Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS 2013 FOURTH QUARTER AND ANNUAL RESULTS
Thirteenth consecutive year of growth in net income

- **Sales of $970.1 million, up 35.2% from $717.5 million last year**
- **26.6% growth in operating income to $138.7 million, versus $109.6 million in 2012**
- **Net income up 26.6% to $92.5 million, compared to $73.1 million last year**
- **Diluted EPS of $1.34 versus $1.13 a year ago**

Montreal, Quebec – March 14, 2014 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its fourth quarter and fiscal year ended December 31, 2013.

"2013 marked the thirteenth consecutive year of growth for Stella-Jones, as the Company further benefited from its proven expansion strategy. The ongoing growth of our continental network has resulted in improved efficiency of our operations and increased confidence of our customers. By virtue of recent acquisitions and key strategic decisions, Stella-Jones has not only become larger, it has become a stronger and more efficient organization, as well as a lasting source of value creation for its shareholders," said Brian McManus, President and Chief Executive Officer.

Financial highlights (in thousands of Canadian dollars, except per share data)	**Quarters ended Dec. 31,** **2013**	 **2012**	**Years ended Dec. 31,** **2013**	 **2012**
Sales	**211,862**	159,345	**970,149**	717,494
Operating income	**29,519**	21,127	**138,699**	109,596
Net income for the period	**19,690**	16,546	**92,536**	73,070
Per share - basic ($)	**0.29**	0.25	**1.35**	1.14
Per share - diluted ($)	**0.29**	0.25	**1.34**	1.13
Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid	**34,607**	22,363	**160,631**	120,797
Cash flows provided by operating activities	**23,883**	21,086	**104,218**	28,516
Weighted average shares outstanding (basic, in '000s)	**68,693**	65,548	**68,681**	64,312

2013 RESULTS

Sales reached $970.1 million, up 35.2% over last year's sales of $717.5 million. The operating facilities acquired from McFarland Cascade Holdings, Inc. ("McFarland") on November 30, 2012 contributed additional sales of $275.4 million over an eleven-month period in 2013, net of production transferred from other Stella-Jones facilities, while the assets acquired from The Pacific Wood Preserving Companies® ("PWP") on November 15, 2013 generated sales of approximately $4.1 million in the fourth quarter. The conversion effect from fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, versus the U.S. dollar, increased the value of U.S. dollar denominated sales by about $12.9 million when compared with the previous year. Excluding these factors, sales decreased approximately $39.8 million due to a timing effect on railway tie sales resulting from the transition of a Class 1 railroad customer from a treating services only ("TSO") program to a black tie ("Black Tie") program and to the year-over-year timing difference for certain utility pole orders.

Railway tie sales amounted to $394.0 million, compared with $404.5 million last year. This slight decrease reflects the transition of a Class 1 railroad customer from a TSO program to a Black Tie program, which had a timing effect of $30.9 million on 2013 sales. Excluding this factor, railway tie sales rose approximately 5.0%. This transition is mostly complete and should have a minimal impact on results in the first quarter of 2014. Thereafter, annualized sales to that customer should be greater than the aforementioned amount due to more value added under a Black Tie program. Sales of utility poles totalled $405.8 million, up from $218.5 million in 2012. This increase is essentially attributable to additional utility pole sales of $197.9 million from the McFarland operations. Sales of residential lumber reached $112.3 million, up from $35.5 million a year earlier as a result of additional residential lumber sales of $73.8 million from the McFarland operations. Finally, industrial product sales were $58.1 million, compared with $59.0 million a year earlier.

Operating income rose 26.6% to $138.7 million, or 14.3% of sales, versus $109.6 million, or 15.3% of sales, last year. While the increase in monetary terms mainly reflects the addition of the McFarland operations, the reduction as a percentage of sales stems from a less favourable product mix and McFarland's lower margins at the beginning of the year. Reflecting a successful integration, McFarland's margins progressively improved during the year.

Net income for the year increased 26.6% to $92.5 million or $1.34 per share, fully diluted, compared with $73.1 million or $1.13 per share, fully diluted, in 2012. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid rose 33.0% to $160.6 million. Cash flow provided by operating activities was $104.2 million compared to $28.5 million in 2012.

FOURTH QUARTER RESULTS

Sales amounted to $211.9 million, up 33.0% from $159.3 million for the same period a year earlier. The McFarland operations contributed additional sales of $49.3 million, net of production transferred from other Stella-Jones facilities, over a two-month period, while assets acquired from PWP generated sales of $4.1 million. The year-over-year conversion effect from fluctuations in the value of the Canadian dollar, versus the U.S. dollar, increased the value of U.S. dollar denominated sales by $5.8 million. Excluding these factors, sales decreased approximately $6.7 million, as the year-over-year timing difference for certain utility pole orders and the timing effect on sales from the program transition of a Class 1 railroad customer more than offset solid industry demand for railway ties.

Sales of railway ties reached $78.3 million in 2013, versus $73.7 million in 2012. This increase reflects solid market demand, including higher year-over-year advanced deliveries, and the PWP acquisition, partially offset by a timing effect of $13.4 million from the transition of a Class 1 railroad customer to a Black Tie program. Utility pole sales rose $36.9 million to $107.1 million due to a $41.3 million additional net contribution from the McFarland operations over a two-month period and the PWP acquisition. Excluding these factors, sales declined due to the year-over-year timing difference for certain orders. Residential lumber sales reached $13.8 million, up from $5.1 million last year, mainly due to additional sales of $8.1 million from the McFarland operations. Finally, industrial product sales were $12.7 million, versus $10.4 million a year ago, as a result of higher sales of industrial timber for railway bridges.

