November 03, 2006 19:52 ET

Stella-Jones Refiles Q3 Financial Statements-Revisions Have No Impact on Financial Results

MONTREAL, QUEBEC--(CCNMatthews - Nov. 3, 2006) - Stella-Jones Inc. (TSX:SJ) advises that following an internal review of timely disclosure documentation, it has refiled on www.sedar.com its consolidated interim financial statements for the third quarter ended September 30, 2006. The revisions have no impact on the net earnings for the period, nor on the basic and diluted net earnings per share as these revisions are restricted solely to the consolidated statements of cash flow.

The consolidated statements of cash flows for the period were revised to correct and improve the presentation of cash flows related to the acquisition of Bell Pole Company on July 1, 2006. There is no impact on total net cash flows but only on cash flow presentation. The related Management's Discussion and Analysis and the CEO and CFO certificates were also refiled.

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Company's products and services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS - REVISED

The interim unaudited consolidated financial statements of Stella-Jones Inc. for the third quarter ended September 30, 2006 have not been reviewed by the Company's external auditors.

(Signed)

George Labelle

Senior Vice-President and Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

as at September 30, 2006 and December 31, 2005	September 30, 2006 ($) unaudited	December 31, 2005 ($)
ASSETS		
CURRENT ASSETS		
Accounts receivable	41,714,113	21,059,721
Inventories	100,092,426	77,316,420
Prepaid expenses	2,046,776	1,611,755
Future income taxes	570,000	550,000
	144,423,315	100,537,896
PROPERTY, PLANT AND EQUIPMENT	59,412,005	37,003,106
OTHER ASSETS	297,084	-

NOTE RECEIVABLE	279,425	-
FUTURE INCOME TAXES	375,000	350,000
	204,786,829	137,891,002

LIABILITIES

CURRENT LIABILITIES		
Bank indebtedness	38,800,938	21,311,735
Accounts payable and accrued liabilities	21,785,771	17,452,438
Income taxes payable	2,698,768	2,227,785
Current portion of asset retirement obligations	674,772	-
Current portion of long-term debt	3,693,003	4,061,370
	67,653,252	45,053,328
LONG-TERM DEBT	28,979,308	21,139,874
ASSET RETIREMENT OBLIGATIONS	1,498,726	-
FUTURE INCOME TAXES	5,349,000	5,089,000
EMPLOYEE FUTURE BENEFITS	1,109,896	978,649

	104,590,182	72,260,851
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	44,708,776	26,228,300
CUMULATIVE TRANSLATION ADJUSTMENT	(622,832)	(201,646)
RETAINED EARNINGS	56,110,703	39,603,497
	100,196,647	65,630,151
	204,786,829	137,891,002

See accompanying Notes to these interim consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS
Unaudited

three months ended nine months ended

	Sept. 30, 2006 ($)	Sept. 30, 2005 ($)	Sept. 30, 2006 ($)	Sept. 30, 2005 ($)
SALES	68,072,607	42,845,299	174,340,725	119,765,278
EXPENSES				
Cost of sales	52,505,916	33,585,407	135,344,816	95,546,509
Selling and administrative	3,112,421	2,389,127	8,296,633	6,639,651
Foreign exchange loss (gain)	(455,371)	206,027	(430,768)	151,198
Amortization of property, plant and equipment	871,754	846,421	2,457,886	2,403,872
Gain on disposal of property, plant and equipment	-	-	(26,783)	-
	56,034,720	37,026,982	145,641,784	104,741,230
OPERATING EARNINGS	12,037,887	5,818,317	28,698,941	15,024,048

INTEREST ON LONG-TERM DEBT	622,588	264,961	1,506,378	680,160
OTHER INTEREST	437,717	244,271	1,069,740	623,274
EARNINGS BEFORE INCOME TAXES	10,977,582	5,309,085	26,122,823	13,720,614
PROVISION FOR INCOME TAXES	3,728,283	1,788,311	8,960,812	4,564,311
NET EARNINGS FOR THE PERIOD	7,249,299	3,520,774	17,162,011	9,156,303
NET EARNINGS PER COMMON SHARE	0.60	0.34	1.52	0.89
DILUTED NET EARNINGS PER COMMON SHARE	0.58	0.32	1.46	0.86

