



Rolland inc. Annual Report 1980



C. Dufour

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The Annual General Meeting of Shareholders will be held at the Head Office of the Corporation, 800 Victoria Square, Suite 3620, Montréal, Québec, at 14:00 hours, April 30, 1981.

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

53rd Annual Report

Highlights

	1980	1979
Net Sales	\$166,978,000	\$159,998,000
Earnings		
Earnings before extraordinary items	2,620,000	6,165,000
Extraordinary items	3,311,000	413,000
Net earnings	5,931,000	6,578,000
Earnings per share		
Class "A"		
Earnings before extraordinary items	1.40	3.33
Extraordinary items	1.80	0.22
Net earnings	3.20	3.55
Class "B"		
Earnings before extraordinary items	1.35	3.28
Extraordinary items	1.80	0.22
Net earnings	3.15	3.50
Dividends on class "A" and "B" shares	1,301,000	1,301,000
Per class "A" share	0.72	0.72
Per class "B" share	0.67	0.67
Funds provided by operations	5,815,000	8,941,000
Per class "A" share	3.14	4.84
Per class "B" share	3.09	4.79
Book value per class "A" and "B" shares	17.34	14.86
Working capital	28,563,000	25,138,000
Long-term debt	15,048,000	14,959,000
Capital expenditures	10,474,000	2,899,000



Rolland inc.

Building for the future

**Rolland inc. manufactures, markets
and distributes fine and specialty
papers.**

**To meet this challenge, the
Corporation relies on an investment
program, high quality products,
and, above all, on imaginative and
competent people.**

**Workers during the modernization
of paper machine No. 8.**





Mr. Lucien G. Rolland, President and Chief Executive Officer.

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
Montréal

****Roger H. Charbonneau**

President
Laboratoires Anglo-French Limitée
Montréal

E. Jacques Courtois, Q.C.

A Partner in the law firm
Courtois, Clarkson, Parsons & Tétrault
Barristers and Solicitors
Montréal

Richard A. Irwin

A Company Director
London, Ontario

***G rard Plourde, O.C.**

Chairman of the Board, UAP Inc.
Montr al

***Albert Rolland**

Vice-President and Marketing
Consultant
Rolland inc.
Laval

***Lucien G. Rolland**

President and Chief Executive Officer
Rolland inc.
Montr al

Marc Rolland

Retired Executive
Saint-J r me

Pierre A. Salbaing

Vice-pr sident Directeur g n ral
Air Liquide, Paris (France)

****Joseph A. Weldon, M.B.E., M.C.**

Vice-President and Financial Consultant
Rolland inc.
Montr al

Officers

Lucien G. Rolland

President and Chief Executive Officer

Joseph A. Weldon

Vice-President and Financial
Consultant

Albert Rolland

Vice-President and Marketing
Consultant

Jean-Louis Chollet

Executive Vice-President,
Fine Papers Division

Adrien Desautels

Vice-President, Finance and Treasurer

Jean R. Dub 

Vice-President, Human Resources and
Industrial Relations

Jean A. Elie

Vice-President, Planning, Secretary
and Legal Counsel

Terry L. Pitchford

Executive Vice-President, Wholesale
Distribution Division

Alphonse St-Jacques

Vice-President, Special Projects

*Member of the Executive Committee

**Member of the Audit Committee

Directors' Report to Shareholders

Sales and Earnings

Consolidated sales amounted to \$167 million, an increase of 4.4% over the previous year. Consolidated net earnings were \$5.9 million, or \$3.20 and \$3.15 per class "A" and class "B" share respectively, as against \$6.6 million in 1979, or \$3.55 per class "A" and \$3.50 per class "B" share.

The earnings include an extraordinary gain in 1980 of \$3.3 million, or \$1.80 per share, arising out of the sale at market price of the Corporation's investment of 375,000 common shares in Consolidated-Bathurst Inc. Results of the previous year also reflected an extraordinary gain of \$413,000, or \$0.22 per share, pertaining to Orchard Decor Canada Limited, a subsidiary which ceased operations in May 1978.

Net earnings before extraordinary gains thus amounted to \$2.6 million, or \$1.40 per class "A" share in 1980 as against \$6.2 million, or \$3.33 per class "A" share in 1979. This decrease is primarily attributable to a deterioration of the Fine Papers Division's profit margin following a dramatic increase in production costs for both coated and uncoated products. Lower earnings in the Wholesale Distribution Division and a loss in the operations pertaining to the manufacture of base papers for decorative laminates contributed further to the lower results.

Economic and Market Conditions

The Canadian economy performed poorly in 1980. Real Gross National Product was down by approximately 0.2% compared with the previous year. The rate of inflation as measured by the G.N.P. deflator stood at 10.6%. Interest rates reached higher levels and peaked at 19% while the value of the Canadian dollar remained in the range of U.S. \$0.83—\$0.86 for most of the year.

Such an environment had a negative effect on the Canadian fine paper market. Consumption in key sectors such as commercial printing and converting papers was somewhat lower than that of the previous year. Only the business paper sector and more particularly the copy market exhibited a good rate of growth. All in all, Canadian fine paper consumption was approximately the same as in 1979. This was a marked departure from the two previous years in which consumption grew by 17% and 7% respectively.

Under such conditions, fine paper distributors were faced with difficult conditions. The flat state of the market encouraged competitive selling practices which had detrimental effects on profits. A one-month strike, which disrupted operations of the Abitibi-Price mills and a much more extensive strike which has shut down the majority of Domtar's fine paper operations since October 24, did not improve the situation and caused supply problems.

Canadian manufacturers also faced a difficult environment. While costs of raw materials and labour were increasing at a very rapid pace, the level of demand and the strong competitive environment which ensued prevented them from offsetting such increases with adequate selling prices. Profitability was thus seriously affected.

In terms of operations, 1980 was also quite demanding as a result of the very uneven pattern of orders by customers. Starting with a relatively strong first quarter, operations then slowed down to return later to full capacity following the pressures created by the Domtar strike. Overall, Canadian fine paper mills have operated at approximately 91% of capacity.

The American fine paper market exhibited a no growth pattern when compared to the previous year. Although the relatively low value of the Canadian dollar vis-à-vis the U.S. currency provides a level of protection, one should not underestimate the impact of American producers on the domestic market. Canadian manufacturers cannot increase their prices over the landed cost of American products in Canada.

The supply problems in Canada together with the available excess capacity in American mills provided a threat and an element of competition to Canadian manufacturers in the course of the year. Nevertheless, imports only increased moderately, standing at 17% of consumption compared to 15.5% in 1979.

This uncertain and very competitive environment had a serious impact on the results of the Fine Papers Division. Despite a decrease in earnings, the Wholesale Distribution Division generated a satisfactory rate of return and became the most important contributor to consolidated net earnings.

Discussing the performance of our paper machines.



Fine Papers Division

This Division is involved in the production and marketing of specialized coated and uncoated fine papers covering the range from all-rag to sulphite papers. They are used by commercial printers, office equipment manufacturers, corporations, governments, quick printing copy centres, business forms processors, envelope manufacturers and organizations specializing in the production of lottery tickets, security and currency papers. It operates three mills located at Scarborough, Ontario, Saint-Jérôme and Mont-Rolland, Québec. The latter also manufactures base papers for decorative laminates used in wall coverings, furniture and kitchen counters.

Despite a difficult environment, this Division maintained its overall position in the traditional fine paper markets. Sales to the commercial printing and business papers markets increased over those of 1979, with the latter registering the highest level of growth.