Operating income was $29.5 million, or 13.9% of sales, versus $21.1 million, or 13.3% of sales, last year. 2013 results include acquisition costs of $1.2 million related to the PWP transaction, while last year's results included acquisition costs of $2.4 million related to the McFarland transaction. Excluding these elements, operating income for the fourth quarter of 2013 was $30.7 million, or 14.5% of sales, compared with $23.5 million, or 14.8% of sales, a year earlier. The variation as a percentage of sales reflects a less favourable year-over-year product mix, partially offset by greater efficiencies throughout the Company's plant network

Net income for the period rose 19.0% to $19.7 million, or $0.29 per share, fully diluted, compared with $16.5 million, or $0.25 per share, fully diluted, last year. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid reached $34.6 million, up 54.8% from $22.4 million a year earlier.

SOLID FINANCIAL POSITION

As at December 31, 2013, the Company's long-term debt, including the current portion, stood at $372.9 million compared with $349.6 million at the end of the previous year. The increase essentially reflects the additional long-term debt required to finance the acquisition of PWP and the effect of local currency translation on U.S. dollar denominated long-term debt. Despite this acquisition completed shortly before year end, Stella-Jones total debt to total capitalization improved to 0.39:1 as at December 31, 2013, versus 0.44:1 a year earlier.

QUARTERLY DIVIDEND OF $0.07 PER SHARE

On March 13, 2014, the Board of Directors declared a quarterly dividend of $0.07 per common share payable on April 30, 2014 to shareholders of record at the close of business on April 2, 2014.

OUTLOOK

"As the North American economy continues to strengthen, demand for our core products should remain healthy in 2014. While a stronger economy could result in a tighter market for untreated railway ties and utility poles, as demand for other wood-based products also increases, we believe our inventory position and the strength of our procurement network should allow Stella-Jones to meet demand at the most optimal cost. The integration of the PWP assets will be a key focus in the year ahead. The operating efficiencies we expect to achieve should further strengthen our market penetration and status as a leading provider of treated wood products in our core categories," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on March 14, 2014, at 10:00 AM Eastern Time. Interested parties can join the call by dialing 647-427-7450 (Toronto or overseas) or 1-888-231-8191 (elsewhere in North America). Parties unable to call in at this time may access a tape recording of the meeting by calling 1-855-859-2056 and entering the passcode 69145418. This tape recording will be available on Friday, March 14, 2014 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Friday, March 21, 2014.

NON-IFRS FINANCIAL MEASURES

Operating income and cash flow from operating activities before changes in non-cash working capital components and interest and income tax paid are financial measures not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Management considers these non-IFRS measures to be useful information to assist knowledgeable investors regarding the Company's financial condition and results of operations as they provide additional measures of its performance.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is a leading producer and marketer of pressure treated wood products. The Company supplies North America's railroad operators with railway ties and timbers, and the continent's electrical utilities and telecommunication companies with utility poles. Stella-Jones also provides residential lumber to retailers and wholesalers for outdoor applications, as well as industrial products for construction and marine applications. The Company's common shares are listed on the Toronto Stock Exchange.

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, the ability of the Company to raise the capital required for acquisitions, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

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EXCHANGE LISTINGS
The Toronto Stock Exchange
Stock Symbol: SJ

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NOTICE

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the fourth quarter ended December 31, 2013 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
March 13, 2014

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
December 31, 2013 and 2012

Stella-Jones Inc.
Interim Consolidated Statements of Financial Position
(Unaudited)

(expressed in thousands of Canadian dollars)

	Note	As at December 31, 2013 $	As at December 31, 2012 $
Assets			
Current assets			
Cash	3	3,191	14,000
Accounts receivable		107,987	89,563
Inventories		458,616	413,400
Prepaid expenses		12,102	10,014
Income taxes receivable		-	7,886
		581,896	534,863
Non-current assets			
Property, plant and equipment		234,234	189,028
Intangible assets		93,988	93,105
Goodwill		156,208	135,834
Derivative financial instruments	8	2,119	198
Other assets		3,478	2,835
		1,071,923	955,863
Liabilities and Shareholders' Equity			
Current liabilities			
Bank indebtedness		-	14,000
Accounts payable and accrued liabilities		58,054	65,836
Income taxes payable		1,007	-
Current portion of long-term debt	6	2,732	6,358
Current portion of provisions and other long-term liabilities		3,060	3,862
		64,853	90,056
Non-current liabilities			
Long-term debt	6	370,159	343,250
Deferred income taxes		46,200	38,809
Provisions and other long-term liabilities		13,671	8,297
Employee future benefits		3,724	4,774
Derivative financial instruments	8	1,133	1,926
		499,740	487,112
Shareholders' equity			
Capital stock	7	211,162	210,636
Contributed surplus		1,353	1,229
Retained earnings		345,532	264,211
Accumulated other comprehensive gain (loss)		14,136	(7,325)
		572,183	468,751
		1,071,923	955,863

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Change in Shareholders' Equity
(Unaudited)

For the twelve-month periods ended December 31, 2013 and 2012

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive gain (loss)				
	Capital stock	**Contributed surplus**	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term debt designated as net investment hedges**	**Unrealized gains (losses) on cash flow hedges**	**Total**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance – January 1, 2013	210,636	1,229	264,211	(8,950)	2,777	(1,152)	(7,325)	468,751
Comprehensive income (loss)								
Net income for the period	-	-	92,536	-	-	-	-	92,536
Other comprehensive income (loss)	-	-	2,522	38,164	(18,621)	1,918	21,461	23,983
Comprehensive income (loss) for the period	-	-	95,058	38,164	(18,621)	1,918	21,461	116,519
Dividends on common shares	-	-	(13,737)	-	-	-	-	(13,737)
Employee share purchase plans	526	-	-	-	-	-	-	526
Stock-based compensation	-	124	-	-	-	-	-	124
	526	124	(13,737)	-	-	-	-	(13,087)
Balance – December 31, 2013	211,162	1,353	345,532	29,214	(15,844)	766	14,136	572,183