See accompanying Notes to these interim consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
Unaudited

for the nine months ended Sept. 30, 2006 and 2005	2006 ($)	2005 ($)
BALANCE - BEGINNING OF YEAR	39,603,497	28,330,148
Net earnings for the period	17,162,011	9,156,303
Dividends on common shares	(654,805)	(512,118)
BALANCE - END OF PERIOD	56,110,703	36,974,333

See accompanying Notes to these interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (REVISED SEE NOTE 6)

unaudited	three months ended Sept. 30,		nine months ended Sept. 30,	
	2006 ($)	2005 ($)	2006 ($)	2005 ($)
CASH FLOWS FROM OPERATING ACTIVITIES				

Net earnings for the period	7,249,299	3,520,774	17,162,011	9,156,303
Adjustments for				
Amortization of property, plant and equipment	1,056,925	846,421	2,643,057	2,403,872
Loss (gain) on disposal of property, plant and equipment	-	2,961	(26,783)	32,081
Employee future benefits	43,749	30,000	131,247	105,000
Stock-based compensation	13,455	4,350	40,361	13,000
Future income taxes	67,000	(9,000)	215,000	(146,000)
	8,430,428	4,395,506	20,164,893	11,564,256
CHANGE IN NON-CASH WORKING CAPITAL COMPONENTS				
Decrease (increase) in				
Accounts receivable	575,175	2,315,951	(13,613,232)	(9,239,324)
Inventories	932,398	(5,209,271)	3,321,899	(6,244,032)
Prepaid expenses	895,548	273,962	(68,723)	476,200
Note receivable	1,675	-	(282,750)	-
Increase (decrease) in				
Accounts payable and Accrued Liabilities	1,908,307	(457,591)	2,458,541	

				4,879,416
Income taxes	2,151,582	507,274	482,717	(240,503)
	6,464,685	(2,569,675)	(7,701,548)	(10,368,243)
	14,895,113	1,825,831	12,463,345	1,196,013
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	(7,231,364)	8,070,095	10,099,341	13,958,649
Increase in long-term debt	10,301,855	6,150,995	13,001,855	6,165,995
Repayment of long-term debt	(861,073)	(868,253)	(5,398,494)	(2,801,309)
Dividends on common shares	-	-	(654,805)	(512,118)
Proceeds from issuance of common shares	18,308,192	5,057,028	18,440,016	5,148,003
	20,517,610	18,409,865	35,487,913	21,959,220

INVESTING ACTIVITIES				
Business acquisition	(44,483,051)	(16,960,441)	(44,483,051)	(16,960,441)
Purchase of property, plant and equipment	(932,382)	(2,509,532)	(3,521,923)	(5,529,069)
Purchase of note receivable	-	(872,025)	-	(872,025)
Proceeds from disposal of property, plant and equipment	-	106,302	49,230	206,302
Restricted cash	10,000,000	-	-	-
	(35,415,433)	(20,235,696)	(47,955,744)	(23,155,233)
EFFECT OF TRANSLATION ADJUSTMENT	2,710	-	4,486	-
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	-	-	-	-
CASH AND CASH EQUIVALENTS -- BEGINNING AND END OF THE PERIOD	-	-	-	-

SUPPLEMENTAL DISCLOSURE				
Interest paid	956,381	518,963	2,400,811	1,203,242
Income taxes paid	1,530,064	976,364	8,248,502	4,629,641

See accompanying Notes to these interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited

NOTE 1 -- SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared following the same accounting policies as the December 31, 2005 audited consolidated financial statements adjusted for the following changes resulting from the business acquisition described in Note 3 below. These unaudited interim consolidated financial statements and notes should be read in conjunction with the Company's latest annual consolidated financial statements.

Principles of consolidation

These unaudited interim consolidated financial statements include the accounts of the Company and its subsidiaries, Guelph Utility Pole Company Ltd., I.P.B.-W.P.I. International Inc., Stella-Jones Corporation (since August 31, 2005) and since July 1, 2006, the consolidated accounts of Bell Pole Canada Inc. ("Bell Pole") - see Note 3 below, using the purchase method. The consolidated accounts of Bell Pole include the accounts of Bell Pole's 50% interest in Kanaka Creek Pole Company Limited, a joint venture which is accounted for under the proportionate consolidation method of accounting.

Property, plant and equipment

Roads related to timberlands and cutting rights acquired in the Bell Pole acquisition are being amortized on the basis of timber cut.

Timberlands and cutting rights acquired in the Bell Pole acquisition are being amortized on the basis of timber cut.