Both of these markets have been the subject of careful planning and management over the past few years. Several new products were introduced and various marketing strategies were initiated with success. In 1980, our letterhead and business paper lines were enhanced through the addition of Colonial Bond, Cream White, and Rockland Bond, Ivory while a new coated sheet bearing the name Rolland Matte was introduced to the commercial printing and publishing markets.

With respect to broad product categories, shipments of uncoated fine papers remained the same as in 1979 while those of coated products decreased.

All three mills were affected by the uneven pattern of demand at both the distributor and direct consumer levels and by the pressures brought about in the market place by strikes which affected the operations of some Canadian fine paper mills.

The rate of increase in the prices of pulp, labour and other raw materials over the past two years has been staggering. Unfortunately, the level of North American fine paper demand together with the level of prices prevailing from time to time in the United States did not allow your Corporation to increase the price of its products in such a way as to offset these added costs.

New price increases were announced for all our products to take effect during the December 1980—January 1981 period. They will undoubtedly allow the Division to improve its profitability. Substantial investments were undertaken or completed in the course of the year. The most important concerned the modernization of No. 8 paper machine, our largest, in Saint-Jérôme.

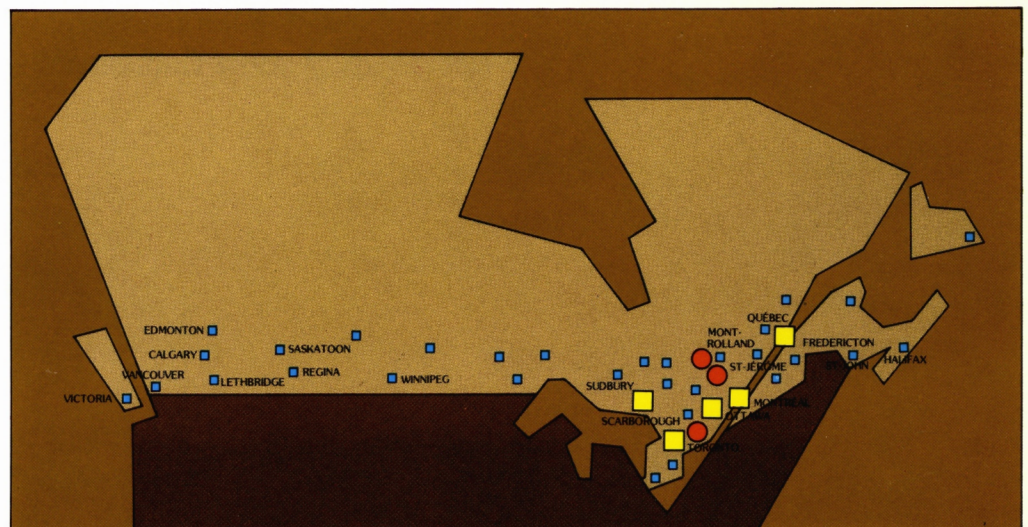
This project involved speeding up the machine from 1,250 feet of paper per minute to 2,000 feet per minute. The higher speed will allow an increase in annual capacity of 14,000 metric tonnes, while improving productivity. Fifty new permanent jobs will be progressively created in the finishing sector.

As manufacturer and distributor of fine and specialty papers, the Corporation is active in several Canadian centres. Products are sold across Canada and the Eastern United States.

● **MILLS:**
Saint-Jérôme and Mont-Rolland, Québec
Scarborough, Ontario

■ **THE CORPORATION'S DISTRIBUTORS:**
Graphic Papers, Toronto and Sudbury
Kruger Fine Paper Wholesale, Montréal,
Québec and Ottawa
The Wilson-Munroe Company,
Montréal and Toronto

■ **OTHER POINTS OF DISTRIBUTION:**
In all important cities across Canada



The program was quite extensive. A new head-box, a pick-up felt, a new press section and additional dryers were installed. Special training programs were also initiated to prepare the production teams.

The schedule called for a six-week shut-down of the machine starting at the end of October. Prior to this period, extensive work had been carried out by our mill personnel. Inventories had also been built up to supply our regular clientele.

Unfortunately, several problems developed and the start-up of the machine was delayed by more than three weeks. This resulted in a loss of production capacity and excess costs which affected fourth quarter earnings. Most of the start-up problems have now been resolved and we are confident that No. 8 paper machine will reach its designed production capacity in the near future. Nevertheless, results of the first quarter of 1981 will also be adversely affected.

Upon completion, the program will have cost more than \$14.0 million, of which \$2.1 million will be reimbursed to the Corporation under the terms of the Canada-Québec Assistance Program for the modernization of the Province's pulp and paper industry.

Other important capital projects included the purchase of a rewinder to handle rolls of 60 inches in diameter, a new electrical drive on our second biggest paper machine and the introduction of a new computerized system for order entry, inventories and backlog.

With respect to base papers for decorative laminates, the results of this relatively new venture show a slight improvement. Operations are now much more efficient and the level of contribution per hour is encouraging. Unfortunately, the gyrations of the economy curtailed the level of orders and thus the volume of production.

As stated in previous reports, the market for these papers is small and difficult to penetrate. Customers are located mainly in the United States and have traditionally been supplied by well-known and reliable American companies. Demand is dependent on the needs of the construction industry and the home-remodelling market.

The unusually high interest rates coupled with the economic uncertainty which prevailed in the United States during most of 1980 severely curtailed residential construction while delaying home improvement projects by consumers at large. From time to time, American laminators reported serious drops in orders and reduced operations. Under such conditions, it was difficult for your Corporation to increase sales, let alone its prices to offset increased costs. Nevertheless, results improved slightly over those of the previous year.

**Wholesale Distribution
Division**

This Division is responsible for the wholesale distribution activities of the Corporation through sales offices and warehouses in Toronto, Montréal, Québec City, Ottawa and Sudbury. It distributes fine papers and related products to the graphic arts industry and to other fine paper consumers.

Suppliers include your Corporation's Fine Papers Division and other fine paper manufacturers. Operations are carried out under the trade names of Graphic Papers, The Wilson-Munroe Company and Kruger Fine Paper Wholesale.

The Division was previously incorporated as a separate legal entity bearing the name Fine Papers, Limited. During the second quarter, a corporate reorganization took place whereby its operations were transferred to those of the parent corporation. This change was made to simplify our corporate structure. It resulted in reduced operating costs and greater management flexibility. The Division, nevertheless, operates as a distinct profit centre.

Results for the current year were affected by the lack of growth in demand and the strong competition which prevailed. Sales revenues were virtually the same as in 1979 while gross margins improved following an effort to increase warehouse sales. Higher operating costs, however, reduced earnings. This was especially true of most of our Québec units which faced particularly difficult market and competitive conditions.

Despite such difficulties, the Division continued its program to concentrate on certain end-use markets and strengthen its marketing teams. Accordingly, certain units were reorganized and some departments restructured.

Particular attention was paid to the preparation of new warehousing and office facilities for the Montréal unit of Kruger Fine Paper Wholesale. Built in Ville d'Anjou, in the North of the Island of Montréal, the new facilities will provide more than 52,000 square feet of modern warehouse and office premises. Completion is scheduled for March 1981.

Human Resources and Industrial Relations

The Canadian Pulp and Paper Union was accredited to represent the hourly-paid employees of the Scarborough mill. Local 1284 of the same union had been representing the office personnel for some time. Negotiations for the renewal of both collective agreements are under way.

Labour contracts governing hourly, office and salaried employees at the Saint-Jérôme and Mont-Rolland mills expire on April 30, 1981. We expect to undertake negotiations in March.