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Change in Shareholders' Equity…*continued*
(Unaudited)
For the twelve-month periods ended December 31, 2013 and 2012

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive gain (loss)				
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debt designated as net investment hedges	Unrealized losses on cash flow hedges	Total	Total shareholders' equity
	$	$	$	$	$	$	$	$
Balance – January 1, 2012	131,272	1,342	201,268	(2,239)	1,046	(777)	(1,970)	331,912
Comprehensive income (loss)								
Net income for the period	-	-	73,070	-	-	-	-	73,070
Other comprehensive income (loss)	-	-	(30)	(6,711)	1,731	(375)	(5,355)	(5,385)
Comprehensive income (loss) for the period	-	-	73,040	(6,711)	1,731	(375)	(5,355)	67,685
Dividends on common shares	-	-	(10,097)	-	-	-	-	(10,097)
Stock option plan	719	-	-	-	-	-	-	719
Exercise of stock options	-	(231)	-	-	-	-	-	(231)
Issuance of common shares (Note 4)	78,202	-	-	-	-	-	-	78,202
Employee share purchase plans	443	-	-	-	-	-	-	443
Stock-based compensation	-	118	-	-	-	-	-	118
	79,364	(113)	(10,097)	-	-	-	-	69,154
Balance – December 31, 2012	210,636	1,229	264,211	(8,950)	2,777	(1,152)	(7,325)	468,751

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.
Interim Consolidated Statements of Income
(Unaudited)

(expressed in thousands of Canadian dollars, except earnings per common share)

	Note	For the three-month periods ended December 31,		For the twelve-month periods ended December 31,	
		2013 $	2012 $	2013 $	2012 $
Sales		211,862	159,345	970,149	717,494
Expenses (income)					
Cost of sales		168,660	126,185	772,818	565,668
Selling and administrative		14,646	12,649	57,166	42,543
Other losses (gains), net		(963)	(616)	1,466	(313)
		182,343	138,218	831,450	607,898
Operating income		29,519	21,127	138,699	109,596
Financial expenses		2,934	2,384	10,892	8,319
Income before income taxes		26,585	18,743	127,807	101,277
Provision for (recovery of) income taxes					
Current		4,629	3,123	32,545	30,486
Deferred		2,266	(926)	2,726	(2,279)
		6,895	2,197	35,271	28,207
Net income for the period		19,690	16,546	92,536	73,070
Basic earnings per common share	7	0.29	0.25	1.35	1.14
Diluted earnings per common share	7	0.29	0.25	1.34	1.13

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Comprehensive Income
(Unaudited)

(expressed in thousands of Canadian dollars)

	For the three-month periods ended December 31,		For the twelve-month periods ended December 31,	
	2013 **$**	**2012** **$**	**2013** **$**	**2012** **$**
Net income for the period	19,690	16,546	92,536	73,070
Other comprehensive income (loss)				
Items that may subsequently be reclassified to net income				
Net change in gains (losses) on translation of financial statements of foreign operations	19,555	3,858	38,164	(6,711)
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	(9,008)	(2,118)	(18,113)	1,708
Income taxes on change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	(504)	340	(508)	23
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	353	98	2,715	(528)
Income taxes on change in gains (losses) on fair value of derivatives designated as cash flow hedges	(104)	(44)	(797)	153
Items that will not subsequently be reclassified to net income				
Change in actuarial gains (losses) on post-retirement benefit obligations	(305)	983	3,543	(53)
Income taxes on change in actuarial gains (losses) on post-retirement benefit obligations	90	(233)	(1,021)	23
	10,077	2,884	23,983	(5,385)
Comprehensive income	29,767	19,430	116,519	67,685

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.
Interim Consolidated Statements of Cash Flows
(Unaudited)
For the twelve-month periods ended December 31, 2013 and 2012

(expressed in thousands of Canadian dollars)

	Note	2013	2012
		$	$
Cash flows provided by (used in)			
Operating activities			
Net income for the period		92,536	73,070
Adjustments for			
Depreciation of property, plant and equipment		7,760	5,312
Amortization of intangible assets		8,562	5,393
Interest accretion		492	739
Asset revaluation following Kanaka's step acquisition		-	(1,623)
Loss on disposal of property, plant and equipment		2,173	2,597
Employee future benefits		320	(330)
Stock-based compensation		124	118
Financial expenses		10,892	8,319
Income taxes		32,545	30,486
Deferred income taxes		2,726	(2,279)
Restricted stock units obligation		2,593	(729)
Other		(92)	(276)
		160,631	120,797
Changes in non-cash working capital components and others			
Accounts receivable		(4,663)	32,220
Inventories		(8,438)	(60,076)
Prepaid expenses		(1,481)	(205)
Income taxes receivable		(348)	(284)
Accounts payable and accrued liabilities		(10,376)	(15,196)
Asset retirement obligations		1,099	(496)
Provisions and other long-term liabilities		(50)	(4,541)
		(24,257)	(48,578)
Interest paid		(9,075)	(7,202)
Income taxes paid		(23,081)	(36,501)
		104,218	28,516
Financing activities			
Decrease in bank indebtedness		(14,000)	(7,085)
Increase in deferred financing costs		(364)	(849)
Increase in long-term debt		4,814	174,550
Repayment of long-term debt		(9,328)	(70,163)
Non-competes payable		(1,694)	(1,296)
Dividend on common shares		(13,737)	(10,097)
Proceeds from issuance of common shares		526	78,481
		(33,783)	163,541
Investing activities			
Decrease in other assets		529	334
Business acquisition	3	(57,538)	(167,284)
Increase in intangible assets		(466)	(471)
Purchase of property, plant and equipment		(26,157)	(14,790)
Proceeds from disposal of property, plant and equipment		2,388	4,154
		(81,244)	(178,057)
Net change in cash and cash equivalents during the period		(10,809)	14,000
Cash and cash equivalents – Beginning of period		14,000	-
Cash and cash equivalents – End of period		3,191	14,000

