INTERTAPE POLYMER GROUP INC
Form 6-K
March 23, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of March, 2011

Commission File Number 1-10928

INTERTAPE POLYMER GROUP INC.

9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada, H4M 2X5

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
Form 20-F __X__ Form 40-F ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): __________

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): __________

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERTAPE POLYMER GROUP INC.

Date: March 23, 2011

By: /s/ Bernard J. Pitz _______________

Bernard J. Pitz, Chief Financial Officer

Intertape Polymer Group Inc.

Consolidated Financial Statements
December 31, 2010 and 2009

Notes to Consolidated Financial Statements

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Management s Responsibility for Financial Statements

The consolidated financial statements of Intertape Polymer Group Inc. and other financial information are the responsibility of the Company s management and have been examined and approved by its Board of Directors. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts that are based on management s best estimates and judgments. The selection of accounting principles and methods is management s responsibility.

Management is responsible for the design, establishment and maintenance of appropriate internal control and procedures over financial reporting, to ensure that financial statements for external purposes are fairly presented in conformity with generally accepted accounting principles. Pursuant to these internal control and procedures, processes have been designed to ensure that the Company s transactions are properly authorized, the Company s assets are safeguarded against unauthorized or improper use, and the Company s transactions are properly recorded and reported to permit the preparation of the Company s consolidated financial statements in conformity with generally accepted accounting principles.

Management recognizes its responsibility for conducting the Company s affairs in a manner to comply with the requirements of applicable laws and for maintaining proper standards of conduct in its activities.

The Board of Directors assigns its responsibility for the consolidated financial statements and other financial information to the Audit Committee, all of whom are non-management and unrelated directors.

The Audit Committee s role is to examine the consolidated financial statements and annual report and once approved, recommend that the Board of Directors approve them, examine internal control over financial reporting and information protection systems and all other matters relating to the Company s accounting and finances. In order to do so, the Audit Committee meets periodically with the external auditors to review their audit plan and discuss the results of their examinations. The Audit Committee is also responsible for recommending the appointment of the external auditors or the renewal of their engagement.

The Company s external independent auditors, Raymond Chabot Grant Thornton LLP were appointed by the shareholders at the Annual Meeting of Shareholders on June 8, 2010, to conduct the integrated audit of the Company s consolidated financial statements, and the Company s internal control over financial reporting. Their reports indicating the scope of their audits and their opinions on the consolidated financial statements and the Company s internal control over financial reporting follow.

/s/ Gregory A. C. Yull

Gregory A.C. Yull
President and Chief Executive Officer

/s/ Bernard J. Pitz

Bernard J. Pitz

Chief Financial Officer

Bradenton, Florida and Montreal, Canada
March 22, 2011

Management s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company s financial reporting as well as the preparation of financial statements for external reporting purposes in accordance with Canadian generally accepted accounting principles, including a reconciliation to accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the company s financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective can only provide reasonable assurance with respect to financial statements preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2010 based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management has concluded that the Company s internal control over financial reporting was effective as of December 31, 2010 based on those criteria.

The Company s internal control over financial reporting as of December 31, 2010 has been audited by Raymond Chabot Grant Thornton LLP, the Company s independent auditors, as stated in their report which follows.

/s/ Gregory A.C. Yull

Gregory A.C. Yull
President and Chief Executive Officer

/s/ Bernard J. Pitz

Bernard J. Pitz
Chief Financial Officer

Bradenton, Florida and Montreal, Canada
March 22, 2011

Raymond Chabot

Grant Thornton

Raymond Chabot Grant Thornton LLP

Suite 2000

Independent Auditor s Report

National Bank Tower

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To the Shareholders of
Intertape Polymer Group Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Intertape Polymer Group Inc. which comprise the consolidated balance sheets as at December 31, 2010, and 2009 and the consolidated statements of earnings, comprehensive income (loss), shareholders equity and cash flows for each of the years in the three-year period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) for the years ended December 31, 2010 and 2008, and in accordance with Canadian generally accepted auditing standards for the year ended December 31, 2009. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Intertape Polymer Group Inc. as at December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Intertape Polymer Group Inc. s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 22, 2011, expressed an unqualified opinion on Intertape Polymer Group Inc. s internal control over financial reporting.

/s/ Raymond Chabot Grant Thornton LLP

Montreal, Canada
March 22, 2011

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[1] Chartered accountant auditor permit no. 8620

Raymond Chabot

Grant Thornton

Raymond Chabot Grant Thornton LLP

Suite 2000

Independent Auditor s Report on Internal

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Control Over Financial Reporting

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To the Shareholders of
Intertape Polymer Group Inc.

We have audited Intertape Polymer Group Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *"Internal Control Integrated Framework"* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility

The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management s Report on Internal Control over Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the

Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the Company s internal control over financial reporting.

Definition of internal control over financial reporting

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2010 based on criteria established in *"Internal Control Integrated Framework"* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Intertape Polymer Group Inc. for the years ended December 31, 2010 and 2008 and in accordance with Canadian generally accepted auditing standards for the year ended December 31, 2009 and our report dated March 22, 2011 expressed an unqualified opinion thereon.

/s/ Raymond Chabot Grant Thornton LLP

Montreal, Canada

March 22, 2011

[1] Chartered accountant auditor permit no. 8620

Intertape Polymer Group Inc.

Consolidated Earnings

Years ended December 31, 2010, 2009 and 2008
(in thousands of US dollars, except per share amounts)

	2010	2009	2008
	$	$	$
Sales	**720,516**	615,462	737,155
Cost of sales	**640,906**	532,543	658,900
Gross profit	**79,610**	82,919	78,255
Selling, general and administrative expenses	**72,477**	69,820	68,189
Stock-based compensation expense (Note 14)	**964**	1,037	1,268
Research and development expenses	**6,252**	5,605	5,610
Financial expenses			
Interest	**15,538**	15,888	18,365
Other	**880**	(148)	1,425
Refinancing			6,031
Manufacturing facility closures, restructuring, and other charges (Note 4)	**8,089**	1,091	
	104,200	93,293	100,888
Loss before impairment of goodwill and income taxes	**(24,590)**	(10,374)	(22,633)
Impairment of goodwill			66,726
Loss before income taxes	**(24,590)**	(10,374)	(89,359)
Income taxes (recovery) (Note 5)			
Current	**(10)**	731	(566)
Future	**31,865**	3,284	4,006
	31,855	4,015	3,440

Net loss	**(56,445)**	(14,389)	(92,799)
Loss per share (Note 6)			
Basic	**(0.96)**	(0.24)	(1.57)
Diluted	**(0.96)**	(0.24)	(1.57)

The accompanying notes are an integral part of the consolidated financial statements and Note 3 provides additional information on consolidated earnings.

