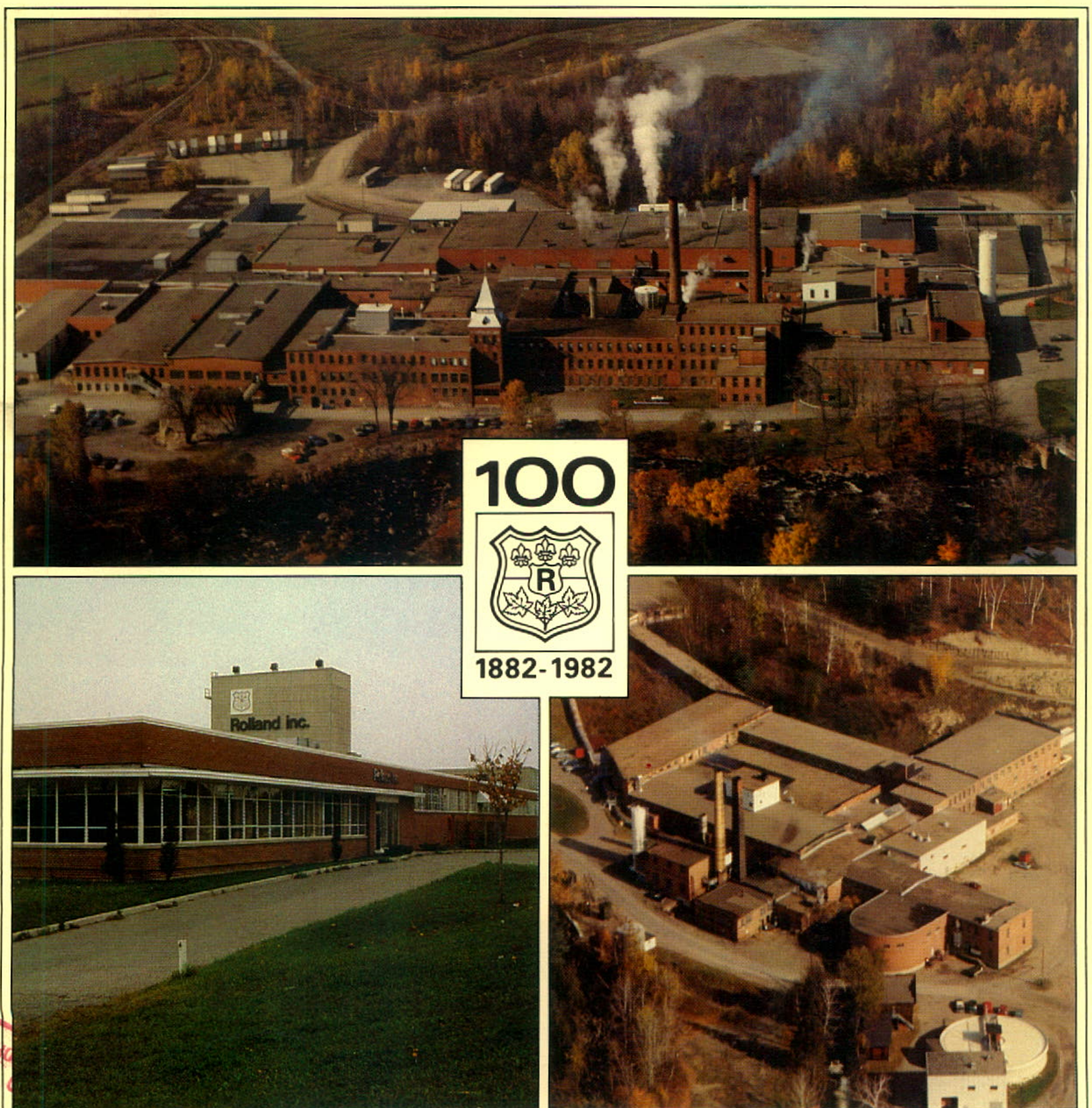
Rolland inc.

Annual Report
1982



Cover

Aerial views of our paper mills at Saint-Jérôme (top) and Mont-Rolland (bottom right) and picture of the coating mill, Scarborough (bottom left).

The Honorable Jean-Baptiste Rolland, founder and first President of the Company in 1882.

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Highlights

	1982	1981
Net sales	**$168,504,000**	$177,752,000
Net loss	**913,000**	142,000
Net loss per share		
Per class "A" share	**0.52**	0.10
Per class "B" share	**0.57**	0.15
Dividends on class "A" and "B" shares	**114,000**	1,301,000
Per class "A" share	**0.075**	0.72
Per class "B" share	**0.025**	0.67
Funds provided by operations	**1,036,000**	2,273,000
Per class "A" share	**0.54**	1.22
Per class "B" share	**0.49**	1.17
Book value per class "A" and "B" shares	**15.93**	16.52
Working capital	**25,508,000**	24,525,000
Long-term debt	**17,150,000**	13,595,000
Capital expenditures	**1,208,000**	4,386,000

Sales by quarter
Millions of dollars

Quarter	1982	1981
First	**$ 42.4**	$ 45.3
Second	**40.8**	49.3
Third	**39.1**	41.3
Fourth	**46.2**	41.9
Total	**$168.5**	$177.8

Net earnings (loss) by quarter
Thousands of dollars

Quarter	1982	1981
First	**$(329)**	$ 21
Second	**(773)**	779
Third	**(442)**	337
Fourth	**631**	(1,279)
Total	**$(913)**	$(142)

Directors' Report to Shareholders

The year 1982 was marked by the centennial of your Corporation and also by the worst recession of the last fifty years. A contraction in sales volume and high operating costs resulted in a loss for the year. However, the year ended on a more positive note as the fourth quarter showed a profit and a permanent foothold was secured in the United States through the acquisition of a fine paper distributor in Albany, New York.