The accompanying notes are an integral part of these interim consolidated financial statements.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

1 Description of the business

Stella-Jones Inc. (the “Company”) is a leading producer and marketer of pressure treated wood products. The Company supplies North America’s railroad operators with railway ties and timbers, and the continent’s electrical utilities and telecommunication companies with utility poles. Stella-Jones Inc. also provides residential lumber and customized services to retailers and wholesalers for outdoor applications, as well as industrial products which include marine and foundation pilings, construction timbers, wood for bridges and coal tar based products. The Company has treating and pole peeling facilities across Canada and the United States and sells its products primarily in these two countries. The Company’s headquarters are located at 3100 de la Côte-Vertu Blvd., in Saint-Laurent, Quebec, Canada. The Company is incorporated under the *Canada Business Corporations Act*, and its common shares are listed on the Toronto Stock Exchange (“TSX”) under the stock symbol SJ.

2 Significant accounting policies

Basis of presentation

The Company’s condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and CPA Canada Handbook Part I, applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved by the Board of Directors on March 13, 2014.

The same accounting policies, methods of computation and presentation have been followed in the preparation of these condensed interim consolidated financial statements as were applied in the annual consolidated financial statements for the year ended December 31, 2012, except as described below in the *Changes in accounting policies* section.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

Principles of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company owns 100% of the equity interest of its subsidiaries.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

The significant subsidiaries are as follows:

Subsidiary	Parent	Country of incorporation
Guelph Utility Pole Company Ltd.	Stella-Jones Inc.	Canada
I.P.B. - W.P.I International Inc.	Stella-Jones Inc.	Canada
4552822 Canada Inc.	Stella-Jones Inc.	Canada
4552831 Canada Inc.	Stella-Jones Inc.	Canada
Stella-Jones Canada Inc.	Stella-Jones Inc.	Canada
Selkirk Forest Products Company	Stella-Jones Canada Inc.	Canada
MCP Acquisition Holdings Ltd.	Stella-Jones Canada Inc.	Canada
Kanaka Creek Pole Company Limited ("Kanaka")	Stella-Jones Canada Inc.	Canada
Selkirk Timber Company	Stella-Jones Canada Inc.	Canada
Stella-Jones U.S. Holding Corporation ("SJ Holding")	Stella-Jones Inc.	United States
Stella-Jones U.S. Finance Corporation	Stella-Jones U.S. Holding Corporation	United States
Stella-Jones Corporation ("SJ Corp")	Stella-Jones U.S. Holding Corporation	United States
McFarland Cascade Holdings, Inc. ("McFarland")	Stella-Jones Corporation	United States
Electric Mills Wood Preserving LLC	McFarland Cascade Holdings, Inc.	United States
Cascade Pole and Lumber Company	McFarland Cascade Holdings, Inc.	United States
McFarland Cascade Pole & Lumber Company	McFarland Cascade Holdings, Inc.	United States
Canadalux S.à.r.l.	4552822 Canada Inc.	Luxembourg

As part of the November 30, 2012 McFarland acquisition, SJ Corp acquired Shelby County Forest Products LLC, as well as its wholly owned subsidiary Electric Mills Wood Preserving LLC. SJ Corp also acquired L. D. McFarland Company and Forest Products Research Laboratory, LLC, which were wholly owned subsidiaries of McFarland. On May 1, 2013, Shelby County Forest Products LLC and Electric Mills Wood Preserving LLC merged and the surviving corporation was Electric Mills Wood Preserving LLC. On the same date, L. D. McFarland Company and McFarland also merged and the surviving corporation was McFarland. On December 23, 2013, Forest Products Research Laboratory, LLC was dissolved.

Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 - Consolidated Financial Statements

IFRS 10 replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 13 - Fair Value Measurement

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis.

The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 19 - Employee Benefits (amended in 2011)

IAS 19 amends certain accounting requirements for defined benefit plans and termination benefits.

IAS 19 requires the net defined benefit liability (asset) to be recognized on the consolidated statement of financial position without any deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in net income when incurred. Expected returns on plan assets are no longer included in post-employment benefits’ expense. Instead, post-employment benefits’ expense includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are recognized in other comprehensive income. The Company continues to immediately recognize in retained earnings all pension adjustments recognized in other comprehensive income.

IAS 19 also clarified that benefits are classified as long-term employee benefits if payments are not expected to be made within the next 12 months. The Company has reviewed the classification of its benefits. The standard also requires termination benefits to be recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs. Termination benefits that require future services are required to be recognized over the periods the future services are provided.

The Company adopted these amendments as of January 1, 2013. The adoption of these amendments to pension plans did not result in any significant adjustment to the opening equity. The review of the classification of the benefits and the termination benefits did not result either in any adjustment to the consolidated statement of financial position.