Intertape Polymer Group Inc.

Consolidated Comprehensive Income (Loss)

Years ended December 31, 2010, 2009 and 2008
(in thousands of US dollars)

	2010	2009	2008
	$	$	$
Net loss	**(56,445)**	(14,389)	(92,799)
Other comprehensive income (loss)			
Changes in fair value of interest rate swap agreements, designated as cash flow hedges (net of future income taxes of nil; nil in 2009; $1,733 in 2008)	**(599)**	(1,747)	(2,950)
Settlements of interest rate swap agreements, recorded in consolidated earnings (net of income taxes of nil; nil in 2009; $1,080 in 2008)	**1,249**	1,812	1,840
Change in fair value of investment in publicly traded securities designated as available-for-sale		1,044	
Gain on sale of investment in publicly traded securities recorded in consolidated earnings		(1,044)	
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges (net of future income taxes of nil; nil in 2009; $151 in 2008)	**1,828**	3,640	(257)
Settlements of forward foreign exchange rate contracts, recorded in the consolidated earnings (net of income taxes of nil; nil in 2009)	**(869)**	(1,489)	
Gain on forward foreign exchange rate contracts recorded in consolidated earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related	**(616)**	(1,103)	

hedging relationships (net of income taxes of nil; nil in 2009)			
Reduction in net investment in a foreign subsidiary (Note 3)		(125)	(899)
Changes in accumulated currency translation adjustments	**3,514**	16,868	(32,644)
Other comprehensive income (loss)	**4,507**	17,856	(34,910)
Comprehensive income (loss) for the year	**(51,938)**	3,467	(127,709)

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

Intertape Polymer Group Inc.

Consolidated Shareholders Equity

Years ended December 31, 2010, 2009 and 2008
(in thousands of US dollars, except for number of common shares)

	Common shares					
	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders equity
		$	$	$	$	$
Balance as at December 31, 2007	58,956,348	348,174	11,856	(67,482)	67,462	360,010
Cumulative impact of accounting changes relating to inventories				(252)		(252)
Balance as at December 31, 2007, as restated	58,956,348	348,174	11,856	(67,734)	67,462	359,758
Stock-based compensation expense			1,268			1,268
Net loss				(92,799)		(92,799)
Changes in fair value of interest rate swap agreements, designated as cash flow hedges					(2,950)	(2,950)
Settlements of interest rate swap agreements, recorded in the consolidated earnings					1,840	1,840
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges					(257)	(257)
Reduction in net investment in a foreign subsidiary					(899)	(899)
Changes in accumulated currency translation adjustments					(32,644)	(32,644)
	58,956,348	348,174	13,124	(160,533)	32,552	233,317

Balance as at December 31, 2008						
Repurchase of common shares (Note 14)	(5,298)	(31)		13		(18)
Stock-based compensation expense			1,037			1,037
Net loss				(14,389)		(14,389)
Changes in fair value of interest rate swap agreements, designated as cash flow hedges					(1,747)	(1,747)
Settlements of interest rate swap agreements, recorded in consolidated earnings					1,812	1,812
Change in fair value of investment in publicly traded securities designated as available-for-sale					1,044	1,044
Gain on sale of investment in publicly traded securities recorded in the consolidated earnings					(1,044)	(1,044)
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges					3,640	3,640
Settlements of forward foreign exchange rate contracts, recorded in consolidated earnings					(1,489)	(1,489)
Gain on forward foreign exchange rate contracts recorded in consolidated earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related hedging relationships					(1,103)	(1,103)
Reduction in net investment in a foreign subsidiary					(125)	(125)
Changes in accumulated currency translation adjustments					16,868	16,868
Balance as at December 31, 2009	58,951,050	348,143	14,161	(174,909)	50,408	237,803

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

Intertape Polymer Group Inc.

Consolidated Shareholders Equity

Years ended December 31, 2010, 2009 and 2008
(in thousands of US dollars, except for number of common shares)

	Common shares					
	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders equity
		$	$	$	$	$
Balance as at December 31, 2009 (balance carried forward)	58,951,050	348,143	14,161	(174,909)	50,408	237,803
Exercise of stock options	10,000	5				5
Stock-based compensation expense			964			964
Net loss				(56,445)		(56,445)
Changes in fair value of interest rate swap agreements, designated as cash flow hedges					(599)	(599)
Settlements of interest rate swap agreements, recorded in consolidated earnings					1,249	1,249
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges					1,828	1,828
Settlements of forward foreign exchange rate contracts, recorded in consolidated earnings					(869)	(869)
Gain on forward foreign exchange rate contracts recorded in consolidated earnings pursuant to recognition of the hedged					(616)	(616)

item in cost of sales upon discontinuance of the related hedging relationships						
Changes in accumulated currency translation adjustments					3,514	3,514
Balance as at December 31, 2010	**58,961,050**	**348,148**	**15,125**	**(231,354)**	**54,915**	**186,834**

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

Intertape Polymer Group Inc.