Centennial

On May 1, 1982, we celebrated the one-hundredth anniversary of the foundation of the Company. During the year, a brochure on its history was distributed to employees, customers and shareholders. Receptions were held with employees and customers in order to commemorate the event and to record our appreciation for their contribution throughout all these years. We are proud that our enterprise endured with success for such a long period, a feat accomplished by very few Canadian companies.

In our second century, we will continue in the pursuit of excellence in our people, in our products and in our service.

Operating Results

The net loss amounted to $913,000 and was equivalent to $0.52 per class "A" share and $0.57 per class "B" share. It compares with a net loss of $142,000, or $0.10 per class "A" share and $0.15 per class "B" share, in 1981. Net sales for the year totalled $168.5 million, a decline of 5.2% from the previous year's level of $177.8 million.

The effects of the recession were severely felt by the pulp and paper industry. The industry's domestic shipments of fine papers declined by 1.9% and total shipments, including exports, increased by 4.3% compared to 1981. Comparisons with the previous year when a major producer experienced a long strike have little value

Prime Minister Trudeau, accompanied by Messrs. L.G. Rolland and J.L. Chollet, speaks with employees during a visit of our Saint-Jérôme mill on May 27, 1982, shortly after the opening ceremony of our centennial celebrations.

however. Compared to 1979, the last strike-free year in the industry, 1982 domestic shipments show a decrease of 7.9% and total shipments a decrease of 9.4%. By comparison, Canada's Gross National Product in 1982 was 5% below 1981 and 2% below 1979. Consumption of fine papers, including imports, is estimated to have decreased by 9% in 1982. Imports represented approximately 19% of total Canadian consumption, down from the strike-related level of 25% in 1981 but higher than historical levels. The low operating rate of U.S. fine paper manufacturers put downward pressure on prices throughout the year.

In this difficult context, the Fine Papers Division experienced a reduction in sales volume particularly in the first half of the year which, together with abnormally high operating costs, resulted in a loss from operations.

The Distribution Division was faced with a slight decline in sales but maintained a stable earnings performance by reducing operating expenses.

The year ended on a more encouraging note. A higher sales volume, improved efficiency and cost reductions due to lower pulp prices produced a turnaround during the fourth quarter in the Fine Papers Division and net earnings for the Corporation were $631,000.

Dividends, Financial Position

One of the measures taken in 1982 to preserve the Corporation's cash position was to reduce the level of quarterly dividends to 2½¢ per class "A" share and 1¼¢ per class "B" share in the first quarter and again, in the third quarter, when the dividend on the class "A" shares was further reduced to 1¼¢ while the dividend on the class "B" shares was omitted.

Despite the unsatisfactory results of 1982, your Corporation remains in a sound financial position. All necessary measures will continue to be taken to maintain and improve this situation. However, in view of the uncertainty prevailing in the economy and the softness of the market place, it would be premature to consider a change in dividend policy at this time.

Planning

Greater emphasis was put on strategic planning during 1982 in order to reassess avenues of growth and diversification and to review objectives and plans. This planning effort was concerned with the consolidation and strengthening of current operations and the exploration of new market or geographical areas.

In December, your Corporation established its first permanent presence in the United States through the acquisition of W.H. Smith Paper Corporation, a fine paper distributor based in Albany, New York. This reputable firm was founded in 1919. Its acquisition reflects Rolland's desire to expand its distribution operations. We should also be in a better position to take advantage of the lower tariff barriers and benefit from the opportunities offered by the proximity of the Northeastern United States trading area.

Capital expenditures in our mills were severely curtailed in 1982 as a consequence of the poor earnings performance. However, the modernization of the manufacturing facilities remains a key element of our planning process and will be resumed as soon as business conditions permit.

Human Resources and Labour Relations

Included in our objectives for 1982 was the strengthening of our management team and of the planning and control functions.

Mr. Michel Rolland joined the Corporation as Planning Coordinator in January; in May, Mr. Guy Duplessis, previously Assistant Treasurer, was appointed Treasurer. In addition, several changes were made in the management of the Fine Papers Division.

All negotiations with the Unions representing employees had been settled in 1981; most of them extend until April 30, 1984 and call for a wage increase of 9%, effective May 1, 1983, along the pattern adopted then by the fine paper industry. In view of the changes in the economic situation, of the losses sustained by the industry and your Corporation in 1982, and of the uncertainties that accompany the period that lies ahead, it is evident that the industry cannot afford an increase of this magnitude. For its non-unionized employees, Rolland is committed to adhere to the federal guidelines and salary increases for 1983 will not exceed 6%. In fact, most of these employees faced salary reductions ranging up to 10% for a three-month period in 1982. Labour settlements in the United States have consistently been below the Canadian level over the past several years, so much so that the competitive advantage provided by the lower Canadian dollar has been eroded and that U.S. imports continue to invade the Canadian market.

Consequently, the Canadian paper manufacturers must face the problem of higher labour costs and take measures in order to correct this competitive disadvantage compared with their U.S. counterparts.

They must also rise to the challenge of improving productivity. Rolland's performance in this regard has not been satisfactory over the last few years and the improvement of productivity throughout the Corporation will rank high among priorities in 1983.