Negotiations with warehouse employees at Kruger Fine Paper Wholesale, Montréal, were concluded and a 3-year agreement signed early in 1981.

Efforts to foster safety in the work environment and to prevent accidents throughout our mills and distribution units yielded encouraging results.

In the course of the year, Mr. Mario Gauthier was appointed General Manager of The Wilson-Munroe Company in Montréal, succeeding Mr. Jacques Sarrazin, who died accidentally. Prior to his appointment, Mr. Gauthier had been General Sales Manager of Kruger Fine Paper Wholesale in Montréal.

In May, Mr. Serge Bragdon was appointed Corporate Controller.

Dividends

Despite the decrease in earnings from operations, your Directors maintained dividends at the level established in 1979. Accordingly, \$0.72 per class "A" and \$0.67 per class "B" share were paid out during the year.

The regular quarterly dividend of \$1.06¼ on preferred shares was maintained throughout the year.

Total dividend disbursements for 1980 amounted to \$1,360,296.

Board of Directors

In August, the Honourable John B. Aird tendered his resignation as a member of the Board following his appointment as Lieutenant-Governor of Ontario. He had been a director of the Corporation for ten years. His broad perspective and his contribution will be missed by his colleagues.

On October 27, Mr. Douglas A. Berlis was named to fill the vacancy created by Mr. Aird's departure. Mr. Berlis, who is a senior partner in the well-known Toronto law firm of Aird & Berlis, is also a director of several other Canadian corporations.

On November 18, Mr. Roger Ashby, Executive Vice-President and Chief Operating Officer, resigned as a member of the Board and as an Officer of the Corporation.

Outlook on 1981

The Real Gross National Product is expected to grow by approximately 1% in 1981. Inflation, as measured by the G.N.P. deflator, is expected to be in excess of 10%. Interest rates should remain at high levels.

Provincial economies will follow a similar pattern of very mild recovery. Ontario and Québec's Net Provincial Product are projected to grow at a rate of 0.4% and 0.9% as against a decrease of approximately 1% and 0.1% respectively in 1980.

In such an environment, Canadian fine paper consumption should grow by no more than 1%. It is anticipated that Canadian mills will operate at approximately 90% of capacity. Imports will probably remain at approximately the same level.

Planning a marketing campaign in the Wholesale Distribution Division.



As in 1980, strong competition is expected to continue among distributors wishing to maintain their market share. Your Corporation's Wholesale Distribution Division should achieve a fair return and continue its contribution to corporate earnings.

The performance of the Fine Papers Division is expected to improve over that of 1980. A reasonable level of demand for both its coated and uncoated products together with its penetration of such markets as copy and duplicating and commercial printing should allow its production facilities to reach 90% of capacity. Should present strikes continue into the spring, the continued loss of industry production capacity would require our mills to operate at full capacity.

With respect to base papers for decorative laminates, most analysts believe that the indicators for construction-related products are poor and likely to remain so through the second quarter of 1981.

The value of the Canadian dollar on the international money markets should not change markedly from the levels of 1980. Accordingly, this should provide both an incentive for exports of certain products and a stabilizing effect against imports.

Other factors which will also affect earnings in the Fine Papers Division during the first quarter are the delay in the completion of the No. 8 paper machine's modernization program and the high level of pulp prices.

The comments which appeared in our last annual report on the subject of pulp prices still apply. Although analysts do not foresee a recurring series of strong price increase during the year, one cannot ignore the fact that the relatively static demand for fine paper products and the continuous threat of American-made fine paper products do not allow Canadian producers to easily pass on pulp price increases to their customers. The sensitivity of their margins are evidenced by the results of 1980.

Acknowledgments

The erratic demand situation and the strain brought about by our construction projects in both Divisions provided the organization with interesting and difficult challenges. Your Directors wish to thank all employees for their tireless efforts and their dedication. They also wish to express their appreciation to customers, distributors and suppliers for their understanding, support and cooperation.