Asset retirement obligations

(i) Reforestation obligations:

The British Columbia Forest Act requires the industry to assume the costs of reforestation on certain harvest licences. Accordingly, the estimated present value of the cost of reforestation is recorded as timber is harvested. Reforestation costs are included in the cost of inventory and related cost of goods sold.

(ii) Site remediation obligations:

Site remediation obligations relate to the discounted present value of estimated future expenditures associated with the legal obligations of restoring the environmental integrity of certain properties acquired in the Bell Pole Company acquisition. The Company reviews estimates of future site remediation expenditures on an ongoing basis and records any revisions, along with accretion costs on existing obligations, in other expenses.

NOTE 2 -- EMPLOYEE FUTURE BENEFITS

For the three months ended September 30, 2006, the benefit cost recognized for employee future benefits was $47,790 (2005 - $34,546). For the nine months ended September 30, 2006, the benefit cost recognized for employee future benefits was $147,038 (2005 - $117,961).

NOTE 3-- BUSINESS ACQUISITION

Effective July 1, 2006, the Company, through a wholly-owned subsidiary, acquired substantially all of the assets and operations of Bell Pole Company, a Canadian manufacturer of wood utility poles based in western Canada. Bell Pole Company was also involved in the remanufacturing and treating of dimensional lumber in Alberta. Assets acquired include a treating plant located in Carseland, Alberta, several peeling facilities located throughout the province of British Columbia, as well as all inventories and accounts receivable. Assets acquired also include substantial cutting rights in British Columbia and Alberta.

The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on management's estimate of their fair value as of the acquisition date. The following fair value allocation is preliminary and is based on management's best estimates and information known at the time of preparing these interim unaudited consolidated financial statements. Subsequent revisions to this preliminary fair value allocation, if any, are expected to be accounted for by December 31, 2006. The results of operations of Bell Pole have been included in the consolidated financial statements from the acquisition date.

The following is a summary of the net assets acquired at fair values;

Assets acquired	$
Current assets	34,455,814
Property, plant and equipment	21,706,657
Other assets	297,089
	56,459,560
Liabilities assumed	
Current liabilities	9,012,339
Long-term liabilities	1,436,560
	10,448,899
	46,010,661
Consideration	
Bank debt paid at closing on behalf of Seller	8,126,152
Cash, including transaction costs of $2,050,967	36,356,899
	44,483,051
Reserve amount (including transaction costs of $450,000),included in accounts payable	1,527,610
	46,010,661

Financing for the transaction was provided by the private placement of 1,060,000 subscription receipts issued on May 2, 2006 for a total consideration of $18.0 million. Following the closing of the acquisition, the subscription receipts were exchanged into common shares of the Company, on a one-for-one basis. The remainder of the purchase price was financed by the assumption of liabilities totalling $10.4 million, a $10.0 million debenture to the Fonds de solidarite des travailleurs du Quebec (F.T.Q.), as well as additional debt funding under existing and new bank facilities.

NOTE 4-- SHARE INFORMATION

As at October 30, 2006, the capital stock issued and outstanding consisted of 12,295,117 common shares (10,880,840 as at December 31, 2005). On July 1, 2006, the Company exchanged 1,060,000 previously issued subscription receipts for an equal number of common shares to partially fund the business acquisition described in Note 3 above. See Note 6 below.

NOTE 5-SEASONALITY

The Company's domestic operations follow a seasonal pattern, with pole, tie and industrial lumber shipments strongest in the second and third quarters to provide industrial end users with product for their summer maintenance projects. Consumer lumber treatment sales also follow the same seasonal pattern. Inventory levels of railway ties and utility poles are typically highest in the first quarter in advance of the summer shipping season. The first and fourth quarters usually generate similar sales.

NOTE 6-REVISION

The consolidated statements of cash flows were the only statements where revisions were made to correct and improve the presentation of cash flows related to the business acquisition described in Note 3 above. Additional disclosure was made in Note 3 in relation to liabilities assumed, cash paid on closing and the reserve amount. The revisions have no financial impact on total net cash flows, but only on cash flow presentation. There is no impact on the net earnings for the period, nor on the basic and diluted net earnings per share.

NOTE 7-- SUBSEQUENT EVENT

On October 18, 2006, the Fonds de solidarite des travailleurs du Quebec (F.T.Q.), exercised all of their outstanding warrants allowing them to subscribe to 190,000 common shares of the Company at an exercise price of $4.10 per share. The Company has no other warrants outstanding.

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