Board of Directors

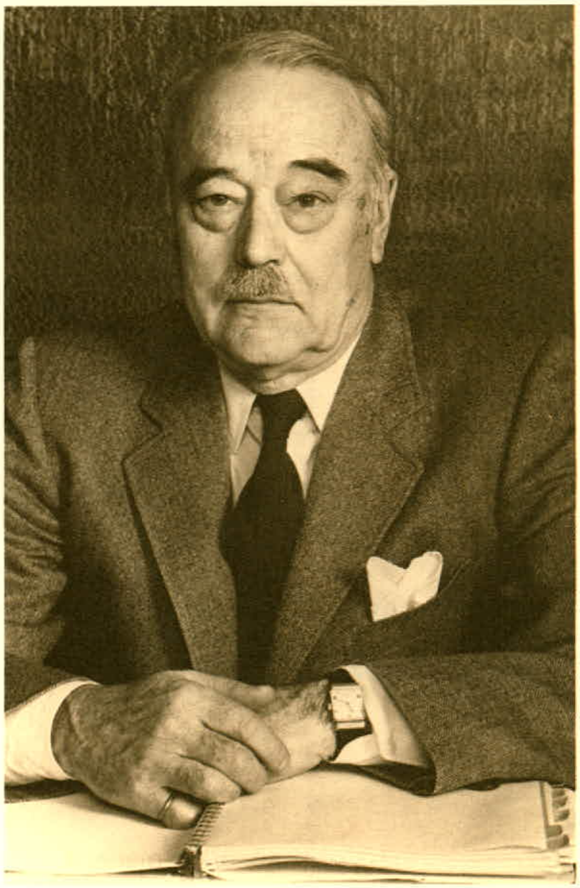
As announced in our 1981 Annual Report, Mr. Roger Lachapelle was elected to the Board of Directors at the Annual General Meeting of Shareholders held on May 3, 1982. Mr. Lachapelle replaced Mr. Joseph A. Weldon who retired after making an outstanding contribution to the Corporation's growth and success during a period of more than forty-five years.

Outlook

The long expected economic recovery following a deep recession still remains elusive. While some positive signs are evident, such as lower inflation and interest rates, the pace of economic activity is expected to slowly increase during 1983 with Canada lagging behind the United States.

In such an environment, consumption of fine paper in Canada is expected to show only slight growth and the operating rate of Canadian mills should range between 80% and 85%. Imports should stabilize at approximately the same level as in 1982.

After coping with the difficulties of 1982, the Corporation is now better equipped to face the challenges ahead. The fourth-quarter results reflect, in part, the improvement made during 1982. The decrease in



Lucien G. Rolland
President and Chief Executive Officer

pulp prices also played a significant part in these positive results as trading conditions were restored to more satisfactory levels. However, much uncertainty remains: pulp prices tend to be highly volatile and any increase without corresponding paper price increase could reduce the recent improvement in profit margins. Market conditions will remain competitive and emphasis will again be put on productivity improvement and cost reductions. On the whole, 1983 should show better results compared to 1982.

Acknowledgements

Support from employees, customers and suppliers is particularly important in difficult times such as the ones we have just experienced. Your Directors wish to thank all employees for their efforts and dedication in responding to the unparalleled difficulties left behind us during 1982. To customers and suppliers, they wish to express appreciation for their support, understanding and cooperation.

On behalf of the Board,

Lucien G. Rolland

Lucien G. Rolland
President and Chief Executive Officer

Montréal, February 28, 1983

Fine Papers Division

The year 1982 was particularly difficult for the Fine Papers Division. Weak demand and high operating costs resulted in a loss from operations which remained at approximately the same level as in 1981.

Sales volume slightly declined for both coated and uncoated fine papers thus reflecting the decrease in consumption of fine papers in Canada. A very competitive market situation, including a strong presence of U.S. imports, put downward pressure on selling prices throughout the year.

Rolland's market position, which had been adversely affected by problems in manufacturing operations in 1981, was strengthened during the course of the year. Our high-quality reprographic grades registered a strong performance while new products such as Concorde Opaque and LT 2000 were successfully introduced to meet the demand in printing and business papers.

The low level of demand necessitated machine downtime and our mills operated at 80% of capacity. Operating costs were high, particularly in the first half of the year due to the poor efficiency of No. 8 paper machine. Mechanical problems remained long after the completion of its modernization and the learning curve of employees in trying to adapt to new working conditions after its speed-up was extended over a much longer period than anticipated; however, its performance continually improved during the year and is now at a satisfactory level.

The Fine Papers Division put great emphasis on cost reductions and productivity improvement. Programs aimed at effective preventive maintenance methods, higher productivity of finishing operations and reduction of energy costs were implemented during the year. Overhead costs were decreased, mill management was reorganized, and several positions were eliminated. Greater efficiency in operations and a stronger market penetration contributed to better Division results, particularly in the fourth quarter. Considerable effort was also devoted to improving the quality of coated papers at our Scarborough mill.

The Mont-Rolland mill manufactures base papers for decorative laminates and results for this operation have not been satisfactory. The level of shipments was reduced due to the poor performance of the construction industry in the United States and Canada. Adherence to evermore rigid and exacting quality standards for these products resulted in higher operating costs. Corrective measures are being taken to improve quality control and efficiency at our Mont-Rolland mill.

Capital expenditures were kept at a minimum during 1982 and amounted to \$1,076,000. Additional equipment for the modernization of No. 8 paper machine accounted for a large share of these expenditures. Despite the unsatisfactory results, the Division made a positive contribution to the Corporation's overall cash position through improved asset management.

The Division's organization was strengthened during the year. Mr. Yvan Duchesne became Director of Operations for the Saint-Jérôme and Mont-Rolland mills in January. The appointments of Mr. Michel LaBarre as Manager, Production Planning and Procurement, of Mr. René Pouliot as Production Manager and of Mr. Roger Cormier as Director of Engineering were announced during the year. In November, Mr. Duncan I. MacCalman joined the Division as Director of Sales and Marketing.

Jean-Louis Chollet
Executive Vice-President,
Fine Papers Division

After having coped with the difficulties from outside and the challenges from within throughout the year, the Fine Papers Division is now in a much better position in terms of management strength and operating efficiency. The effects of the improvements achieved will continue to be felt and the main thrust of the Division's efforts will remain centered on cost reductions and productivity improvement; better results are thus expected in spite of the indifferent performance which is envisaged for the Canadian economy during most of 1983.