IAS 36 - Impairment of Assets

The company early adopted amendments to IAS 36. The amendments clarified the recoverable amount is disclosed only when an asset or cash generating unit is impaired. The adoption of this amended standard also resulted in expanded disclosure for recoverable amounts of impaired assets that are calculated based on fair value less costs of disposal methodology and for cash-generating units (“CGUs”) with goodwill that are not impaired, including the disclosure of the fair value. The adoption had no significant impact on the Company’s consolidated financial statements.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

Impact of accounting pronouncements not yet implemented

IFRS 9 - Financial Instruments
IFRS 9 was issued in November 2009. It addresses the classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit and loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent they do not clearly represent a return on investment, are recognized through profit and loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive gain (loss) indefinitely. In November 2013, the IASB issued amendments to include the new general hedge accounting model and to postpone the mandatory effective date of this standard indefinitely. The full impact of this standard will not be known until the amendments addressing impairments, classification and measurement have been completed. When these projects are completed, an effective date will be added by the IASB. The Company has not yet assessed the impact of this standard on its consolidated financial statements.

IAS 32 - Financial Instruments: Presentation
The IAS 32 amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the consolidated statement of financial position.

The current offsetting model in IAS 32 requires an equity to offset a financial asset and financial liability only when the entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The amendments clarify that the right of set-off must be available immediately and legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

Gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would, therefore, satisfy the IAS 32 criterion in these instances.

The IAS 32 changes are retrospectively applied, with an effective date of annual periods beginning on or after January 1, 2014. The Company has assessed that the adoption of this standard will not have a significant impact on its consolidated financial statements.

3 Business acquisition

a) On November 15, 2013 the Company completed, through its wholly-owned U.S. subsidiaries, the acquisition of substantially all of the operating assets employed in the businesses of Arizona Pacific Wood Preserving, Inc., Nevada Wood Preserving, Inc. and Pacific Wood Preserving of Oregon, Inc. (commonly referred to as The Pacific Wood Preserving Companies®)(“PWP”) conducted at their wood treating plants in Oregon, Nevada and Arizona and their wood concentration yard in Texas. These businesses consist of the

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manufacture of treated wood utility poles and railway ties, along with a variety of lumber-related products and were acquired for synergistic reasons.

Total cash outlay associated with the acquisition was approximately $48,849 (US$46,759), excluding acquisition costs of approximately $1,245 (US$1,207), recognized in the consolidated statement of income under selling and administrative expenses.

The following fair value determination of the assets acquired and liabilities assumed is preliminary and is based on management's best estimates and information known at the time of preparing these consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to intangible assets, goodwill and consideration receivable.

The following is a summary of the assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date. The original transaction was made in U.S. dollars and converted into Canadian dollars as at the acquisition date.

Assets acquired	**$**
Non-cash working capital	25,751
Property, plant and equipment	19,591
Customer relationships	4,241
Customer backlog	125
Goodwill	10,409
	60,117
Liabilities assumed	
Accounts payable and accrued liabilities	939
Site remediation provision	1,300
Total net assets acquired and liabilities assumed	57,878
Consideration transferred	
Cash	48,849
Unsecured promissory note	6,545
Consideration payable for the purchase of certain assets of the Nevada plant	3,134
Consideration receivable	(650)
Consideration transferred	57,878

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

The Company's valuation of intangible assets has identified customer relationships and customer backlog. The assigned useful lives are 20 years for customer relationships and 4 months for customer backlog. Significant assumptions used in the determination of intangible assets, as defined by management, are year-over-year sales growth, discount rate and operating income before depreciation and amortization margin. Goodwill is amortized and deductible for U.S. tax purposes, and represents the future economic value associated with the increased distribution network, acquired workforce and synergies with the Company's operations. For impairment test purposes, goodwill is allocated to CGUs, which are defined as plants specialized in the treatment of utility poles and plants specialized in the treatment of railway ties. In the case of the PWP acquisition, goodwill values of $9,746 and $663 are allocated to plants specialized in the treatment of utility poles and plants specialized in the treatment of railway ties, respectively. Note 5 provides a roll-forward of the net book value balances of intangible assets and goodwill.

The fair value of trade receivables, included in non-cash working capital, is $8,737.

Consideration receivable represents a purchase consideration adjustment related to actual net working capital. As at December 31, 2013, management has not received all information required to finalize the amount receivable and therefore it is considered preliminary. Adjustments to the estimated purchase consideration, if any, will affect the amount of goodwill recognized on the acquisition date. With regards to the consideration payable for the purchase of certain assets of the Nevada plant, an equivalent amount of $3,191 (US$3,000) was deposited in escrow and was recorded under cash in the consolidated statement of financial position as at December 31, 2013. On February 5, 2014, the consideration payable was settled.

The Company has financed the acquisition through a combination of its existing committed revolving credit facility and an unsecured promissory note of $7,281 (US$6,969), bearing interest at 0.27% and repayable in 12 equal instalments over a 3-year period. The unsecured promissory note was fair-valued at $6,545 (US$6,265) using an interest rate of 7.0%.

In the period from November 15 to December 31, 2013, PWP's sales and loss before income taxes amounted to $4,121 and $1,702, respectively. On a pro forma basis, management's estimate of sales and income before income taxes of the combined operations of the Company and PWP for the 12-month period ended December 31, 2013 would have been approximately $1,024,336 and $127,449 respectively, had the PWP acquisition occurred as of January 1, 2013. To arrive at the pro forma estimates, management considered the financing structure resulting from the acquisition, as well as adjustments to fair value and harmonization of accounting policies. It was assumed that the fair value adjustment made at the acquisition date would have been the same had the acquisition occurred on January 1, 2013.

b) On November 30, 2012, the Company completed the acquisition of 100% of the shares of McFarland, a provider of treated wood products based in the state of Washington.

McFarland is a supplier of utility poles, as well as crossarms, piling and crane mats. It is also a provider of treated lumber for outdoor home projects, including composite decking, railings and related accessories. It serves its customer base through four wood treating facilities located in Tacoma, Washington; Eugene, Oregon; Electric Mills, Mississippi and Galloway, British Columbia as well as through an extensive distribution network.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

Total cash outlay associated with the acquisition was $238,854 (US$240,393), excluding acquisition costs of $2,979 (US$2,877), recognized in the consolidated statement of income under selling and administrative expenses. This amount includes $171,577 (US$172,683) paid to McFarland's shareholders and $67,277 (US$67,710) used to reimburse McFarland's debts with financial institutions.