Consolidated Cash Flows

Years ended December 31, 2010, 2009 and 2008
(in thousands of US dollars)

	2010	2009	2008
	$	$	$
OPERATING ACTIVITIES			
Net loss	**(56,445)**	(14,389)	(92,799)
Non-cash items			
Depreciation, amortization and accretion expense	**37,368**	37,526	36,538
Impairment of goodwill			66,726
Loss on disposal of property, plant and equipment	**308**	501	532
Charges in connection with manufacturing facility closures, restructuring, and other charges	**6,095**	1,091	
Write-off of debt issue expenses in connection with debt refinancing			3,111
Write-down of inventories	**1,651**	1,105	7,703
Reversal of a portion of a write-down of inventories	**(10)**	(2,082)	
Impairment of property, plant and equipment	**1,016**	94	424
Write-down on classification as assets held-for-sale	**699**	123	
Impairment of intangible assets	**1,727**	32	
Impairment of other assets	**1,258**		
Future income taxes	**31,865**	3,284	4,006
Stock-based compensation expense	**964**	1,037	1,268
Pension and post-retirement benefits funding in excess of amounts expensed	**(838)**	1,308	(1,479)
Gain on forward foreign exchange rate contracts	**(279)**	(650)	
Changes in fair value of forward foreign exchange rate contracts upon discontinuance of the related hedging relationships	**(1)**	3	
Changes in fair value of forward foreign exchange rate contracts for which hedge accounting is not applied	**144**		
Unrealized foreign exchange loss	**(44)**	(76)	
Gain on sale of publicly traded securities		(1,044)	
Gain on repurchase of Senior Subordinated Notes		(818)	
Foreign exchange gain resulting from the reduction in net investment in a foreign subsidiary		(125)	(899)

Other	**(110)**	63	
Cash flows from operations before changes in working capital items	**25,368**	26,983	25,131
Changes in working capital items			
Trade receivables	**(12,201)**	3,177	12,310
Other receivables	**(1,213)**	1,231	(1,491)
Inventories	**(15,210)**	16,272	(6,556)
Parts and supplies	**181**	(441)	(1,306)
Prepaid expenses	**(679)**	(606)	364
Accounts payable and accrued liabilities	**15,780**	(11,706)	(7,664)
	(13,342)	7,927	(4,343)
Cash flows from operating activities	**12,026**	34,910	20,788
INVESTING ACTIVITIES			
Proceeds on the settlements of forward foreign exchange rate contracts subsequent to the discontinuance of the related hedging relationships	**647**		
Property, plant and equipment	**(8,627)**	(13,141)	(21,048)
Proceeds on the disposal of property, plant and equipment	**274**	18	3,202
Proceeds on disposal of an asset held-for-sale	**1,156**		
Proceeds on disposal of investment in publicly traded securities		1,044	
Restricted cash	**(5,183)**		
Other assets	**(2,874)**	125	(795)
Intangible assets	**(849)**	(939)	(3,207)
Cash flows from investing activities	**(15,456)**	(12,893)	(21,848)
FINANCING ACTIVITIES			
Long-term debt	**42,242**	13,953	160,119
Exercise of stock options	**5**		
Repurchase of Senior Subordinated Notes and related expenses		(5,317)	
Debt issue expenses			(2,777)
Repayment of long-term debt	**(38,239)**	(42,928)	(154,952)
Repurchase of common shares		(18)	
Cash flows from financing activities	**4,008**	(34,310)	2,390
Net increase (decrease) in cash and cash equivalents	**578**	(12,293)	1,330
Effect of foreign currency translation adjustments	**(281)**	574	(1,469)
Cash and cash equivalents, beginning of year	**3,671**	15,390	15,529
Cash and cash equivalents, end of year	**3,968**	3,671	15,390
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Interest paid	**14,539**	15,754	20,264
Income taxes paid	**394**	548	364

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

Intertape Polymer Group Inc.

Consolidated Balance Sheets

December 31, 2010 and 2009
(in thousands of US dollars)

	2010	2009
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**3,968**	3,671
Restricted cash (Note 19)	**5,183**	
Trade receivables	**86,516**	74,161
Other receivables (Note 7)	**4,270**	3,052
Inventories (Note 8)	**92,629**	79,001
Parts and supplies	**15,130**	15,203
Prepaid expenses	**4,586**	3,693
Derivative financial instruments (Note 20)	**1,270**	1,438
Assets held-for-sale	**671**	149
Future income taxes (Note 5)	**1,765**	11,860
	221,747	192,228
Property, plant and equipment (Note 9)	**241,445**	274,470
Other assets (Note 10)	**23,185**	21,869
Intangible assets (Note 11)	**2,344**	3,550
Future income taxes (Note 5)	**23,143**	43,736
	506,105	535,853
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**85,145**	68,228
Installments on long-term debt (Note 12)	**2,837**	1,721
	87,982	69,949
Long-term debt (Note 12)	**218,177**	215,281
Pension and post-retirement benefits (Note 16)	**10,728**	10,200
Derivative financial instruments (Note 20)	**898**	1,548
Other liabilities (Note 13)	**1,486**	1,072

	319,271	298,050
SHAREHOLDERS EQUITY		
Capital stock (Note 14)	**348,148**	348,143
Contributed surplus	**15,125**	14,161
Deficit	**(231,354)**	(174,909)
Accumulated other comprehensive income (Note 15)	**54,915**	50,408
	(176,439)	(124,501)
	186,834	237,803
	506,105	535,853

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

On behalf of the Board of Directors,

/s/ George Bunze	**/s/ Gregory Yull**
George Bunze, Director	Gregory Yull, Director

Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

December 31, 2010, 2009 and 2008
(in US dollars, tabular amounts in thousands, except as otherwise noted)

1

GOVERNING STATUTES AND NATURE OF ACTIVITIES

Intertape Polymer Group Inc. (the Company), incorporated under the Canada Business Corporations Act, is based in Montreal, Canada and in Bradenton, Florida, develops, manufactures and sells a variety of specialized polyolefin films, paper and film pressure sensitive tapes and complimentary packaging systems for industrial use and, through wholesalers for retail applications.

The Company s common shares are listed on the Toronto Stock Exchange (TSX) in Canada. The Company complies with, and is subject to, the federal laws of Canada, as well as the Canadian securities laws and corporate governance rules applicable to Canadian publicly listed companies, including the rules of the TSX.

In December 2009, the Company filed a notification with the US Securities and Exchange Commission (SEC) voluntarily delisting its common shares trading on the New York Stock Exchange (NYSE). The delisting from the NYSE did not affect the Company s registration with the SEC.

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ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements are expressed in US dollars and are prepared in accordance with Canadian generally accepted accounting principles (GAAP), which, in certain respects, differ from the accounting principles generally accepted in the United States (US GAAP), as presented in Note 21.

Accounting estimates and measurement uncertainty

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the consolidated balance sheet date and the recorded amounts of revenues and expenses during the year then ended. On an ongoing basis, management reviews its estimates based on currently available information. Actual results may differ from those estimates.

