At December 31, 1986

**Board of Directors**

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

Ian A. Barclay  
*Chairman of the Board  
Canada Harbour Place Corporation  
Vancouver, B.C.*

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

Robert G. Bentall  
*President and Chief Executive Officer  
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.*

Hon. Jean Chrétien  
*Partner  
Lang Michener Lash Johnston  
Ottawa, Ontario*

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

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.*

Howard J. Kellough  
*Partner  
Maubinney & Kellough  
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 Limited  
Toronto, Ontario*

†Member of Audit Committee

**Head Office**

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

**Transfer Agent and Registrar**

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

**Stock Listings**

Vancouver, Alberta, Toronto and  
Montreal Stock Exchanges

**Wholly-owned Subsidiaries**

Blandin Paper Company  
BCFP Coast Sawmills Limited  
Croftech Inc.  
Liberty Leasing of Canada No. 3, Ltd.  
Mackenzie Forest Products Limited  
(Inactive)  
Pinette & Therrien Mills Limited  
Stuart Channel Transportation Limited  
Swiftsure Towing Company Ltd.

**Interests in Other Companies**

Donohue St-Félicien Inc. (45%)  
Finlay Forest Industries Ltd. (42.7%)  
Owikeno Lake Transportation Ltd.  
(33 1/3%)  
Western Forest Products Limited  
(20.1%)

**Officers**

Kenneth P. Benson  
*Chairman and Chief Executive Officer*

George G. Flater  
*President and Chief Operating Officer*

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

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

Ron W. Neil  
*Group Vice-President, Coast Wood Products*

Conrad A. Pinette  
*Group Vice-President, Interior Wood Products*

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*

Thomas G. Torrance  
*Vice-President, Pulp & Paper Marketing*

John E. Longley  
*Comptroller*

**Annual General Meeting**

The Company's *Annual General Meeting* will be held Thursday, April 16, 1987, in Pavilion C, the Pan Pacific Hotel, 300-999 Canada Place, Vancouver, B.C. commencing at 12 noon.