The following fair value determination of the assets acquired and liabilities assumed is based on management's best estimates. No significant adjustments were made to the preliminary fair value determination.

The following is a final summary of the assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date. The original transaction was made in U.S. dollars and converted into Canadian dollars as at the acquisition date.

Assets acquired	**$**
Non-cash working capital	153,093
Property, plant and equipment	59,902
Cutting rights	1,159
Customer relationships	27,099
Customer backlog	379
Goodwill	44,952
Deferred income tax assets	1,752
	288,336
Liabilities assumed	
Bank indebtedness	18,500
Accounts payable and accrued liabilities	20,999
Long-term debt	67,277
Site remediation provision	5,910
Employee future benefits	2,765
Deferred income tax liabilities	1,308
Total net assets acquired and liabilities assumed	171,577
Consideration transferred	
Cash	238,854
Payment of long-term debt	(67,277)
Consideration transferred for shares	171,577

The Company's valuation of intangible assets has identified customer relationships and customer backlog. The assigned useful lives are 20 years for customer relationships and 4 months for customer backlog. Significant assumptions used in the determination of intangible assets, as defined by management, are year-over-year sales growth, discount rate and operating income before depreciation and amortization margin. Goodwill is amortized and deductible for U.S. tax purposes, and represents the future economic

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

value associated with the increased distribution network, acquired workforce and synergies with the Company's operations. For impairment test purposes, goodwill is allocated to CGUs. In the case of the McFarland acquisition, goodwill is allocated to plants specialized in the treatment of utility poles.

The fair value of trade receivables, included in non-cash working capital, is $35,779 and the contractual amount is $35,876, of which $97 is expected to be uncollectible.

Financing for the acquisition was mainly secured through private placements of subscription receipts which successfully closed on November 30, 2012, as well as a draw-down of $152,615 (US$153,598) on the Company's committed revolving credit facility. With respect to the private placements, the Company issued 1,176,500 subscription receipts at a price of $68.00 per subscription receipt for aggregate gross proceeds of $80,002. A syndicate of underwriters took up a private placement of 721,200 subscription receipts and Stella Jones International S.A. purchased 455,300 subscription receipts on a private placement basis. The subscription receipts were exchanged on the basis of one common share of the Company per subscription receipt. Total proceeds net of legal and underwriting fees of the subscription receipts were $77,550. The transaction was recorded at $78,202, net of a deferred income tax adjustment of $652.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

4 Property, plant and equipment

The following table presents a roll-forward of property, plant and equipment:

	Land	Roads	Buildings	Production and anti-pollution equipment	Rolling stock	Office equipment	Total
	$	$	$	$	$	$	$
As at January 1, 2012							
Cost	10,746	3,306	30,379	106,733	9,397	3,474	164,035
Accumulated depreciation	-	(1,646)	(5,960)	(31,887)	(3,633)	(1,468)	(44,594)
Net book amount	10,746	1,660	24,419	74,846	5,764	2,006	119,441
Period ended December 31, 2012							
Opening net book amount	10,746	1,660	24,419	74,846	5,764	2,006	119,441
Business acquisition	11,039	-	15,578	25,719	6,554	1,459	60,349
Additions	207	300	902	14,600	325	915	17,249
Disposals	-	-	(97)	(1,560)	(213)	-	(1,870)
Depreciation	-	-	(810)	(3,024)	(1,163)	(315)	(5,312)
Depreciation included in inventory	-	(483)	(23)	(100)	(57)	(2)	(665)
Transfer to assets held for sale	-	-	-	(131)	(604)	-	(735)
Kanaka's step acquisition (Note 4)	1,623	-	42	242	186	-	2,093
Exchange differences	(137)	-	(340)	(916)	(126)	(3)	(1,522)
Closing net book amount	23,478	1,477	39,671	109,676	10,666	4,060	189,028
As at December 31, 2012							
Cost	23,478	3,606	46,421	144,082	14,766	5,828	238,181
Accumulated depreciation	-	(2,129)	(6,750)	(34,406)	(4,100)	(1,768)	(49,153)
Net book amount	23,478	1,477	39,671	109,676	10,666	4,060	189,028
Period ended December 31, 2013							
Opening net book amount	23,478	1,477	39,671	109,676	10,666	4,060	189,028
Business acquisition	2,168	-	5,558	10,499	1,316	50	19,591
Additions	106	203	4,513	22,739	-	881	28,442
Disposals	-	-	(250)	(1,159)	(2,485)	-	(3,894)
Depreciation	-	-	(1,225)	(3,844)	(2,119)	(572)	(7,760)
Depreciation included in inventory	-	(454)	(170)	(318)	(804)	(42)	(1,788)
Transfer to/from assets held for sale	987	-	176	(34)	(256)	-	873
Exchange differences	1,019	-	2,305	5,514	506	398	9,742
Closing net book amount	27,758	1,226	50,578	143,073	6,824	4,775	234,234
As at December 31, 2013							
Cost	27,758	3,809	58,816	181,781	11,516	7,181	290,861
Accumulated depreciation	-	(2,583)	(8,238)	(38,708)	(4,692)	(2,406)	(56,627)
Net book amount	27,758	1,226	50,578	143,073	6,824	4,775	234,234

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

5 Intangible assets and goodwill

The following table presents a roll-forward of intangible assets and goodwill:

	Intangible assets						
	Cutting rights	**Standing timber**	**Customer relationships**	**Non-compete agreements**	**Creosote registration**	**Total**	**Goodwill**
	$	**$**	**$**	**$**	**$**	**$**	**$**
As at January 1, 2012							
Cost	6,792	6,010	37,965	5,787	31,761	88,315	91,720
Accumulated amortization	(592)	(3,146)	(9,898)	(3,617)	-	(17,253)	-
Net book amount	6,200	2,864	28,067	2,170	31,761	71,062	91,720
Period ended December 31, 2012							
Opening net book balance	6,200	2,864	28,067	2,170	31,761	71,062	91,720
Additions	-	471	-	889	-	1,360	-
Addition of PLS	-	-	800	-	-	800	1,285
Addition of McFarland	1,159	-	27,806	-	-	28,965	44,504
Adjustment of Thompson – goodwill	-	-	-	-	-	-	286
Transfer to assets held for sale	-	-	(1,674)	-	-	(1,674)	-
Amortization	-	-	(4,434)	(959)	-	(5,393)	-
Amortization included in inventory	(189)	(509)	-	-	-	(698)	-
Exchange differences	-	-	(586)	(41)	(690)	(1,317)	(1,961)
Closing net book amount	7,170	2,826	49,979	2,059	31,071	93,105	135,834
As at December 31, 2012							
Cost	7,951	6,481	64,074	6,551	31,071	116,128	135,834
Accumulated amortization	(781)	(3,655)	(14,095)	(4,492)	-	(23,023)	-
Net book amount	7,170	2,826	49,979	2,059	31,071	93,105	135,834
Period ended December 31, 2013							
Opening net book balance	7,170	2,826	49,979	2,059	31,071	93,105	135,834
Additions	-	466	-	-	-	466	-
Adjustment of McFarland - customer relationships	-	-	(328)	-	-	(328)	-
Adjustment of McFarland - goodwill	-	-	-	-	-	-	450
Addition of PWP	-	-	4,366	470	-	4,836	10,409
Amortization	-	-	(7,247)	(1,315)	-	(8,562)	-
Amortization included in inventory	(233)	(800)	-	-	-	(1,033)	-
Exchange differences	-	-	3,254	105	2,145	5,504	9,515
Closing net book amount	6,937	2,492	50,024	1,319	33,216	93,988	156,208
As at December 31, 2013							
Cost	7,951	6,947	72,503	7,483	33,216	128,100	156,208
Accumulated amortization	(1,014)	(4,455)	(22,479)	(6,164)	-	(34,112)	-
Net book amount	6,937	2,492	50,024	1,319	33,216	93,988	156,208

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

6 Long-term debt

	Note	2013 $	2012 $
Committed revolving credit facility	6(a)	320,360	298,056
Unsecured, subordinated and non-convertible debenture	6(b)	26,590	24,873
Unsecured and non-convertible debenture	6(c)	10,636	9,949
Unsecured promissory note	6(d)	6,664	-
Unsecured promissory note	6(e)	4,778	4,877
Bond – County of Fulton, Kentucky	6(f)	4,060	4,034
Bond – Arkansas Development Finance Authority	6(g)	-	2,447
Subordinated note	6(h)	-	5,424
Unsecured promissory note	6(i)	-	200
		373,088	349,860
Deferred financing costs		(197)	(252)
		372,891	349,608
Less: Current portion of long-term debt		2,791	6,417
Less: Current portion of deferred financing costs		(59)	(59)
Total current portion of long-term debt		2,732	6,358
		370,159	343,250

a) On March 31 and December 13, 2013, the Company and SJ Holding, as borrowers, entered into agreements to amend the third amended and restated credit agreement dated November 21, 2012. The amended agreement makes available a committed revolving credit facility in the amount of $400,000 (previously $350,000), to be used for working capital and general corporate purposes. The $400,000 committed revolving credit facility was also extended by a year making the facility available for a five-year term by a syndicate of lenders to the Company and SJ Holding, maturing December 13, 2018. Borrowings may be obtained in the form of Canadian prime rate loans, bankers' acceptances ("BA"), U.S. base rate loans, LIBOR loans in U.S. dollars and letters of credit. The interest rate margin with respect to Canadian prime rate loans and U.S. base rate loans will range from 0.00% to 1.00% based on a pricing grid. The interest rate margin with respect to BA, LIBOR loans and fees for letters of credit will range from 1.00% to 2.00% based on a pricing grid. As at December 31, 2013, borrowings by Canadian entities denominated in U.S. dollars represented $274,622 (US$258,200), of which $268,240 (US$252,200) was designated as a hedge of net investment in foreign operations.

The Company enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its debt. The Company did not enter into any new interest rate swap agreements in 2013.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

As collateral for the committed revolving credit facility, the bank lenders hold a first ranking charge over all of the assets tangible and intangible, present and future, of the Company, SJ Holding and their material subsidiaries, with the exception of certain assets as outlined in the agreement.

b) Unsecured, subordinated and non-convertible debenture bearing interest at 7.27%, and is repayable in a single instalment of US$25,000 on April 1, 2016 with no possibility of advance repayment. The debenture was designated as a hedge of net investment in foreign operations.

c) Unsecured and non-convertible debenture bearing interest at 7.27%, and is repayable in a single instalment of US$10,000 on April 1, 2016 with no possibility of advance repayment. The debenture was designated as a hedge of net investment in foreign operations.

d) As part of the PWP acquisition, SJ Corp and McFarland issued an unsecured promissory note of $7,413 bearing interest at 0.27%. The note is repayable in 12 equal quarterly instalments up to November 2016. The note was initially recorded at a fair value of $6,664 using an interest rate of 7.0%. The difference between the face value and the fair value of the note is being accreted on an effective yield basis over its term.