On behalf of the Board,

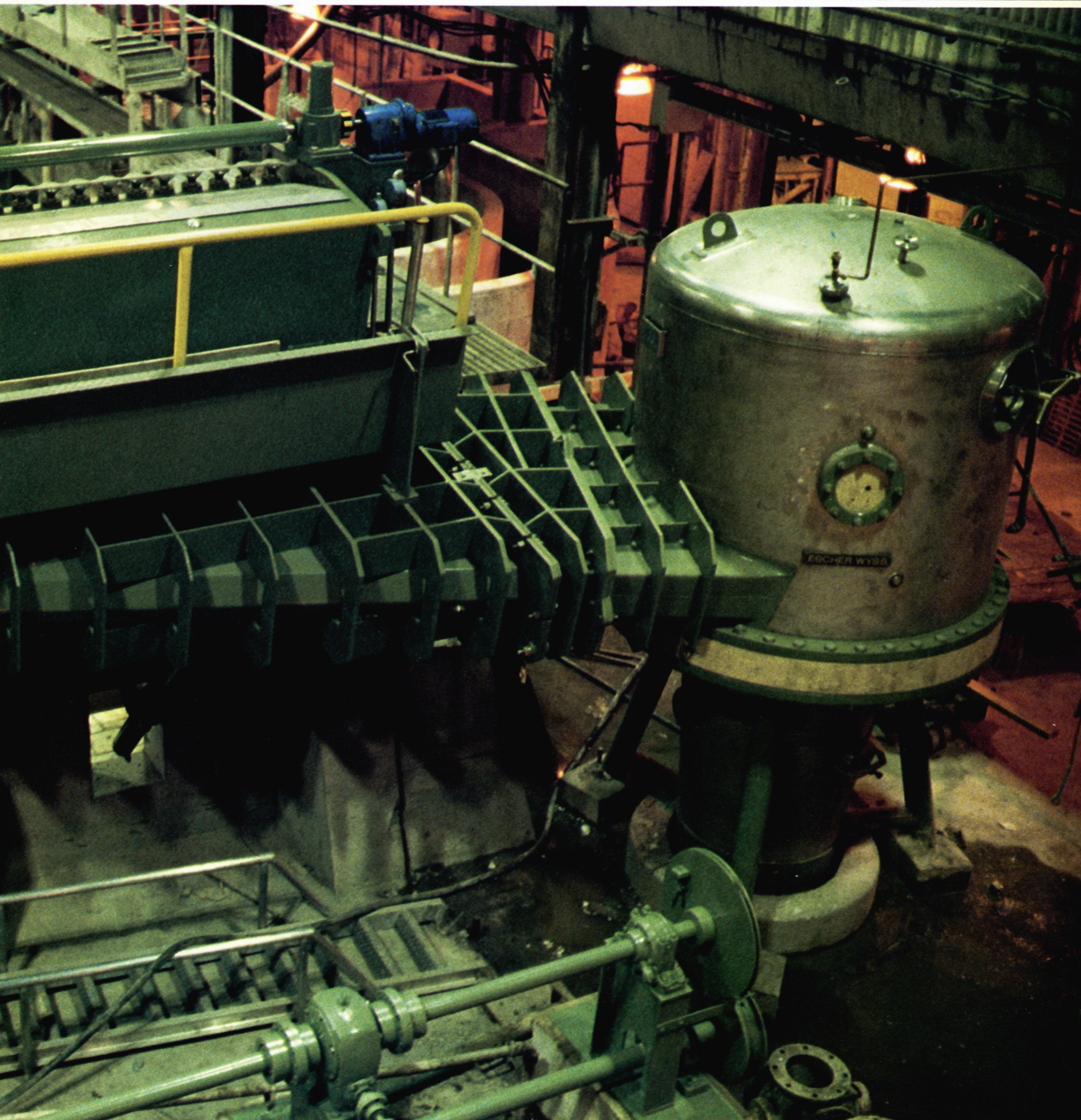


Lucien G. Rolland
President and Chief Executive Officer

Montréal, February 20, 1981

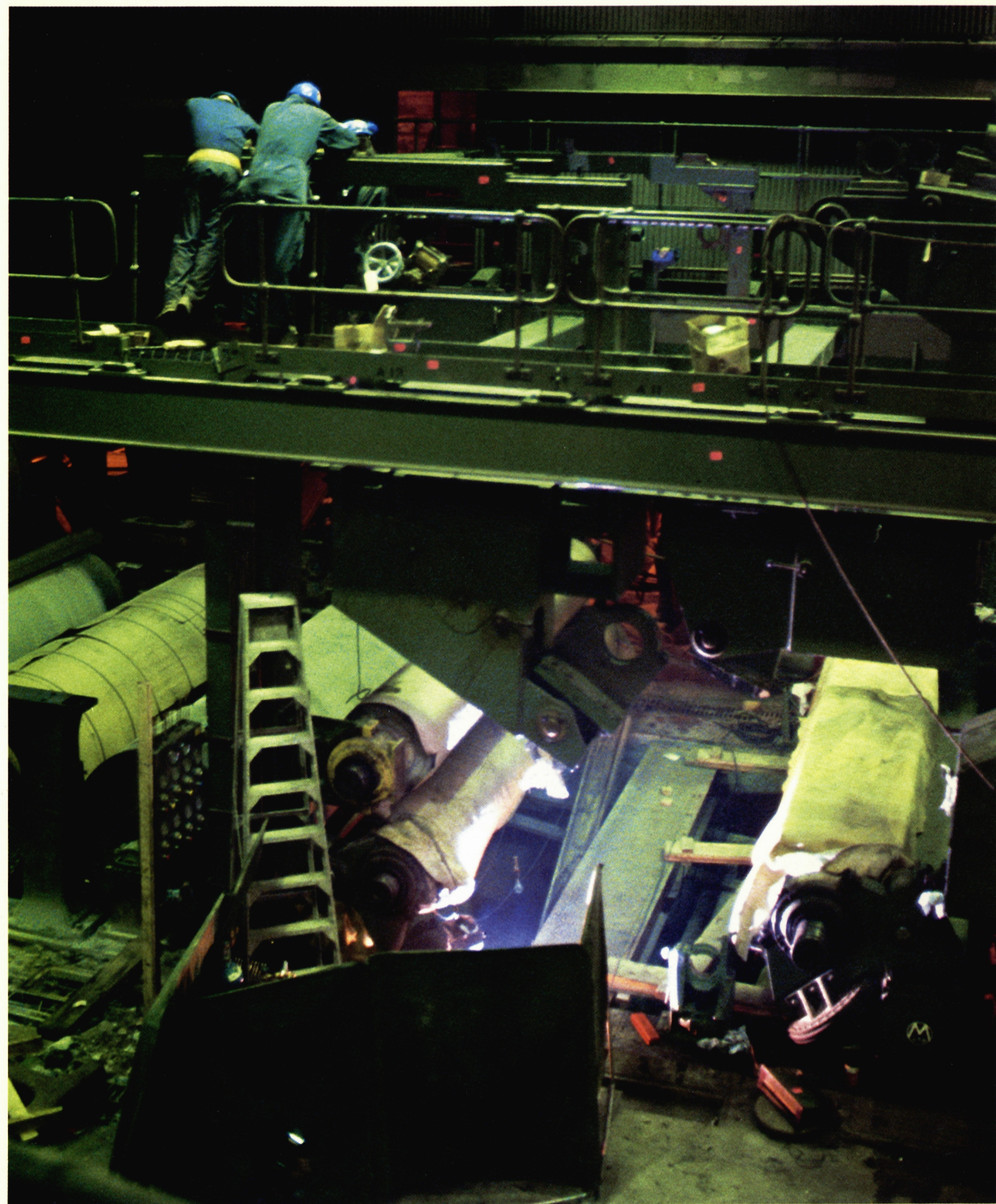
Building for the future

This report outlines
Rolland's efforts in 1980
to meet this challenge.