Key areas of estimation, where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, are the allowance for doubtful accounts, the ability to use income tax losses and other future income tax assets, allowance for obsolete and slow moving inventories, net realizable value of inventories, useful lives of long-lived assets, the assumptions underlying the Company s pension and post-retirement benefits and stock-based compensation fair value model, accounting for asset retirement obligation, the assumptions inherent in the determination of certain accrued liabilities, the estimated future cash flows and projections in connection with the impairment tests of intangible assets and property, plant and equipment and accounting for contingencies.

Significant changes in the underlying assumptions could result in significant changes to these estimates.

2

ACCOUNTING POLICIES (Continued)

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All intercompany accounts and transactions have been eliminated. Foreign exchange gains and losses in connection with intercompany transactions, which are not designated as part of the Company s net investment in its self-sustaining foreign operations, are included in the determination of net earnings for the year.

Financial assets and liabilities

Financial instruments are measured at fair value on initial recognition. The measurement of financial instruments in subsequent periods depends on their classification. The classification of the Company s financial instruments in the various classes is presented in the following table:

Class	**Financial instruments**
Assets held for trading	Cash and cash equivalents
	Restricted cash
Loans and receivables	Trade receivables Other receivables [1] Loan to an officer (Note 10)
Other financial liabilities	Accounts payable Long-term debt

(1)

Excluding income, sales and other taxes

Assets held for trading are recognized at fair value on the consolidated balance sheet.

Loans and receivables are recorded at amortized cost. Subsequent measurement of trade receivables and loan to an officer are recorded at amortized cost, which usually corresponds to the amount initially recorded less any allowance for doubtful accounts and impairment, respectively. Subsequent measurement of other receivables is recorded at amortized cost using the effective interest method, including any impairment thereof.

Accounts payable are measured at amortized cost using the effective interest method and the gains and losses resulting from their subsequent measurement, at the end of each year, are recognized in net earnings.

Long-term debt is measured at amortized cost using the effective interest method. The amount recorded upon initial recognition corresponds to the notional amount of the long-term debt, representing its fair value, less the related debt issue expenses, with the exception of debt issue expenses incurred in connection with a line of credit or a revolving long-term credit agreement, such as the Company s asset based loan (ABL), which are capitalized and amortized, using the straight-line method, over the term of the ABL.

2

ACCOUNTING POLICIES (Continued)

Hierarchy of financial instruments

The Company categorizes its financial instruments, measured at fair value in the consolidated balance sheet, including its financial assets, financial liabilities and derivative financial instruments, into a three-level fair value measurement hierarchy as follows:

Level 1: The fair value is determined directly by reference to unadjusted quoted prices in active markets for identical assets and liabilities. The financial assets included in this level are cash and cash equivalents and restricted cash.

Level 2: The fair value is estimated using a valuation technique based on observable market data, either directly or indirectly. This level includes the Company s derivative financial instruments composed of its interest rate swap agreements and forward foreign exchange rate contracts, which are valued using a pricing model supported by market inputs.

Level 3: The fair value is estimated using a valuation technique based on unobservable data. As at December 31, 2010, the Company does not have any financial assets, financial liabilities or derivative financial instruments, which should be included in this level.

Derivative financial instruments

The Company uses derivative financial instruments to mitigate or eliminate the risks inherent in certain transactions and identifiable balances that arise in the normal course of business. Derivative financial instruments are primarily utilized by the Company to reduce interest rate risk on its long-term debt and foreign exchange risk on certain of its inventory purchases and foreign generated and denominated net earnings. The Company uses derivative financial instruments to ensure unfavourable fluctuations in cash flows are offset by changes in cash flows from derivative financial instruments. The Company does not enter into derivative financial instruments for trading or speculative purposes.

The Company s policy is to formally designate each derivative financial instrument as a hedge of a specifically identified debt instrument and inventory purchases, including the related settlement thereof. The Company concluded that its derivative financial instruments are effective as cash flow hedges, both at inception and over the term of the instrument, since all critical terms of these derivative financial instruments match the terms of the debt instrument and inventory purchases, including the related settlement thereof, being hedged. The Company formally documents all relationships between the hedging items and the hedged items. The Company also assesses the effectiveness of the hedging relationships each quarter, both prospectively and retroactively.

Interest rate swap agreements are used as part of the Company s program to manage the floating interest rate mix of the Company s total debt portfolio and related overall cost of borrowing. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and are recorded as an adjustment of interest expense on the hedged debt instrument. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

2

ACCOUNTING POLICIES (Continued)

Forward foreign exchange rate contracts are used as part of the Company s program to manage the exchange risk associated with certain monthly inventory purchases of the Company s US self-sustaining foreign operations, which are settled in Canadian dollars. Foreign exchange rate gains and losses resulting from the updating of the accounts payable related to these purchases, or the settlement thereof, are included in the determination of net earnings for the year along with the corresponding amounts reclassified from accumulated other comprehensive income representing the changes in fair value of the related forward foreign exchange contracts. Upon the sale of the inventories, any remaining amounts in accumulated other comprehensive income relating to these purchases, are included in the determination of net earnings for the year as an increase or decrease to cost of sales.

The Company also uses forward foreign exchange rate contracts in order to mitigate the foreign exchange rate risk associated with the Company s translation of foreign generated and denominated net earnings. These forward foreign exchange rate contracts do not comply with the requirements for hedge accounting and accordingly, have not been designated as such. Consequently, changes in the fair value of these forward foreign exchange rate contracts are included in the determination of net earnings for the year.

The effective portion of changes in the fair value of a financial instrument designated as a hedge is recognized in other comprehensive income (loss) and gains and losses related to the ineffective portion, if any, are immediately recognized in net earnings with the related hedged item. Amounts previously included as part of accumulated other comprehensive income are reclassified to net earnings with the hedged item in the period during which the hedged item impacts net earnings. Hedge accounting is discontinued prospectively when a derivative instrument ceases to satisfy the conditions for hedge accounting, is sold or liquidated or the Company terminates the designation of the hedging relationship. If the hedged item ceases to exist, unrealized gains or losses recognized in other comprehensive income (loss) are reclassified to net earnings.