e) Pursuant to a business acquisition on December 7, 2011, SJ Corp issued an unsecured promissory note of $6,617 bearing interest at 2.67%. The note is repayable in 10 equal annual instalments up to December 2021. The note was initially recorded at a fair value of $5,357 using an interest rate of 7.0%. The difference between the face value and the fair value of the note is being accreted on an effective yield basis over its term.

f) Bond issued in favour of the County of Fulton, Kentucky (the Burke-Parsons-Bowlby Project), Series 2006, repayable in annual principal repayments of US$200 starting July 2008 through July 2011, US$300 starting August 2011 through July 2019 and US$400 starting August 2019 through July 2026. The bond bears interest at a variable rate based on the SIFMA Municipal Swap Index. On June 15, 2009, the Company entered into an interest rate swap agreement fixing the rate at 2.99% up to December 1, 2015. The bond is secured by substantially all property, plant and equipment of the Fulton facility, which have a net book value of US$7,445 as at December 31, 2013. The bond was initially recorded in the consolidated financial statements at a fair value of US$4,835 using an interest rate of 6.50%. The difference between the face value and the fair value of the bond is being accreted on an effective yield basis over its term.

In order to provide security for the timely payment of the principal and interest due on the bond, the U.S. subsidiaries have made available a US$4,653 irrevocable letter of credit with the bank that is also the trustee for the Series 2006 Bond Indenture, at an annual fee of 1.0% of the outstanding loan balance. The letter of credit expires on January 17, 2026.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

g) Pursuant to a business acquisition, SJ Corp assumed a bond issued in favour of the Arkansas Development Finance Authority, repayable in annual principal repayments ranging from US$145 to US$275 up to September 1, 2024. Interest rates on the bond ranged from 5.62% to 5.81% and were payable semi-annually on March 1 and September 1. In August 2013, the Company fully reimbursed the bond.

h) Pursuant to a business acquisition on February 28, 2007, SJ Corp issued a note payable to J.H. Baxter & Co. The note was subordinated to existing lenders and bore interest at 5.0%. The note was repayable in five annual principal repayments of US$500, with a final payment of US$5,500 on the sixth anniversary date. The note was initially recorded at a fair value of $6,981 using an interest rate of 8.0%. The difference between the face value and the fair value of the note was being accreted on an effective yield basis over its term. The note matured on February 28, 2013 and was fully repaid.

i) Unsecured promissory note at 8.0%, payable in quarterly instalments of US$53, including interest, matured on October 1, 2013.

7 Capital stock

	2013	**2012**
Number of common shares outstanding – Beginning of period*	68,674	63,821
Stock option plan*	-	115
Share issuance* (Note 3)	-	4,706
Employee share purchase plans*	23	32
Number of common shares outstanding – End of period*	68,697	68,674

* Number of common shares is presented in thousands.

On October 1, 2013, the Board of Directors approved a share split of the Company's outstanding common shares on a 4-for-1 basis. The share split took the form of a share dividend whereby shareholders received three additional common shares for each common share held. The record date for the share dividend was October 21, 2013 and the share dividend payment date was October 25, 2013. The Company's common shares commenced trading on a split basis on October 28, 2013. All references to common shares issued and outstanding, stock options outstanding, as well as per data share have been adjusted to reflect the share split.

a) Capital stock consists of the following:

Authorized
An unlimited number of preferred shares issuable in series
An unlimited number of common shares

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

b) Earnings per share

The following table provides the reconciliation between basic earnings per common share and diluted earnings per common share:

	For the three-month periods ended December 31,		For the twelve-month periods ended December 31,	
	2013	**2012**	**2013**	**2012**
Net income applicable to common shares	$19,690	$16,546	$92,536	$73,070
Weighted average number of common shares outstanding*	68,693	65,548	68,681	64,312
Effect of dilutive stock options*	393	320	372	268
Weighted average number of diluted common shares outstanding*	69,086	65,868	69,053	64,580
Basic earnings per common share **	$0.29	$0.25	$1.35	$1.14
Diluted earnings per common share **	$0.29	$0.25	$1.34	$1.13

* Number of shares is presented in thousands.

** Basic and diluted earnings per common share are presented in dollars per share.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

8 Fair value measurement and financial instruments

The following table provides information about assets and liabilities measured at fair value in the statement of financial position and categorized by level according to the significance of the inputs used in making the measurements:

	As at December 31, 2013	As at December 31, 2012
	Significant other observable inputs (Level 2)	**Significant other observable inputs (Level 2)**
	$	**$**
Recurring fair value measurements		
Assets		
Derivatives - Interest rate swap	2,119	198
	2,119	198
Liabilities		
Derivatives - Interest rate swap	1,133	1,926
	1,133	1,926

The fair value of these financial instruments has been determined by obtaining mark-to-market values as at December 31, 2013 from different third parties. This type of measurement falls under Level 2 in the fair value hierarchy as per IFRS 7, *Financial Instruments: Disclosures*. A description of each level of the hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for these assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial instruments that are not measured at fair value on the statement of financial position are represented by cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash equivalents, accounts receivable and accounts payable approximate their carrying values due to their short term nature. The long-term debt had a carrying value of $372,891 (December 31, 2012 – $349,608) and a fair value of $373,231 (December 31, 2012 – $350,194).

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

9 Seasonality

The Company's operations follow a seasonal pattern, with pole, tie and industrial product shipments strongest in the second and third quarters to provide industrial end-users with product for their summer maintenance projects. Residential lumber sales 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.

10 Segment information

The Company operates within one business segment which is the production and sale of pressure treated wood and related services.

11 Subsequent events

On March 13, 2014, the Board of Directors declared a quarterly dividend of $0.07 per common share payable on April 30, 2014 to shareholders of record at the close of business on April 2, 2014.