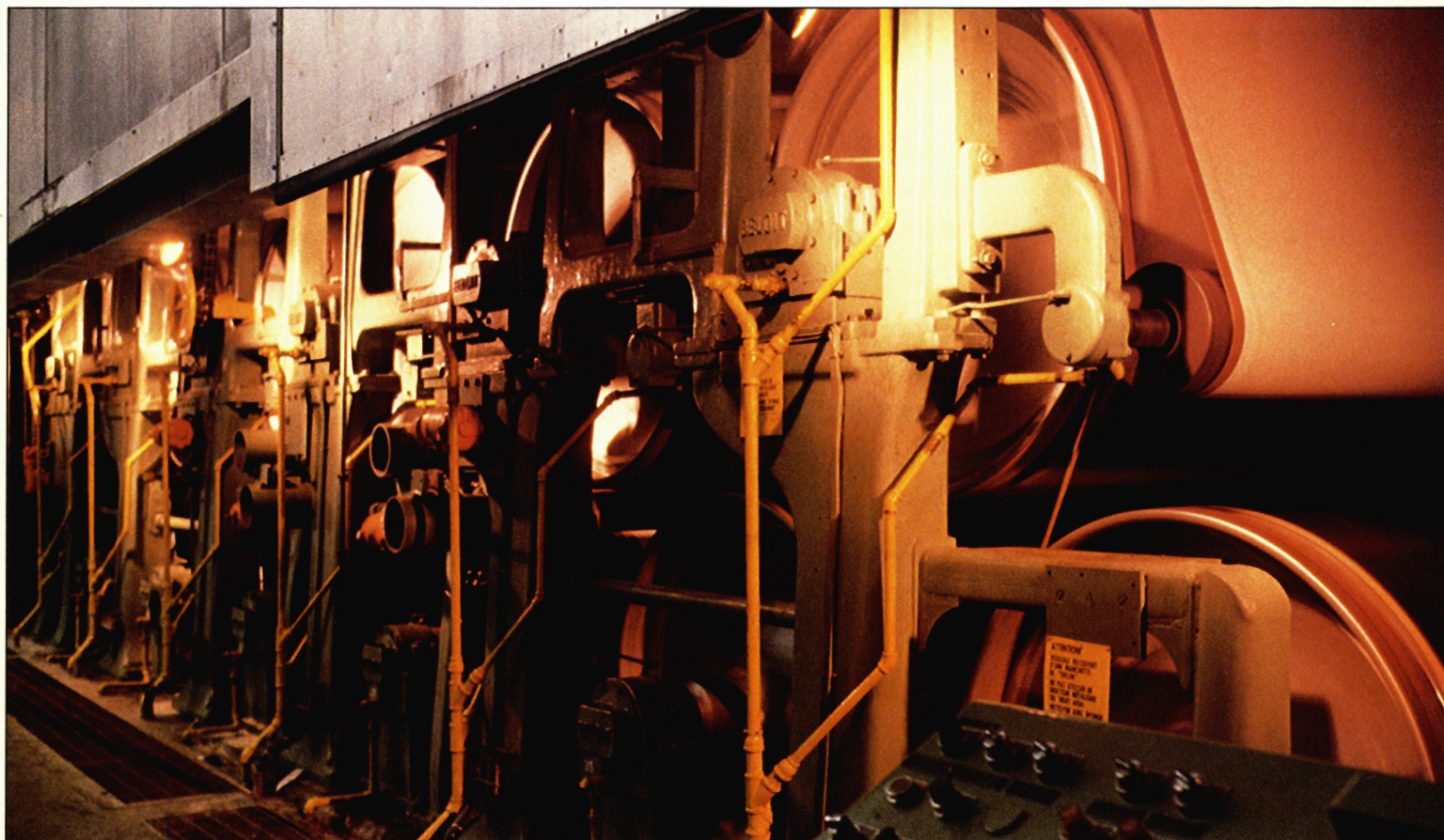


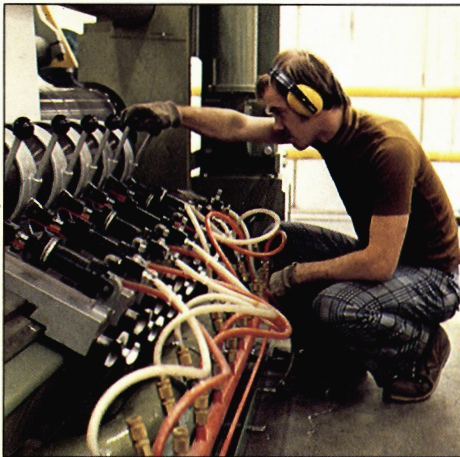
To meet the long-term demand for fine papers and related products, Rolland spent more than \$10 million in 1980 — an increase of about 260% over 1979 — most of which was allocated to the modernization of our largest paper machine — No. 8 — at our mill located in Saint-Jérôme, Québec.



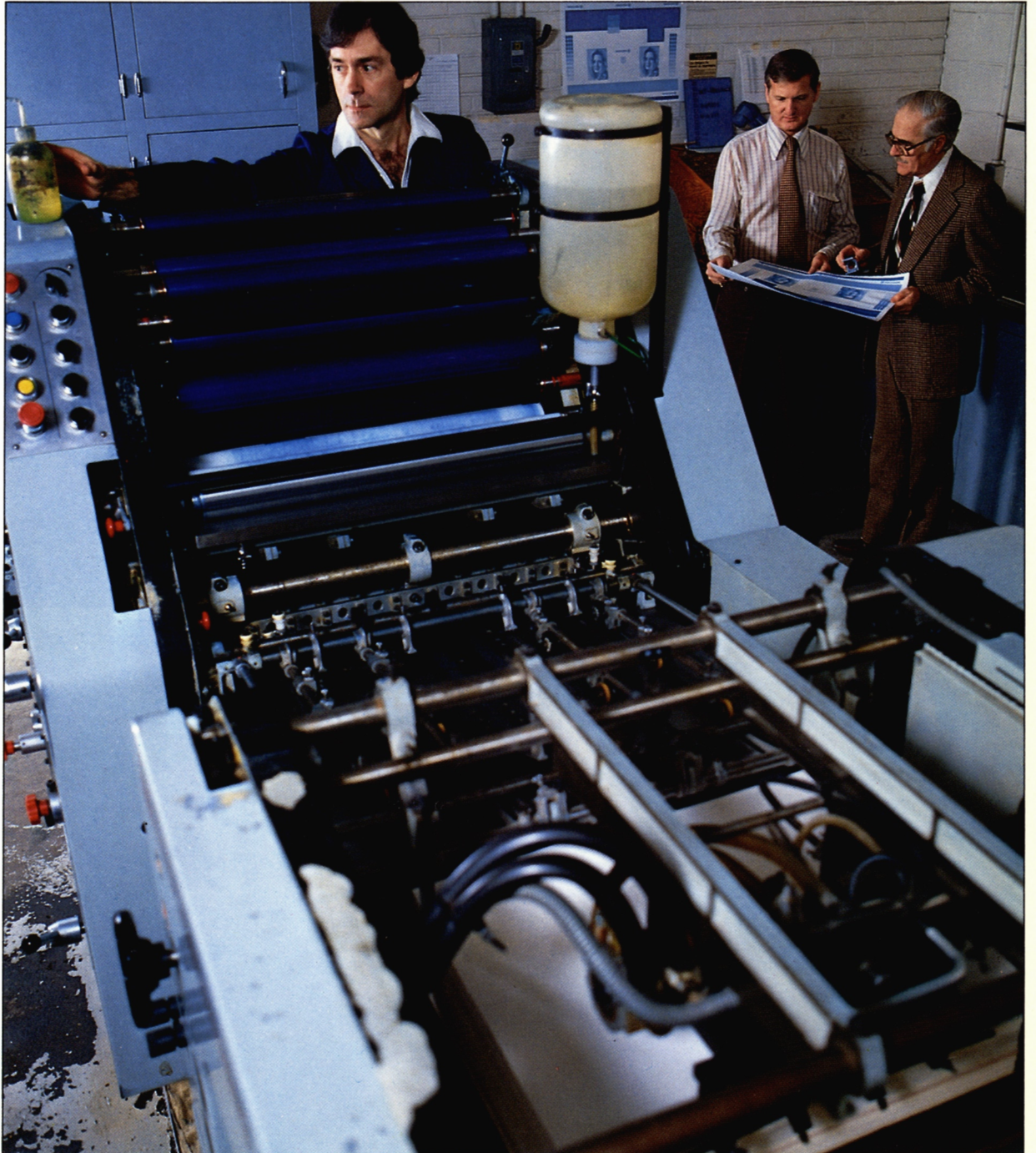


Upon completion, the modernization program pertaining to the No. 8 paper machine will have cost more than \$14 million. It is an extensive project which involves the revamping of the machine and the installation of several new pieces of equipment. The result: 14,000 additional metric tonnes of production capacity per year, improved productivity, additional employment and a firmer basis to satisfy our customers' needs.





Over the years, Rolland has been recognized as one of Canada's prime suppliers to the commercial printing, converting and business papers sectors. It owes its strong position in the market place to its people and their efforts to market a high quality and dependable product. Finishing and quality control are a prime concern of the organization and the object of constant improvements.