Comprehensive income

Comprehensive income is the change in equity or net assets of the Company during the period from transactions and other instruments and circumstances from non-owner sources and comprises the Company s net earnings and other comprehensive income. Other comprehensive income comprises items that are recognized in comprehensive income, but excluded from the determination of net earnings, primarily including exchange gains and losses on net investments in self-sustaining foreign operations and changes in the fair value of financial instruments designated as cash flow hedges. The components of comprehensive income are presented in consolidated comprehensive income (loss).

Foreign currency translation

Reporting currency

The accounts of the Company s operations having a functional currency other than the US dollar have been translated into the reporting currency using the current rate method as follows: assets and liabilities have been translated at the exchange rate in effect at the balance sheet date and revenues and expenses have been translated at the average rate during the year then ended. All translation gains or losses of the Company s net equity investments in these operations have been included in accumulated other comprehensive income in the consolidated balance sheet.

2

ACCOUNTING POLICIES (Continued)

Foreign currency translation

Transactions denominated in currencies other than the functional currency have been translated into the functional currency as follows: monetary assets and liabilities have been translated at the exchange rate in effect at the end of each year and revenues and expenses have been translated at the average exchange rates for each year, except for depreciation and amortization which are translated at the historical rate; non-monetary assets and liabilities have been translated at the rates prevailing at the transaction dates. Exchange gains or losses on financial assets and liabilities are recognized in net earnings.

Revenue recognition

Revenue from product sales is recognized when there is persuasive evidence of an arrangement (purchase order was received from the customer), the amount is fixed or determinable (pre-established price list with customers), delivery of the product to the customer has occurred (generally, FOB shipping point), there are no uncertainties surrounding product acceptance and collection of the amount is considered probable (credit worthiness of customers is regularly evaluated). Title to the product passes upon shipment of the product. Sales returns and allowances are treated as reductions of sales and are provided for based on historical experience and current estimates.

Research and development

Research and development expenses are expensed as they are incurred, net of any related investment tax credits, unless the criteria for capitalization of development expenses are met.

Stock options

The Company has a stock-based compensation plan that grants stock options to employees and directors. Stock-based compensation expense is measured at fair value, as at the date of the grant, and is recognized over the vesting period of the options granted. Any consideration paid by employees and directors on exercise of stock options is credited to capital stock together with any related stock-based compensation expense originally recorded in contributed surplus. Forfeitures are estimated at the time of the grant and are subsequently adjusted to reflect actual events.

Earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method giving effect to the exercise of stock options. The treasury stock method assumes that any proceeds that could be obtained upon the exercise of options would be used to repurchase common shares at the average market price during the year.

Cash and cash equivalents

Cash includes cash on account and demand deposits. Cash equivalents (as at December 31, 2010,a term deposit amounting to $1.4 million ($3.0 million in 2009)) include liquid instruments that can be converted into a known cash amounts and maturing within less than three months.

Restricted Cash

Cash is considered restricted when it is subject to restrictions that prevent its use for current purposes.

2

ACCOUNTING POLICIES (Continued)

Accounts receivable

Credit is extended based on evaluation of a customer s financial condition. For certain customers, the Company may require a (i) cash on delivery arrangement or (ii) collateral. Accounts receivable are stated at amounts due from customers based on agreed upon payment terms, net of an allowance for doubtful accounts.

Inventories and parts and supplies

Raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. The cost of work in process and finished goods includes the cost of raw materials, direct labour and manufacturing overhead.

Parts and supplies are valued at the lower of cost and replacement cost, less any allowance for obsolescence.

Assets held-for-sale

Assets held-for-sale are presented at the lower of their carrying amount or fair value less cost to sell and are not depreciated or amortized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization and the applicable investment tax credits earned and are depreciated over their estimated useful lives or, if lower, over the terms of the related leases using the straight-line method over the following years:

	Years
Buildings and building under capital lease	15 to 40
Manufacturing equipment	5 to 20
Computer equipment and software	3 to 10
Furniture, office equipment and other	3 to 7

The Company follows the policy of capitalizing interest during the construction and preproduction periods as part of the cost of significant property, plant and equipment. Normal repairs and maintenance are expensed as incurred. Expenditures constituting betterment to the assets by way of change in capacities or extension of useful lives are capitalized. Depreciation is not charged on new property, plant and equipment until they are placed into service.

Other assets

Debt issue expenses, incurred in connection with the Company s ABL, are capitalized and amortized, using the straight-line method, over the term of the ABL. Other deferred charges are amortized on a straight-line basis over the period of future benefit not exceeding 5 years as at December 31, 2010.

2

ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets are stated at cost less accumulated amortization and are depreciated over their estimated useful lives using the straight-line method over the following years:

	Years
Distribution rights	6
Customer contracts	6
License agreement	5
Software development	5

Impairment of long-lived assets

Long-lived assets, such as property, plant and equipment and intangible assets, subject to amortization, are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

Transaction costs

Transaction costs with respect to financial instruments not classified as held-for-trading, with the exception of a line of credit or a revolving long-term credit agreement, are recorded as an adjustment to the cost of the underlying financial instruments, when they are recognized, and are amortized using the effective interest rate method.

Transaction costs incurred in connection with the securing of a line of credit or a revolving long-term credit agreement are capitalized as part of other assets, on the consolidated balance sheet, and subsequently amortized, using the straight-line method, over the term of the related long-term credit agreement.

Transaction costs with respect to equity instruments are recorded as a reduction of the proceeds received.

Environmental costs

The Company expenses, as incurred, recurring costs associated with managing hazardous substances in ongoing operations.

2

ACCOUNTING POLICIES (Continued)

Other liabilities

An asset retirement obligation is recorded in connection with the estimated future costs to restore a leased property to the same condition, which existed at the inception of the lease agreement. These costs are based on the lease term, external quotes for similar removal activities and the lease conditions and requirements. A discounted liability is recorded representing the fair value of an asset retirement obligation with a corresponding increase to a long-lived asset. The liability and the corresponding long-lived asset are recorded on the Company s consolidated balance sheet under the captions other liabilities and property, plant and equipment, respectively. The initial recorded asset retirement obligation, which has been discounted using the Company s credit-adjusted risk free rate, are reviewed periodically to reflect the passage of time and changes in the estimated future costs underlying this liability. The Company amortizes the amount capitalized to property, plant and equipment on a straight-line basis over the lease term and recognizes accretion expense in connection with the discounted liability over the same period.

Pension and post-retirement benefits

The Company has defined benefit and defined contribution pension plans and other post-retirement benefit plans for its employees in both Canada and the US.