Distribution Division

The Distribution Division operated in a very competitive environment in 1982. Overall, sales of Canadian fine paper distributors declined by an estimated 4% in value and 10% in volume. The weak demand created downward pressure on selling prices and profit margins. Supply was generally abundant throughout the year and imports accounted for an increased share of total business. Suppliers' prices were stable with very few increases and some reductions in commodity products. The lower volume and the stable selling prices combined to make it difficult for Canadian fine paper distributors to generate sufficient revenues to cover inflation in operating expenses.

Earnings of the Distribution Division suffered a slight reduction compared to 1981. Sales volume slightly decreased in line with general market conditions. Market share declined in the first half of the year but this trend was reversed during the second half. Reductions in operating expenses succeeded in maintaining earnings at a satisfactory level. In all branches, reductions in staff and other expenses were effected in order to compensate for a lower than expected volume of business. Asset management was also considerably improved as accounts receivable and inventory levels were kept under tight control throughout the Division.

The recent acquisition of W.H. Smith Paper Corporation adds an interesting dimension to the Distribution Division. The combination of Rolland's expertise in the distribution field together with Smith Paper's solidly established base should prove beneficial for Smith Paper and the Corporation in terms of growth and earnings. Smith Paper will continue to operate under its name with the same management and staff.

While some staff reductions had to be effected during 1982, the Division's organization was streamlined and the personnel upgraded. Credit management in particular was reinforced through the appointment of Mr. William Belitski as Divisional Credit Manager. The year was also marked by the retirement of the Director of Marketing Services, Mr. Raymond Wray, whose career with the Rolland organization spanned over 30 years. His knowledge of the paper business and his contribution will be greatly missed by his colleagues.

Terry L. Pitchford
Executive Vice-President,
Distribution Division

In summary, the Distribution Division responded well to the difficult and very competitive business conditions of 1982. The outlook for 1983 does not provide much room for growth; however, the Division should maintain or even improve its results. It is also well positioned to take advantage of any recovery in economic activity.

Financial Review

The consolidated balance sheet includes for the first time the accounts of W.H. Smith Paper Corporation. The acquisition having taken place towards the end of the year, operating results of Smith Paper are not included in the Corporation's statement of earnings.

Operating Results

Net sales were $168.5 million in 1982, a decrease of $9.3 million or 5.2% from the 1981 level. Both the Fine Papers and the Distribution Divisions contributed to the decrease. Selling prices were generally stable during the year with some downward pressure on commodity products.

The net loss for the year amounted to $913,000 compared to a loss of $142,000 in 1981. Gross profit declined by $963,000 to $18,326,000 reflecting the lower sales volume. Gross profit margins remained stable compared to 1981. Selling and administrative expenses were kept under tight control and show a decrease of 1.8%. Improved asset management and lower interest rates contributed to a reduction of 13.7% in interest expense. The total loss from operations amounted to $2,036,000 as against $1,431,000 the previous year. Investment income dropped sharply from $608,000 to $79,000 as the Corporation was in a short-term borrowing situation throughout most of the year and the profit on the redemption of debentures was reduced.

The loss sustained in 1982 resulted in a recovery of income taxes of $1,044,000 which entirely represents deferred taxes.

Financial Position

Working capital reached $25,508,000 at December 31, 1982, an increase of $983,000 over the previous year's level. The ratio of current assets to current liabilities improved to 2.4:1 from 2.2:1. The acquisition of W.H. Smith Paper Corporation produced an increase of $1,614,000 in working capital while ongoing activities had a negative impact of $631,000. Excluding the effect of the acquisition of Smith Paper, funds invested in non-cash components of working capital decreased by $8,377,000 during 1982 and, concurrently, the net cash position of the Corporation improved by $7,746,000. Lower receivables and inventories as well as an increase in accounts payable are responsible for this improvement. Short-term bank borrowings were gradually reduced during the year and the net cash position turned positive during the last quarter. Taking Smith Paper into account, the Corporation's net cash position increased by $5,983,000 for the year. Funds generated by the operations amounted to $1,036,000, or $0.54 per class "A" share, compared to $2,273,000, or $1.22 per class "A" share, in the previous year. Total dividends paid were sharply reduced from $1,360,000 in 1981 to $173,000.

Capital expenditures were severely curtailed during 1982 as a result of the unsatisfactory earnings performance and totalled $1,208,000 compared to $4,386,000 in 1981. Government grants of $165,000 in 1982 and $500,000 in 1981 were recorded as a reduction of fixed assets.

Long-term debt reached $17,150,000 at December 31, 1982, a net increase of $3,555,000 over the previous year-end level. The acquisition of Smith Paper coincided with the purchase of warehouse and office facilities by Smith Paper for an amount of $2,703,000. A term debt of $1,708,000 representing the balance of the purchase price of the shares was incurred by Rolland inc. Other major items affecting long-term debt include the redemption and cancellation of debentures for sinking fund purposes totalling $556,000 and payment of a mortgage in the amount of $210,000. The ratio of long-term debt to shareholders' equity was 36/64 at the end of the year compared to 30/70 at December 31, 1981.

Capital employed at December 31, 1982

increased by $1,425,000 to $53,273,000 but shareholders' equity decreased by $1,086,000 to $30,772,000.

Book value per class "A" and "B" shares was $15.93 at the end of the year compared to $16.52 in 1981.

The market price for the Corporation's shares on Canadian stock exchanges fluctuated between $3.60 and $6.25 for class "A" shares and between $3.40 and $7.00 for class "B" shares.