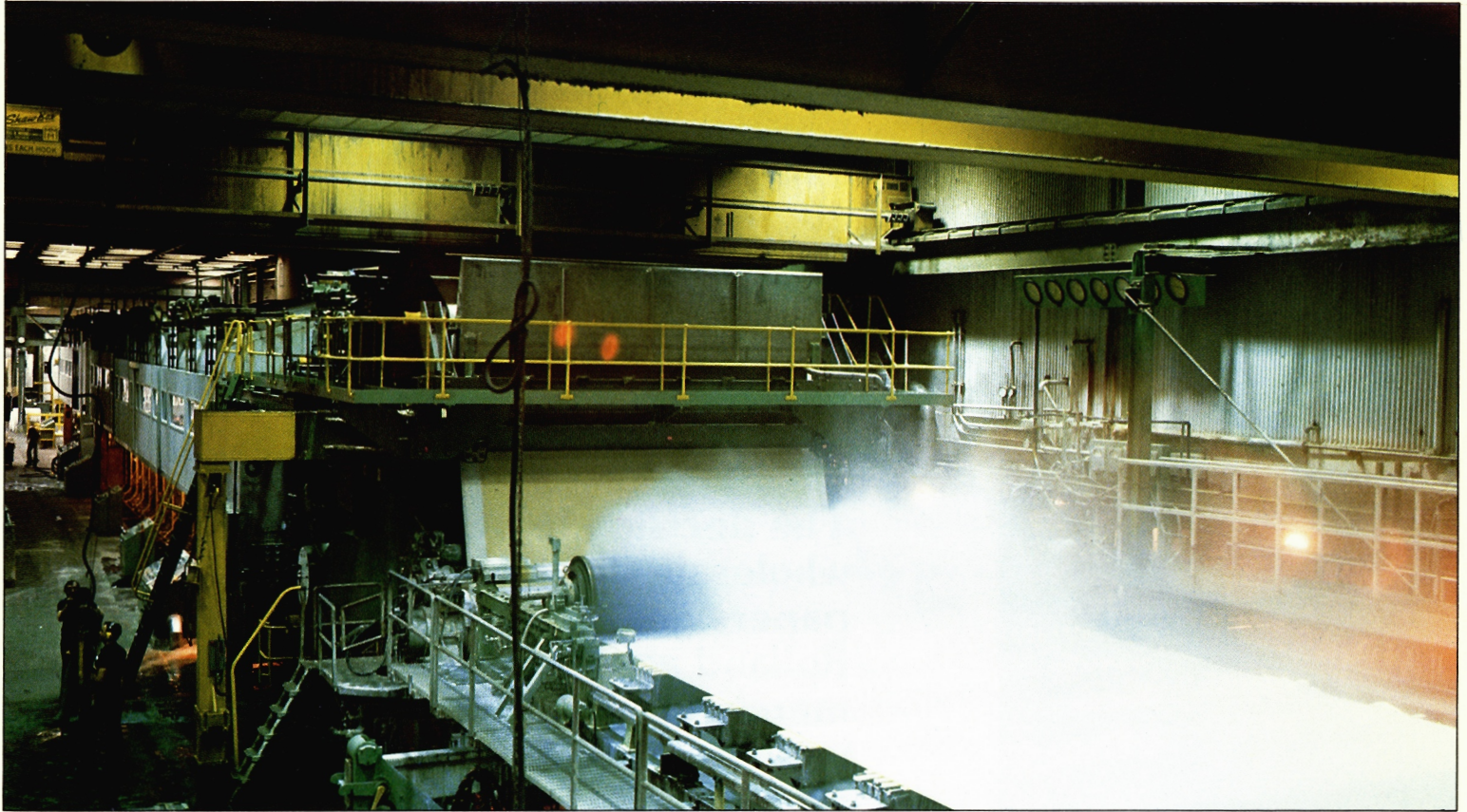






The decision to diversify in the wholesale distribution of fine papers goes back to 1970 when Rolland acquired its first paper merchant. Since then, this new venture has expanded and the Corporation now has a network of distribution units operating in Toronto, Montréal, Québec City, Ottawa and Sudbury. This growth requires a continuous program of investment in people, marketing programs and distribution facilities. During 1980, Rolland undertook the construction of a new distribution centre in Montréal for one of its paper merchants, Kruger Fine Paper Wholesale.





As a supplier of coated and uncoated fine papers and of such specialty products as base papers for decorative laminates to the Canadian and American markets, Rolland can rely on skilled and experienced individuals backed by modern and up-to-date physical facilities which are the object of continuous investment.

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Financial results for 1980 showed a decline from the record level achieved in 1979. Earnings before extraordinary items amounted to \$2,620,000 compared to \$6,165,000 in the previous year. An extraordinary gain of \$3,311,000 brought 1980 net earnings to \$5,931,000. Net earnings of \$6,578,000 in 1979 included an extraordinary gain of \$413,000.

Consolidated net sales for the year reached \$167 million, an increase of 4.4% over 1979. However, the level of shipments declined slightly reflecting a weakening of demand, particularly in the last half of the year, and the loss of production capacity related to the shut-down of No. 8 paper machine during the last two months of the year.

The erosion in profit margins which took place during 1979 in the manufacturing operations continued in 1980. Strong increases in the cost of raw materials, energy and labour could only be partially offset by increases in the price of our products. Consolidated selling, administrative and financial expenses, on the other hand, showed an increase of only 4.4% over 1979. Operating profit before income taxes decreased to 2% of net sales from 6% in the previous year.

Income taxes applicable to earnings before extraordinary items amounted to \$1,292,000 including an amount of \$551,000 in current income taxes with the balance of \$741,000 added to deferred income taxes. The effective tax rate for the past year was 33% compared to 40.7% in 1979.

The extraordinary gain of \$3,311,000 was realized on the sale of the Corporation's investment in the shares of Consolidated-Bathurst Inc. An extraordinary loss of \$2,467,000 had been recorded in 1977 in recognition of the reduction in the average market value of this investment since its acquisition.

Working capital increased by \$3,425,000 during the year and reached \$28,563,000 at December 31, 1980. The ratio of current assets to current liabilities was 2.9:1 compared to 2.5:1 at the end of the previous year. Non-cash components of working capital at December 31, 1980 required additional funds of \$404,000 compared to the previous year end. Inventory levels were lower than normal at the end of 1980 as a result of the prolonged shut-down of No. 8 paper machine, and cash and short-term investments net

of bank indebtedness showed an increase of \$3,021,000. Funds generated by operations reflected the decline in earnings in 1980 and amounted to \$5,815,000, or \$3.14 per class "A" share, compared with \$8,941,000, or \$4.84 per class "A" share in the previous year. Proceeds from the sale of the investment in Consolidated-Bathurst Inc. shares contributed an additional amount of \$6,938,000 to working capital and permitted an increase during 1980 despite higher capital expenditures.

The modernization of No. 8 paper machine at the Saint-Jérôme mill brought a significant increase in the level of capital expenditures which reached \$10,474,000 compared with \$2,899,000 in 1979. Government grants of \$1,920,000 relating to this modernization were recorded as a reduction of fixed assets during the year. During the last quarter, work was started on the construction of a new distribution centre for Kruger Fine Paper Wholesale in Montréal. The new warehouse and offices will require a total investment of approximately \$1.9 million and occupancy is expected to take place during March 1981. Capital expenditures are expected to reach approximately \$3.5 million in 1981.

Long-term debt showed a slight increase of \$89,000 and amounted to \$15,048,000 at December 31, 1980. Additions to long-term debt during the year include a mortgage of \$210,000 for the purchase of land and obligations of \$613,000 under capital leases for the purchase of equipment. Redemption and cancellation of debentures for sinking fund purposes amounted to \$528,000. The ratio of long-term debt to shareholders' equity was 31/69 at the end of 1980 compared to 34/66 at December 31, 1979.

Capital employed at the end of 1980 was \$55,225,000 while shareholders' equity reached \$33,360,000. Earnings before extraordinary items plus interest after tax amounted to \$3,422,000 and provided a return of 6.2% on capital employed compared to 14.2% in 1979. Earnings before extraordinary items represented 7.9% of shareholders' equity as against 21.4% in the previous year.

Book value per class "A" and "B" shares was \$17.34 at December 31, 1980 up from \$14.86 at the end of 1979. The market price for the Corporation's shares on the Canadian stock exchanges fluctuated from \$9.38 to \$7.50 for the class "A" shares and from \$11.13 to \$10.00 for the class "B" shares.