The following policies are used with respect to the accounting for the defined benefit and other post-retirement benefit plans:

–

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and is charged to earnings as services are provided by employees. The calculations take into account management s best estimate of expected plan investment performance, salary escalation, retirement ages of employees, participants mortality rates and expected health care costs;

–

For the purpose of calculating the expected return on plan assets, those assets are valued at the market-related value for certain plans and for other plans, at fair value. Market-related value of assets as at December 31 is determined based on the assets market value adjusted by a certain percentage, ranging from 20% to 80%, of the assets gains (losses) from the prior four years, resulting in values within 80% to 120% of the assets actual market value. Assets gains (losses) represent the difference between the assets market value and their expected value. The assets expected value is determined as a function of the assets prior year s market value adjusted for contributions, benefits paid and interest rate as at the valuation date;

–

Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees who are active at the date of amendment;

–

Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period and from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10% of the greater of the benefit obligations and the market-related value or the fair value of plan assets is amortized over the average remaining service period of active employees covered by the plans;

2

ACCOUNTING POLICIES (Continued)

–

On January 1, 2000, the Company adopted the new accounting standard on employee future benefits using the prospective application method. The Company is amortizing the transitional obligations on a straight-line basis over the average remaining service periods of employees expected to receive benefits under the benefit plans as at January 1, 2000;

–

When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement;

–

Defined contribution plan accounting is applied to a multiemployer defined benefit plan for which the Company has insufficient information to apply defined benefit plan accounting.

Income taxes

The Company accounts for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement values and tax values of assets and liabilities, using substantially enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. A valuation allowance is recognized to the extent the recoverability of future income tax assets is not considered to be more likely than not.

Future accounting changes

International financial reporting standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that GAAP for publically accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to GAAP, but there are significant differences in recognition, measurement and disclosures. The Company will change over to IFRS for its interim and annual financial statements beginning on January 1, 2011.

1

ADDITIONAL INFORMATION REGARDING CONSOLIDATED EARNINGS

	2010	2009	2008
	$	$	$
Interest			
Interest on long-term debt	**14,503**	15,453	18,079

Amortization of debt issue expenses on long-term debt	**1,116**	1,094	934
Accretion expense	**172**	40	
Other interest	**58**	46	244
Amortization of debt issue expenses on credit facilities			141
Interest capitalized to property, plant and equipment	**(311)**	(745)	(1,033)
	15,538	15,888	18,365

3

ADDITIONAL INFORMATION REGARDING CONSOLIDATED EARNINGS (Continued)

	2010	2009	2008
	$	$	$
Other			
Foreign exchange gain resulting from the reduction in net investment in a foreign subsidiary (1)		(125)	(899)
Foreign exchange loss (gain)	**(802)**	(46)	1,689
Interest income and other financial expenses	**1,432**	1,644	635
Gain on sale of investment in publicly traded securities (2)		(916)	
Changes in fair value of forward foreign exchange rate contracts for which hedge accounting was not applied (Note 20)	**241**		
Changes in fair value of forward foreign exchange rate contracts upon discontinuance of the related hedging relationships	**9**	113	
Gain on repurchase of Senior Subordinated Notes (Note 12)		(818)	
	880	(148)	1,425
Refinancing			
Write-off of debt issue expenses in connection with debt refinancing			3,111
Loss on settlement of interest rate swap agreements			2,920
			6,031

Depreciation of property, plant and equipment	**35,168**	35,570	35,174
Amortization of other deferred charges	**58**	106	117
Amortization of intangible assets	**854**	716	172
Write-down on classification as asset held-for-sale (3)	**699**	123	
Impairment of property, plant and equipment	**1,016(5)**	94(4)	424
Impairment of intangible assets	**1,727(5)**	32	
Impairment of other assets (5)	**1,258**		
Loss on disposal of property, plant and equipment	**308**	501	532
Investment tax credits recorded as a reduction of research and development expenses	**123**	53	170
Goodwill impairment (6)			66,726

(1)

In 2009 and 2008, the Company reclassified from consolidated accumulated other comprehensive income, a foreign exchange gain amounting to $0.1 million and $0.9 million, respectively, as a result of a partial repayment of notes previously advanced to one of the Company s self-sustaining foreign operations (the Subsidiary). This repayment ultimately reduced the Company s net investment in this Subsidiary.

(2)

In 2009, the Company sold its investment in publicly traded securities, and accordingly, recorded in its consolidated earnings a non-cash gain amounting to approximately $1.0 million ($0.1 million was included under the caption cost of sales).

(3)

In 2010, the Company recorded a write-down, included under the caption selling, general and administrative expenses, of approximately $0.7 million ($0.1 million in 2009) in connection with assets classified as held-for-sale as a result of such assets being actively marketed.

(4)

In 2009, the Company recorded an impairment charge, included under the caption selling, general and administrative expenses, in connection with the properties located at its Hawkesbury, Ontario, Canada manufacturing facility, which was closed. The Company obtained independent appraisals for these assets and concluded that an impairment charge of approximately $0.1 million was warranted to reflect the expected salvage value, less the cost to sell these assets. As described in Note 4 to these consolidated financial statements, in 2010, the Company recorded an additional impairment amounting to approximately $0.7 million.

(5)

Please refer to Note 11.

3

ADDITIONAL INFORMATION REGARDING CONSOLIDATED EARNINGS (Continued)

(6)

As at December 31, 2008, management concluded that the Company s future business activities and underlying markets had suffered adverse consequences in connection with the worldwide credit crisis and economic slowdown and consequently, reduced its related future cash flows and revenue projections. Accordingly, the Company recorded a goodwill impairment charge in its consolidated earnings in the amount of $66.7 million.

2

MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, AND OTHER CHARGES

Year ended December 31, 2010

The following table describes the significant charges incurred by the Company in connection with its restructuring efforts, included in the Company s consolidated earnings for the year ended December 31, 2010 under the caption manufacturing facility closures, restructuring and other charges.