Adrien Desautels
Vice-President, Finance

Consolidated Financial Statements 1982

Consolidated Statement of Earnings

Year ended December 31, 1982

	1982	1981
	(thousands of dollars)	
Net sales	**$168,504**	$177,752
Cost of goods sold	**150,178**	158,463
Gross profit	**18,326**	19,289
Selling and administrative expenses	**16,276**	16,570
Depreciation and amortization	**3,011**	3,013
Interest (Note 3)	**2,000**	2,318
Other income	**(925)**	(1,181)
	20,362	20,720
Operating loss	**2,036**	1,431
Investment income	**(79)**	(608)
Loss before income taxes	**1,957**	823
Income taxes (Note 4)	**(1,044)**	(681)
Net loss	**$ 913**	$ 142
Net loss per share		
Class "A" shares	**$0.52**	$0.10
Class "B" shares	**$0.57**	$0.15

Consolidated Statement of Retained Earnings

Year ended December 31, 1982

	1982	1981
	(thousands of dollars)	
Retained earnings at beginning of year	**$23,296**	$24,798
Net loss for the year	**913**	142
	22,383	24,656
Dividends		
Preferred shares	**59**	59
Class "A" shares	**102**	979
Class "B" shares	**12**	322
	173	1,360
Retained earnings at end of year	**$22,210**	$23,296

Consolidated Balance Sheet

as at December 31, 1982

Assets	1982	1981
	(thousands of dollars)	
Current assets		
Cash	**$ 2,798**	$ 3,613
Accounts receivable	**19,049**	18,914
Grants receivable (Note 5)	**124**	1,069
Inventories (Note 6)	**21,719**	20,860
Prepaid expenses	**674**	264
	44,364	44,720
Grants receivable (Note 5)	**108**	234
Fixed assets (Note 7)	**26,763**	25,972
Intangible assets		
Excess of cost over value of assets acquired (Note 8)	**725**	925
Unamortized debenture issue expense	**169**	192
	$72,129	$72,043

On behalf of the Board:

Lucien G. Rolland, Director

Roger H. Charbonneau, Director

Liabilities	1982	1981
	(thousands of dollars)	
Current liabilities		
Bank indebtedness	**$ 1,574**	$ 8,372
Accounts payable and accrued liabilities	**16,813**	11,439
Income taxes payable	**63**	—
Long-term debt due within one year	**406**	384
	18,856	20,195
Long-term debt (Note 9)	**17,150**	13,595
Deferred income taxes	**5,351**	6,395
Shareholders' equity		
Capital stock (Note 10)	**8,562**	8,562
Retained earnings	**22,210**	23,296
	30,772	31,858
	$72,129	$72,043

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982

	1982	1981
	(thousands of dollars)	
Source of working capital		
Operations		
Net loss	$ (913)	$ (142)
Items not affecting working capital		
Depreciation and amortization	3,011	3,013
Deferred income taxes	(1,044)	(422)
Gain on disposal of fixed assets	(18)	(176)
	1,036	2,273
Increase in long-term debt	1,785	26
Grants receivable	126	182
Proceeds from disposal of fixed assets	37	206
Working capital of acquired subsidiary (Note 2)	2,687	—
	5,671	2,687
Application of working capital		
Additions to fixed assets net of grants	1,043	3,886
Reduction of long-term debt	910	1,479
Dividends	173	1,360
Investment in a subsidiary (Note 2)	2,562	—
	4,688	6,725
Increase (decrease) in working capital	983	(4,038)
Working capital at beginning of year	24,525	28,563
Working capital at end of year	$25,508	$24,525

Changes in Components of Working Capital

Year ended December 31, 1982

	1982	1981
	(thousands of dollars)	
Changes in non-cash components of working capital		
Accounts receivable	$(2,785)	$ 1,674
Grants receivable	(945)	(1,164)
Inventories	(856)	1,998
Prepaid expenses	308	(36)
Accounts payable and accrued liabilities	(4,310)	2,682
Income taxes payable	—	30
Long-term debt due within one year	211	(257)
Increase (decrease) in non-cash components of working capital	(8,377)	4,927
Decrease in cash	(1,392)	(1,412)
(Increase) decrease in bank indebtedness	9,138	(7,553)
Decrease in working capital before investment in a subsidiary	(631)	(4,038)
Net change in working capital related to acquisition of subsidiary	1,614	—
Increase (decrease) in working capital	$ 983	$(4,038)

Notes to Consolidated Financial Statements

December 31, 1982

1. Summary of significant accounting policies

Principles of consolidation

The accompanying financial statements include the consolidated balance sheet of the Corporation and its subsidiary companies as at December 31, 1982 and the results of the operations of the Corporation and the changes in its financial position for the year then ended.

Foreign exchange

a. Translation of foreign operations

Assets and liabilities of foreign subsidiaries are translated at exchange rates prevailing at balance sheet dates and earnings items are translated at the weighted average exchange rate for the year.

b. Foreign currency transactions

Assets and liabilities of foreign currency monetary items are translated at exchange rates prevailing at balance sheet dates and transactions made in foreign currency are translated at the weighted average exchange rate of the month in which they occur. Gains or losses arising on settlement of foreign currency monetary items are included in current year earnings.

Inventories

Inventories of raw materials, operating supplies, repair parts and maintenance materials are carried at the lower of cost, generally first-in, first-out method, and replacement value. Inventories of finished paper and paper in process are carried at the lower of cost, generally first-in, first-out method, and net realizable value. Adequate provision is made for slow-moving and obsolete inventories.

Fixed assets and depreciation

Fixed assets are recorded at cost which, in cases of major projects, includes interest during construction. Government grants related to capital expenditures are deducted from the cost of the respective fixed assets. Assets acquired under capital lease agreements are included in fixed assets. At the time of sale or retirement, the cost of the assets and the related accumulated depreciation are removed from the accounts and any gain or loss is included in earnings.