Financial Statements 1980

Consolidated statement of earnings

Year ended December 31, 1980

	1980	1979
	(in thousands of dollars)	
Net sales	\$166,978	\$159,998
Cost of goods sold	146,726	134,102
Gross profit	20,252	25,896
Selling and administrative expenses	13,790	12,934
Depreciation and amortization	2,454	2,238
Interest (Note 3)	1,430	1,650
Other income	(744)	(538)
	16,930	16,284
Operating profit	3,322	9,612
Investment income	590	785
Earnings before income taxes and extraordinary items	3,912	10,397
Income taxes (Note 4)	1,292	4,232
Earnings before extraordinary items	2,620	6,165
Extraordinary items (Note 5)	3,311	413
Net earnings	\$ 5,931	\$ 6,578
Earnings per share		
Class "A" shares		
Before extraordinary items	\$ 1.40	\$ 3.33
After extraordinary items	3.20	3.55
Class "B" shares		
Before extraordinary items	\$ 1.35	\$ 3.28
After extraordinary items	3.15	3.50

Consolidated statement of retained earnings

Year ended December 31, 1980

	1980	1979
	(in thousands of dollars)	
Retained earnings at beginning of year	\$20,227	\$15,009
Net earnings for the year	5,931	6,578
	26,158	21,587
Dividends		
Preferred shares	59	59
Class "A" shares	979	979
Class "B" shares	322	322
	1,360	1,360
Retained earnings at end of year	\$24,798	\$20,227

Consolidated balance sheet

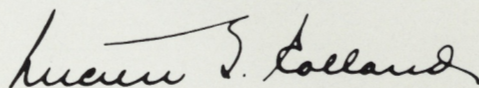
At December 31, 1980

Assets

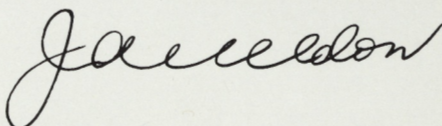
	1980	1979
	(in thousands of dollars)	
Current assets		
Cash and short-term investments	\$ 5,025	\$ 3,919
Accounts receivable	17,240	16,104
Grants receivable (Note 6)	2,233	133
Inventories (Note 7)	18,862	21,518
Prepaid expenses	300	379
	43,660	42,053
Investment (Note 5)	—	3,396
Grants receivable (Note 6)	416	861
Fixed assets (Note 8)	24,907	18,635
Intangible assets		
Excess of consideration over value of assets acquired (Note 9)	1,125	1,325
Unamortized debenture issue expense	214	238
	\$70,322	\$66,508

On behalf of the Board:

Lucien G. Rolland, Director



Joseph A. Weldon, Director



Liabilities and Shareholders' equity

	1980	1979
	(in thousands of dollars)	
Current liabilities		
Bank indebtedness	\$ 819	\$ 2,734
Accounts payable and accrued liabilities	14,121	11,516
Income taxes payable	30	2,635
Long-term debt due within one year	127	30
	15,097	16,915
Long-term debt (Note 10)	15,048	14,959
Deferred income taxes	6,817	5,845
Shareholders' equity		
Capital stock (Note 11)	8,562	8,562
Retained earnings	24,798	20,227
	33,360	28,789
	\$70,322	\$66,508

Consolidated statement of changes in financial position

Year ended December 31, 1980

	1980	1979
	(in thousands of dollars)	
Source of working capital		
Operations		
Earnings before extraordinary items	\$ 2,620	\$ 6,165
Depreciation and amortization	2,454	2,238
Write-down of construction in progress	—	400
Deferred income taxes	741	138
	5,815	8,941
Increase in long-term debt	823	171
Grants receivable	2,404	453
Proceeds from disposal of fixed assets, less gain included in earnings	13	15
Extraordinary items		
Proceeds from disposal of investment (Note 5)	6,938	—
Reduction of income taxes payable	—	673
Proceeds from disposal of fixed assets	—	346
	15,993	10,599
Application of working capital		
Additions to fixed assets	10,474	2,899
Reduction of long-term debt	734	1,353
Dividends	1,360	1,360
	12,568	5,612
Increase in working capital	3,425	4,987
Working capital at beginning of year	25,138	20,151
Working capital at end of year	\$28,563	\$25,138

Changes in components of working capital

Year ended December 31, 1980

	1980	1979
	(in thousands of dollars)	
Changes in non-cash components of working capital		
Accounts receivable	\$1,136	\$2,538
Grants receivable	2,100	(38)
Inventories	(2,656)	4,919
Prepaid expenses	(79)	7
Accounts payable and accrued liabilities	(2,605)	297
Income taxes payable	2,605	(2,024)
Long-term debt due within one year	(97)	107
Increase in non-cash components of working capital	404	5,806
Increase in cash and short-term investments	1,106	268
(Increase) decrease in bank indebtedness	1,915	(1,087)
Increase in working capital	\$3,425	\$4,987

Notes to consolidated financial statements

December 31, 1980

1. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the results of operations of the Corporation and its subsidiaries up to May 31, 1980 and the results of operations of Rolland inc. since June 1, 1980 following a corporate reorganization (Note 2).

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 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 lives 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 capitalized leased assets has been calculated at the same rate as depreciation on similar assets owned by the Corporation.

Intangibles

Excess of consideration 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.

Income taxes

Income taxes are based on accounting income which differs in some respects from taxable income. Differences generally arise because items of income and expense, such as depreciation, are reflected in different time periods for accounting purposes and for tax purposes. Deferred income taxes represent the amount by which taxes on accounting income exceed taxes paid or payable on taxable income. The investment tax credits relating to capital expenditures are accounted for as a reduction of income tax expense in the year realized.

Pension plans

The Corporation and its subsidiaries have contributory, trustee pension plans. The cost of the current service portion is charged to income as incurred. Any unfunded liability for prior years' services is charged to income as it is funded over a maximum period of 15 years.

Net earnings

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

2. Corporate reorganization

Following the winding-up of the operations of The Wilson-Munroe Company Limited and Fine Papers, Limited on May 30 and May 31, 1980 respectively, in accordance with Section 88 of The Canadian Income Tax Act, all assets and liabilities of these companies were transferred to the parent company, Rolland inc. The assets were transferred at their net book value, therefore there was no gain or loss realized on this transaction.

Since then, the operations of these companies have been continued by the Wholesale Distribution Division of Rolland inc. It is expected that both companies will be dissolved in 1981.

3. Interest	1980	1979
	(in thousands of dollars)	
Interest on long-term debt	\$1,514	\$1,557
Other interest	173	93
	1,687	1,650
Less interest capitalized	257	—
	\$1,430	\$1,650

4. Income taxes	1980	1979
	(in thousands of dollars)	
Current income taxes	\$ 551	\$4,094
Deferred income taxes	741	138
	\$1,292	\$4,232

5. Extraordinary items

During 1980, the Corporation sold its investment in Consolidated-Bathurst Inc. consisting of 375,000 shares. This transaction resulted in an extraordinary gain of \$3,311,000 after income taxes of \$231,000.

6. Grants receivable

An incentive grant of \$2,091,000 relating to the modernization of No. 8 Paper Machine has been authorized under the terms of an agreement between the governments of Canada and Québec for the modernization of the pulp and paper industry of the Province of Québec. During 1980, an amount of \$1,920,000 was recorded as a reduction of fixed assets in respect to the above grant.

To date, the Corporation has adhered to the terms of the agreements relating to grants authorized.