		Impairment of long-lived assets	Severance and other labor related costs	Inventory write-down	Total
		$	$	$	$
Brantford, Ontario facility closure	(a)	4,386	1,994	1,044	7,424
Hawkesbury, Ontario facility closure	(b)	665			665
		5,051	1,994	1,044	8,089
Balance as at December 31, 2009 included in accounts payable and accrued liabilities			850		850
Manufacturing facility closures, restructuring, and other charges		5,051	1,994	1,044	8,089
Cash payments			(651)		(651)
Non-cash charges		(5,051)		(1,044)	(6,095)
Balance as at December 31, 2010 included in accounts payable and accrued liabilities			2,193		2,193

(a)

Due to the economic consequences of significant and unsustainable losses associated with the continuing strike of its unionized workers, and the Company s management assessment and conclusion that turnaround is unlikely, the Company decided and accordingly committed, in the latter part of 2010, to a plan to close its manufacturing facility in Brantford, Ontario, Canada. The total charge associated with this facility closure amounts to $7.4 million. This charge includes $4.4 million associated with the write-down of the facility s property, plant and equipment to salvage value, less the cost to sell, $1.0 million associated with the write-down of inventories, including parts and supplies, to net realizable value, and $2.0 million in severance and other labour related costs. Severance and other labour related costs will be paid over a period not exceeding March 2013, depending on the arrangements, rights and obligations of the related employees. The Company also expects to record additional charges in connection with this facility closure ranging from $1.0 million to $1.5 million, in future periods.

(b)

In 2010, in connection with the closure of the Hawkesbury, Ontario facility, the Company recorded an additional impairment charge of $0.7 million, on the remaining assets. These assets are now presented under the caption assets held-for-sale. As at December 31, 2010, the total charge recorded in connection with this facility closure amounted to $1.8 million.

4

MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, AND OTHER CHARGES (Continued)

Year ended December 31, 2009

Effective November 10, 2009, the Company decided to terminate the operations of its manufacturing facility located in Hawkesbury, Ontario, Canada (the Closure) as part of its ongoing efforts and objectives to lower costs, enhance customer order fulfillment and effectively optimize inventory investment. The terminated operations were transferred and consolidated into the Company s manufacturing facility located in Truro, Nova Scotia, Canada in 2010. In connection with this Closure, the Company incurred severance and other labour related costs amounting to approximately $1.1 million.

During the year ended December 31, 2009, the Company settled, in non-cash charges and cash payments, previously recorded obligations relating to such activities amounting to nil and $0.1 million, respectively.

As at December 31, 2009, the Company s outstanding obligation in connection with its manufacturing facility closures, restructuring and other charges, included in accounts payable and accrued liabilities, on the Company s consolidated balance sheet, amounted to approximately $0.8 million.

Year ended December 31, 2008

During the year ended December 31, 2008, the Company did not incur any additional costs in connection with its manufacturing facility closures, restructuring and other charges given that the Company had substantially completed all announced activities as at December 31, 2007.

During the year ended December 31, 2008, the Company settled, in non-cash charges and cash payments, previously recorded obligations relating to such activities amounting to approximately $0.5 million and $0.8 million, respectively. In addition, and based on newly available information, the Company revised its estimate regarding the site restoration obligation recorded in connection with the Brighton, Colorado manufacturing facility which closed in 2006. This estimate revision resulted in a reduction of the related obligation in the amount of $0.7 million.

As at December 31, 2008, the Company s outstanding obligation in connection with its manufacturing facility closures, restructuring and other charges, included in accounts payable and accrued liabilities, on the Company s consolidated balance sheet, amounted to approximately $0.4 million ($0.3 million and $0.1 million relating to site restoration and restructuring, respectively).

3

INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the Company s effective income tax rate is detailed as follows:

5

INCOME TAXES (Continued)

	2010	2009	2008
	%	%	%
Combined Canadian federal and provincial income tax rate	**32.8**	34.2	34.0
Foreign earnings taxed at higher income tax rates	**(3.5)**	(1.0)	1.4
Losses accounted for at lower income tax rates	**1.4**	(1.9)	
Expiration of operating losses	**(3.7)**	(48.2)	
Impairment of goodwill			(19.0)
Non-deductible expenses	**(0.7)**	(6.5)	
Impact of other differences	**(1.9)**	(18.8)	(0.9)
Change in valuation allowance	**(153.9)**	3.5	(19.3)
Effective income tax rate	**(129.5)**	(38.7)	(3.8)

The net future income tax assets are detailed as follows:

	2010	2009
	$	$
Future income tax assets		
Trade and other receivables	**376**	335
Inventories	**818**	779
Property, plant and equipment	**16,361**	12,001
Accounts payable and accrued liabilities	**2,360**	1,725
Tax credits, losses carry-forward and other tax deductions	**99,046**	101,128
Pension and post-retirement benefits	**955**	676
Goodwill	**11,048**	11,373
Other	**943**	1,545
Valuation allowance	**(62,486)**	(24,633)
	69,421	104,929
Future income tax liabilities		
Property, plant and equipment	**43,266**	48,658
Pension and post-retirement benefits	**1,247**	675
	44,513	49,333
Total net future income tax assets	**24,908**	55,596
Net current future income tax assets	**1,765**	11,860
Net long-term future income tax assets	**23,143**	43,736

Total net future income tax assets	**24,908**	55,596

In assessing the recoverability of future income tax assets, the Company s management determines, at each balance sheet date, whether it is more likely than not that the amount recognized will be realized. In accordance with GAAP, this determination is based on the Company s management s quantitative and qualitative assessments and the weighing of all available evidence, both positive and negative. Such evidence includes, among others, the scheduled reversal of future income tax liabilities, projected future taxable income, and the implementation of tax planning strategies. However, GAAP places a significant weight on the Company s historical performance when making such a determination.

5

INCOME TAXES (Continued)

In particular, the expectation of generating taxable income in future periods may not be sufficient to overcome the negative presumption associated with historical cumulative operational losses.

Accordingly, as at December 31, 2010, while the Company s management is projecting a positive outlook from increased sales, the implementation and realization of cost reduction measures, and the continued increase in the sale of new products with higher gross margins, the Company s management must consider the significant weight that GAAP places on historical cumulative operational losses in determining its valuation allowance. As such, for the year ended December 31, 2010, the Company recorded an additional valuation allowance of $33.4 million against its future income tax assets in the US jurisdiction and $4.4 million against its future income tax assets in the Canadian jurisdiction. These future income tax assets remain available, and the Company expects to use them to reduce taxable income in future periods. When these future income tax assets are used, or when all or a portion of the valuation allowance is reversed, if sooner, the Company will record the related benefit in its consolidated earnings.