Depreciation is calculated on the estimated economic life of the assets, generally on the straight-line method at the following rates:

Buildings	2½%
Machinery and equipment	5% - 10%
Automotive and computer equipment	20%
Leasehold improvements	Term of lease

Amortization of assets under capital leases is calculated at the same rate as depreciation on similar assets owned by the Corporation.

Intangible assets

Excess of cost over value of assets acquired represents the excess of the purchase price over the value of the net tangible assets of the Wholesale Distribution Division of Kruger Pulp and Paper Limited at date of acquisition. The excess is being amortized over a ten-year period.

The debenture issue expense is amortized over the life of the 11¾% sinking fund debentures, Series "B", proportionately to the amount of debentures outstanding at the end of each year.

Deferred income taxes

Deferred income taxes result from differences between deductions claimed for tax purposes and amounts charged in the accounts. The investment tax credits relating to capital expenditures are accounted for as a reduction of income taxes in the year they are realized.

Pension plans

The Corporation has contributory, trusteed pension plans. The cost of the current service portion is charged to earnings as incurred. Any unfunded liability for prior years' services is charged to earnings as it is funded over a maximum period of fifteen years.

Net earnings per share

The net earnings per share are calculated after taking into account the dividends paid on preferred shares and the differential in the dividends paid during the year on Class "A" and Class "B" shares.

2. Acquisition

On December 14, 1982, a wholly-owned subsidiary company, Rolland Paper Corporation, was incorporated under the laws of the State of New York.

On December 21, 1982, Rolland Paper Corporation acquired all the outstanding shares of W.H. Smith Paper Corporation of Albany, New York. This acquisition has been accounted for by the purchase method of accounting, as follows:

	(thousands of dollars)
Net assets acquired at assigned values	
Working capital	$2,687
Value assigned to fixed assets	2,555
	5,242
Long-term debt	2,680
Net assets acquired	$2,562
Consideration given:	
Cash	$ 854
Note, 9%, repayable by quarterly instalments until January 1, 1988	1,708
	$2,562

The acquisition having taken place towards the end of 1982, operating results of subsidiaries are not included in the accompanying consolidated statement of earnings.

3. Interest

	1982	1981
	(thousands of dollars)	
Interest on long-term debt	**$1,392**	$1,465
Other interest	**608**	900
	2,000	2,365
Less interest capitalized	**—**	47
	$2,000	$2,318

4. Income taxes

	1982	1981
	(thousands of dollars)	
Current income taxes	**$ —**	$ (259)
Deferred income taxes	**(1,044)**	(422)
	$(1,044)	$ (681)

5. Grants receivable

During the year, additional government grants totalling $165,000 (1981 — $500,000) were obtained and deducted from the cost of the respective fixed assets. To date, the Corporation has adhered to the terms of all agreements relating to grants obtained.

6. Inventories

	1982	1981
	(thousands of dollars)	
Raw materials and operating supplies	$ 4,063	$ 5,186
Repair parts and maintenance materials	1,689	1,597
Finished paper and paper in process	15,967	14,077
	$21,719	$20,860

7. Fixed assets

	1982			1981
	Cost	Accumulated depreciation	Net	Net
	(thousands of dollars)			
Land	$ 905	$ —	$ 905	$ 751
Buildings	13,025	5,361	7,664	5,588
Leasehold improvements	583	483	100	130
Machinery and equipment	48,095	30,303	17,792	19,130
Assets under capital leases	942	640	302	373
	$63,550	$36,787	$26,763	$25,972

8. Excess of cost over value of assets acquired

	1982	1981
	(thousands of dollars)	
Excess at time of acquisition	$ 2,000	$ 2,000
Accumulated amortization	1,275	1,075
	$ 725	$ 925

9. Long-term debt

		1982	1981
		(thousands of dollars)	
Rolland inc.			
Sinking fund debentures, Series "A" 5¾% due July 2, 1984	**$ 7,500**		
Deduct debentures redeemed and cancelled including $511,000 in anticipation of future sinking fund requirements	**4,411**		
		$ 3,089	$ 3,269
Sinking fund debentures, Series "B" 11¾% due July 2, 1995	**12,000**		
Deduct debentures redeemed and cancelled including $348,000 in anticipation of future sinking fund requirements	**2,448**		
		9,552	9,928
Obligations under capital leases		**504**	572
Mortgage loan, 10%, due September 8, 1982		**—**	210
		13,145	13,979
Rolland Paper Corporation			
Note, 9%, repayable by quarterly instalments of $106,900 ($87,000 U.S.) including principal and interest, until January 1, 1988 ($1,390,000 U.S.)		**1,708**	—
W.H. Smith Paper Corporation			
Industrial Development Revenue Bonds, 9%, repayable by quarterly instalments of $67,600 ($55,000 U.S.) including principal and interest, until January 1, 2008 ($2,200,000 U.S.)		**2,703**	—
		17,556	13,979
Less instalments due within one year included in current liabilities		**406**	384
		$17,150	$13,595

Principal repayments for the next five years

	1983	1984	1985	1986	1987
			(thousands of dollars)		
5¾% Sinking fund debentures	$ —	$3,089	$ —	$ —	$ —
11¾% Sinking fund debentures	—	302	650	650	650
Obligations under capital leases	173	192	111	11	13
Note, 9%	210	303	332	362	396
Industrial Development Revenue Bonds, 9%	23	32	36	39	43
	$406	$3,918	$1,129	$1,062	$1,102

10. Capital stock

		1982	1981
		(thousands of dollars)	
Authorized			
21,995	Preferred shares without nominal or par value issuable in series		
2,400,000	Class "A" shares without nominal or par value		
800,000	Class "B" shares without nominal or par value		
Issued			
13,995	\$4.25 cumulative redeemable preferred shares	**\$1,399**	\$1,399
1,360,016	Class "A" and		
480,008	Class "B" shares	**7,163**	7,163
		\$8,562	\$8,562

The preferred shares issued are redeemable at \$104 per share and are non-voting unless four quarterly dividends are in arrears. Class "A" shares are non-voting unless the Corporation shall fail, for a period of two consecutive years, to pay any dividend on such shares.