7. Inventories	1980	1979
	(in thousands of dollars)	
Raw materials and operating supplies	\$ 4,433	\$ 4,406
Repair parts and maintenance materials	1,454	1,157
Finished paper and paper in process	12,975	15,955
	\$18,862	\$21,518

8. Fixed assets

	Cost	Accumulated Depreciation	Net 1980	Net 1979
			(in thousands of dollars)	
Land	\$ 751	\$ —	\$ 751	\$ 405
Buildings	8,689	4,754	3,935	3,386
Leasehold improvements	475	427	48	66
Machinery and equipment	46,043	27,282	18,761	10,751
Construction in progress	832	—	832	3,878
Capitalized leased assets	859	279	580	149
	\$57,649	\$32,742	\$24,907	\$18,635
	8872	2650		

9. Excess of consideration
over value of
assets acquired

	1980	1979
	(in thousands of dollars)	
Excess arising from the purchase of the assets of the Wholesale Distribution Division of Kruger Pulp and Paper Limited	\$ 2,000	\$ 2,000
Accumulated amortization	875	675
	\$ 1,125	\$ 1,325

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10. Long-term debt

		1980	1979			
		(in thousands of dollars)				
Sinking fund debentures, Series "A" 5¾% due July 2, 1984	\$ 7,500					
Deduct debentures redeemed and cancelled including \$503,000 in anticipation of future sinking fund requirements	3,403	\$ 4,097	\$ 4,391			
Sinking fund debentures, Series "B" 11¾% due July 2, 1995	12,000					
Deduct debentures redeemed and cancelled including \$387,000 in anticipation of future sinking fund requirements	1,837	10,163	10,397			
		14,260	14,788			
Mortgage, 10%, due September 8, 1982		210	—			
Obligations, capital leases		705	201			
		15,175	14,989			
Deduct instalments due within one year included in current liabilities		127	30			
		\$15,048	\$14,959			
Principal repayments for the next five years						
		1981	1982	1983	1984	1985
		(in thousands of dollars)				
5¾% Sinking fund debentures	\$ —	\$ 497	\$ 500	\$3,100	\$ —	\$ —
11¾% Sinking fund debentures	—	263	325	325	650	—
Mortgage, 10%	—	210	—	—	—	—
Obligations, capital leases	127	139	157	175	107	—
	\$ 127	\$1,109	\$ 982	\$3,600	\$ 757	\$ —

11. Capital Stock

1980 1979

(in thousands of dollars)

		1980	1979
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.

12. Commitments

The Corporation's commitments under lease agreements of various terms for premises and equipment (excluding capital leases) aggregate \$2,450,000 at December 31, 1980. The annual rentals in 1981 under these leases will be \$786,000. At December 31, 1980, commitments for capital expenditures through orders and contracts amounted to approximately \$710,000.

13. Remuneration of Directors and Officers

The aggregate remuneration earned by the Directors and Officers of the Corporation during the year amounted to \$723,800.

14. Comparative figures

Comparative figures have been reclassified to conform with the method of presentation adopted in 1980.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Rolland inc. as at December 31, 1980 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, 1980 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 20, 1981

1979	1978	1977	1976	1975	1974	1973	1972	1971
\$159,998	\$129,351	\$108,785	\$106,591	\$99,763	\$83,228	\$61,130	\$46,437	\$41,555
2,038	2,151	1,760	1,839	1,702	1,522	1,534	1,313	1,292
1,650	1,869	2,184	1,751	932	354	402	436	459
10,222	7,464	739	(4,160)	(310)	8,855	4,899	2,483	270
4,281	2,835	300	(1,458)	(353)	3,782	2,270	1,094	120
—	—	—	(157)	(11)	—	—	—	—
5,941	4,629	439	(2,545)	54	5,073	2,629	1,389	150
375	281	250	250	250	281	—	—	—
(151)	(151)	(142)	(142)	(122)	(66)	—	—	—
6,165	4,759	547	(2,437)	182	5,288	2,629	1,389	150
413	—	(2,467)	—	—	—	64	—	—
6,578	4,759	(1,920)	(2,437)	182	5,288	2,693	1,389	150
8,941	9,710	3,183	(1,979)	3,044	7,259	4,239	2,555	1,089
3.7%	3.6%	0.4%	(2.4%)	0.1%	6.1%	4.3%	3.0%	0.4%
14.2%	12.7%	4.4%	(3.4%)	1.5%	15.3%	9.1%	5.4%	1.3%
\$ 59	\$ 59	\$ 59	\$ 59	\$ 59	\$ 59	\$ 59	\$ 60	\$ 60
1,301	804	34	—	1,080	1,099	620	160	—
5,218	3,896	(2,013)	(2,496)	(957)	4,130	2,014	1,169	90
\$ 3.33	\$ 2.57	\$ 0.27	\$ (1.36)	\$ 0.08	\$ 2.85	\$ 1.41	\$ 0.73	\$ 0.05
0.22	—	(1.34)	—	—	—	0.03	—	—
3.55	2.57	(1.07)	(1.36)	0.08	2.85	1.44	0.73	0.05
0.72	0.45	0.02½	—	0.60	0.61	0.35	0.10	—
4.84	5.26	1.70	(1.11)	1.64	3.93	2.28	1.37	0.56
14.86	12.02	9.90	11.00	12.35	12.87	10.63	9.53	8.90
11.75	9.75	5.38	7.88	8.25	10.00	10.75	7.88	4.50
8.00	4.50	3.55	3.60	5.25	7.00	6.75	3.10	2.30
\$ 25,138	\$ 20,151	\$ 12,836	\$ 11,050	\$17,297	\$14,445	\$11,443	\$ 9,649	\$ 8,385
3,396	3,396	3,396	5,863	5,863	5,863	5,863	5,863	5,863
18,635	19,240	20,697	22,070	19,993	15,434	13,874	14,008	14,758
2,424	3,104	3,448	3,808	3,863	199	265	589	589
49,593	45,891	40,377	42,791	47,016	35,941	31,445	30,109	29,595
\$ 14,959	\$ 16,141	\$ 16,597	\$ 17,308	\$17,490	\$ 6,645	\$ 6,662	\$ 7,393	\$ 7,901
5,845	6,179	4,105	3,795	5,185	4,155	3,772	3,696	3,842
—	—	—	—	157	—	—	—	—
1,399	1,399	1,399	1,399	1,399	1,399	1,399	1,422	1,422
27,390	22,172	18,276	20,289	22,785	23,742	19,612	17,598	16,430
49,593	45,891	40,377	42,791	47,016	35,941	31,445	30,109	29,595
2.5:1	2.4:1	1.7:1	1.7:1	2.1:1	2.8:1	2.7:1	2.9:1	3.1:1
\$ 2,899	\$ 1,233	\$ 783	\$ 4,099	\$ 7,720	\$ 3,300	\$ 1,550	\$ 636	\$ 297
1,621	1,689	1,760	1,862	1,933	1,991	2,066	2,256	2,320
1,400	1,387	1,383	1,497	1,454	1,404	1,410	1,294	1,285

Note:

Results of Fine Papers, Limited and of The Wilson-Munroe Company Limited are included from January 1, 1971, and results of Kruger Fine Paper Wholesale from April 1, 1975.

The cover is printed on
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Rolland inc.

Manufacturer and Wholesale
Distributor of fine papers

Head Office:

800 Victoria Square, Suite 3620
Montréal, Québec H4Z 1H3

Fine Papers Division

Sales Offices:

Montréal, Québec, Toronto, Ottawa

Paper Mills:

Saint-Jérôme and Mont-Rolland, Québec
Scarborough, Ontario

Wholesale Distribution Division

Distribution Centres:

Graphic Papers — Toronto, Sudbury
Kruger Fine Paper Wholesale — Montréal, Québec,
Ottawa
The Wilson-Munroe Company — Montréal,
Toronto

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Shares Listing

Montreal Stock Exchange
Toronto Stock Exchange

Auditors

Touche Ross & Co.