Class "A" shares are entitled to a non-cumulative dividend at the rate of 10 cents per share per annum before payment of any dividend on Class "B" shares. If in any fiscal year dividends at the rate of 5 cents per share per annum are paid on Class "B" shares, any further distribution in respect of that fiscal year shall be made equally, share for share, upon all outstanding Class "A" and Class "B" shares.

11. Commitments

The Corporation's commitments under lease agreements of various terms for premises and equipment (excluding capital leases) aggregate \$3,325,000 at December 31, 1982. The annual rentals in 1983 under these leases will be \$1,335,000.

12. Remuneration of directors and officers

The aggregate remuneration earned by the directors and officers of the Corporation during the year amounted to \$717,000.

Auditors' Report

The Shareholders,
Rolland inc.

We have examined the consolidated balance sheet of Rolland inc. as at December 31, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 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.

Touche Ross & Co.
Chartered Accountants

Montréal, Québec
February 28, 1983.

Ten-Year Comparative Statistics

		1982
Earnings (thousands of dollars)	Net sales	$168,504
	Depreciation and amortization	3,011
	Interest expense	2,000
	Earnings (loss) from operations	(2,036)
	Investment income	79
	Income taxes	(1,044)
	Earnings (loss) before extraordinary items	(913)
	Extraordinary items	—
	Net earnings (loss)	(913)
	Percentage of earnings (loss) from operations to net sales	(1.2)%
	*Return on capital employed	(0.2)%
Distribution of earnings (thousands of dollars)	Dividend on preferred shares	59
	Dividend on class "A" and "B" shares	114
	Retained in the business (deficiency)	(1,086)
Financial position (thousands of dollars)	Capital employed:	
	Working capital	25,508
	Investment in securities	—
	Fixed assets, net	26,763
	Other assets	1,002
		53,273
	Financed by:	
	Long-term debt	17,150
	Deferred income taxes	5,351
	Minority shareholders' interest	—
	Preferred shareholders' equity	1,399
	Class "A" and "B" shareholders' equity	29,373
	Total capitalization	53,273
	Ratio of current assets to current liabilities	2.4:1
	Ratio of long-term debt to shareholders' equity	36/64
	Funds provided by operations	1,036
	Capital expenditures	1,208
Statistics	**Per share:	
	Per class "A" share	
	Earnings (loss) before extraordinary items	(0.52)
	Extraordinary items	—
	Net earnings (loss)	(0.52)
	Dividend	0.075
	Funds provided by operations	0.54
	Book value per class "A" and "B" shares	15.93
	Price range for class "A" shares — high	6.25
	— low	3.60
	Other:	
	Number of shareholders at end of year	1,565
	Average number of employees	1,240

*Return on capital employed = Earnings (loss) before extraordinary items + interest on long-term debt after tax divided by capital employed.

**Earnings (loss) before extraordinary items, net earnings (loss), dividends and funds provided by operations per class "B" share are 5 cents less than per class "A" share except in 1977 when the differential is 2½ cents, and in 1976 when there is no differential.

1981	1980	1979	1978	1977	1976	1975	1974	1973
$177,752	$166,978	$159,998	$129,351	$108,785	$106,591	$ 99,763	$ 83,228	$ 61,130
3,013	2,454	2,238	2,351	1,926	2,005	1,844	1,588	1,534
2,318	1,430	1,650	1,869	2,184	1,751	932	354	402
(1,431)	3,322	9,611	7,086	400	(4,435)	(785)	8,123	4,710
608	590	786	459	423	516	594	947	189
(681)	1,292	4,232	2,786	276	(1,482)	(373)	3,782	2,270
(142)	2,620	6,165	4,759	547	(2,437)	182	5,288	2,629
—	3,311	413	—	(2,467)	—	—	—	64
(142)	5,931	6,578	4,759	(1,920)	(2,437)	182	5,288	2,693
(0.8)%	2.0%	6.0%	5.5%	0.4%	(4.2)%	(0.8)%	9.8%	7.7%
1.3%	6.2%	14.1%	12.3%	3.7%	(3.5)%	1.5%	15.2%	9.0%
59	59	59	59	59	59	59	59	59
1,301	1,301	1,301	804	34	—	1,080	1,099	620
(1,502)	4,571	5,218	3,896	(2,013)	(2,496)	(957)	4,130	2,014
24,525	28,563	25,138	20,151	12,836	11,050	17,297	14,445	11,443
—	—	3,396	3,396	3,396	5,863	5,863	5,863	5,863
25,972	24,907	18,635	19,240	20,697	22,070	19,993	15,434	13,874
1,351	1,755	2,424	3,104	3,448	3,808	3,863	199	265
51,848	55,225	49,593	45,891	40,377	42,791	47,016	35,941	31,445
13,595	15,048	14,959	16,141	16,597	17,308	17,490	6,645	6,662
6,395	6,817	5,845	6,179	4,105	3,795	5,185	4,155	3,772
—	—	—	—	—	—	157	—	—
1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,399
30,459	31,961	27,390	22,172	18,276	20,289	22,785	23,742	19,612
51,848	55,225	49,593	45,891	40,377	42,791	47,016	35,941	31,445
2.2:1	2.9:1	2.5:1	2.4:1	1.7:1	1.7:1	2.1:1	2.8:1	2.7:1
30/70	31/69	34/66	41/59	46/54	44/56	42/58	21/79	24/76
2,273	5,815	8,941	9,710	3,183	(1,979)	3,044	7,259	4,289
4,386	10,474	2,899	1,233	783	4,099	7,720	3,300	1,550
(0.10)	1.40	3.33	2.57	0.27	(1.36)	0.08	2.85	1.41
—	1.80	0.22	—	(1.34)	—	—	—	0.03
(0.10)	3.20	3.55	2.57	(1.07)	(1.36)	0.08	2.85	1.44
0.72	0.72	0.72	0.45	0.025	—	0.60	0.61	0.35
1.22	3.14	4.84	5.26	1.70	(1.11)	1.64	3.93	2.28
16.52	17.34	14.86	12.02	9.90	11.00	12.35	12.87	10.63
10.88	9.38	11.75	9.75	5.38	7.88	8.25	10.00	10.75
5.50	7.50	8.00	4.50	3.55	3.60	5.25	7.00	6.75
1,637	1,622	1,621	1,689	1,760	1,862	1,933	1,991	2,066
1,368	1,380	1,400	1,387	1,383	1,497	1,454	1,404	1,410

Note:
Results of Kruger Fine Paper Wholesale are included from April 1, 1975. The accounts of W.H. Smith Paper Corporation are included in the 1982 Financial Position statistics.

Directors

****Douglas A. Berlis, Q.C.**
A Senior Partner in the law firm
Aird & Berlis, Barristers and
Solicitors — Toronto

***G. Drummond Birks**
President
Henry Birks and Sons Limited
Montréal

****Paul Chapdelaine**
A Company Director
Sainte-Adèle

****Roger H. Charbonneau**
President
Laboratoires Anglo-French Limitée
Montréal

***E. Jacques Courtois, Q.C.**
A Partner in the law firm
Stikeman, Elliott, Tamaki,
Mercier & Robb
Barristers and Solicitors
Montréal

Richard A. Irwin
A Company Director
London, Ontario

Roger Lachapelle
President and Chief Executive Officer
Corby Distilleries Limited
Montréal

***Gérard Plourde, O.C.**
Chairman of the Board, UAP Inc.
Montréal

***Albert Rolland**
Vice-President and Marketing
Consultant
Rolland inc.
Laval

***Lucien G. Rolland**
President and Chief Executive Officer
Rolland inc.
Montréal

Marc Rolland
Retired Executive
Piedmont

Pierre A. Salbaing
Vice-président Directeur général
Air Liquide, Paris (France)

Officers

Lucien G. Rolland
President and Chief Executive Officer

Albert Rolland
Vice-President and Marketing
Consultant

Jean-Louis Chollet
Executive Vice-President,
Fine Papers Division

Adrien Desautels
Vice-President, Finance

Jean R. Dubé
Vice-President, Human Resources and
Industrial Relations

Terry L. Pitchford
Executive Vice-President,
Distribution Division

Alphonse St-Jacques
Vice-President, Special Projects

Marc Léonard
Secretary

Guy Duplessis
Treasurer

Luc O. Désy
Assistant Secretary
and Legal Counsel

*Member of the Executive Committee
**Member of the Audit Committee

Offices, Plants and Products

Fine Papers Division

Sales Offices:

395 Ste-Croix Boulevard
Suite 202
Saint-Laurent, Qué. H4N 2V1

120 Eglinton Avenue East
Toronto, Ont. M4P 1E2

Paper Mills:

455 Rolland Avenue
Saint-Jérôme, Qué. J7Z 5V6

Mont-Rolland, Qué. J0R 1G0

Coating Mill:

2131 Lawrence Avenue East
Scarborough, Ont. M1R 3A2

Products:

High-quality coated and uncoated fine papers from all-rag to sulphite grades, for commercial printing, business papers, business forms, envelopes and specialty papers.

Base papers for decorative laminates used in wall coverings, furniture and kitchen counters.

Distribution Division

Executive Office:

200 Ronson Drive
Suite 314
Rexdale, Ont. M9W 5Z9

Sales Offices and Warehouses:

The Wilson-Munroe Company
200 Queen's Quay East
Toronto, Ont. M5A 1B5

Graphic Papers
60 Coronet Road
Toronto, Ont. M8Z 2M1

Graphic Papers
1228 Innes Road
Ottawa, Ont. K1B 3V3

Graphic Papers
169 Patie Street
Sudbury, Ont. P3A 1N3

Les Papiers Graphiques
10000 Ray Lawson Boulevard
Ville d'Anjou, Qué. H1J 1L8

Les Papiers Graphiques
2800 Dalton Street
Ste-Foy, Qué. G1P 3S4

W.H. Smith Paper Corporation
15 Industrial Park Road
Albany, N.Y. 12206

Products:

An extensive range of fine papers and related products for all segments of the graphic arts industry.

Shareholders' Information

Head Office:
800 Victoria Square, Suite 3620
Montréal, Québec H4Z 1H3
Telephone (514) 866-2953

Transfer Agents
Montreal Trust Company
The Royal Trust Company

Registrars
Canadian Trust Company
The Bankers' Trust Company

Shares Listing
Montreal Stock Exchange
Toronto Stock Exchange

Auditors
Touche Ross & Co.

Valuation Day Prices
Prices on December 22, 1971, for the purpose of Canadian income tax on capital gains, were as follows:

Shares:	
Class "A" shares	\$ 3.10
Class "B" shares	\$ 2.75
Preferred shares \$4.25	\$50.00
Debentures:	
5¾%, due July 2, 1984	\$89.50

Annual Meeting
The Annual General Meeting of Shareholders of Rolland inc. will be held at the Salon Cartier B of the Hyatt Regency Hotel in Montréal, Québec, on May 2, 1983 at 2:30 p.m. The Shareholders of Rolland inc. are invited to attend.

Si vous préférez recevoir votre rapport annuel en français, veuillez écrire au Secrétaire, Rolland inc., 800, Place Victoria, bureau 3620, Montréal (Québec) H4Z 1H3.

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