During the year ended December 31, 2009, there was no significant adjustment to the valuation allowance. During the year ended December 31, 2008, the Company recorded a $10.0 million net increase to its valuation allowance consisting primarily of the following: i) a $16.5 million increase with respect to the long-term uncertainties inherent in the worldwide credit crisis, ii) a $5.5 million decrease in connection with the improved financial performance of the Company s Engineered Coated Products Division and the Company s management ability to take advantage of certain income tax planning strategies, and iii) a $1.0 million decrease as a result of the significant weakening of the Canadian dollar.

The following table presents the year of expiration of the Company s operating losses carried forward as at December 31, 2010:

	Federal	Canada Provincial	United States
	$	$	$
2012			2.0
2014	1.5	1.5	
2015	1.2	1.2	
2018			4.6

2019			15.0
2020			11.9
2021			50.9
2022			33.9
2023			34.8
2024			9.1
2026	3.9	3.9	27.4
2027	5.3	5.3	
2028	2.6	2.6	17.4
2029	11.4	11.4	
2030	14.3	14.3	1.1
	40.2	40.2	208.1

5

INCOME TAXES (Continued)

During the three months ended December 31, 2010, the Company recorded a $0.8 million charge to its consolidated earnings due to a decrease in operating loss carry-forwards in the Canadian jurisdiction as a result of an income tax audit for the fiscal years 2004, 2005 and 2006. As at December 31, 2010, the Company has $40.2 million (CAD$40.2 million) of Canadian operating loss carry-forwards expiring in 2014 through 2030, including $21.0 million (CAD$21.0 million) for which no valuation allowance is recorded, and $208.1 million of US federal and state operating losses expiring in 2012 through 2030, for all of which a valuation allowance is recorded.

4

EARNINGS PER SHARE

	2010	2009	2008
	$	$	$
Net loss	**(56,445)**	(14,389)	(92,799)
Weighted average number of common shares outstanding	**58,953,550**	58,951,050	58,956,348
Loss per share			
Basic	**(0.96)**	(0.24)	(1.57)
Diluted	**(0.96)**	(0.24)	(1.57)

The following number of options were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented:

	2010	2009	2008

	2,003,974	2,121,909	1,997,680

5

OTHER RECEIVABLES

	2010	2009
	$	$
Income and other taxes	**465**	268
Supplier rebates receivable	**1,586**	1,200
Sales taxes	**860**	870
Other	**1,359**	714
	4,270	3,052

Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

December 31, 2010, 2009 and 2008
(in US dollars, tabular amounts in thousands, except as otherwise noted)

6

INVENTORIES

	2010	2009
	$	$
Raw materials	**25,467**	23,713
Work in process	**18,336**	15,006
Finished goods	**48,826**	40,282
	92,629	79,001

During the year ended December 31, 2010 the Company recorded a write-down of inventories to net realizable value, which was recognized in costs of sales, of approximately $1.7 million ($1.1 million in 2009, and $7.7 million in 2008).

In addition, during the year ended December 31, 2010, nil ($2.1 million in 2009, and nil in 2008) of previously recorded write-downs of inventories to net realizable value, were reversed and recognized as a reduction of costs of sales. The Company s management determined that circumstances prevailing at the time of the write-down ceased to exist as a result of increased profitability primarily due to an improved relationship between selling prices and raw material costs.

7

PROPERTY, PLANT AND EQUIPMENT

			2010
	Cost	**Accumulated depreciation**	**Net**
	$	**$**	**$**
Land	**3,807**		**3,807**
Buildings	**78,213**	**45,606**	**32,607**

Manufacturing equipment	**533,803**	**338,993**	**194,810**
Computer equipment and software	**69,358**	**64,024**	**5,334**
Furniture, office equipment and other	**2,718**	**2,606**	**112**
Construction in progress	**4,775**		**4,775**
	692,674	**451,229**	**241,445**

			2009
	Cost	Accumulated depreciation	Net
	$	$	$
Land	3,900		3,900
Buildings	80,762	43,208	37,554
Manufacturing equipment	527,587	307,807	219,780
Computer equipment and software	68,732	59,059	9,673
Furniture, office equipment and other	2,855	2,719	136
Construction in progress	3,427		3,427
	687,263	412,793	274,470

9

PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in property, plant and equipment are assets under capital leases, primarily a building and computer hardware, with cost and accumulated amortization of $11,971 and $6,626, respectively ($12,149 and $6,219, respectively in 2009).

8

OTHER ASSETS

	2010	2009
	$	$
Debt issue expenses and other deferred charges, at amortized cost	**1,485**	2,011
Loan to an officer	**108**	108
Accrued pension benefit asset (Note 16)	**12,346**	10,808
Investment tax credits recoverable	**6,559**	6,291
Funds held in guarantor trust to satisfy future pension obligation	**1,468**	1,614
Cash surrender value of officer life insurance	**1,172**	948
Other	**47**	89
	23,185	21,869

9

INTANGIBLE ASSETS

			2010
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Distribution rights	**3,404**	**2,517**	**887**
Customer contracts	**1,266**	**993**	**273**
License agreement	**849**	**86**	**763**
Software development	**431**	**10**	**421**
	5,950	**3,606**	**2,344**

			2009
	Cost	Accumulated amortization	Net
	$	$	$
Distribution rights	3,319	691	2,628
Customer contracts	1,204	282	922
	4,523	973	3,550

Distribution rights and customer contracts

In 2008, the Company entered into an Asset Purchase Agreement (the Asset Agreement). Under the Asset Agreement, the Company acquired a group of assets (the Group) for total consideration of CAD$5.5 million (the Purchase Price). The Group comprised both tangible and intangible assets primarily consisting of wrapping system machines, a distribution rights agreement, and customer contracts. The Company determined the fair value of each of the assets acquired in the Group. The purchase price paid was then allocated to each asset acquired, on the basis of the assets relative fair value.

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INTANGIBLE ASSETS (Continued)

Under the Agreement, the Company committed to distribute and sell specialized wrapping system machines and technology and to attain specific thresholds in this respect over a period of 61 months terminating in September 2013 (the Commitment). In 2010, the Company renegotiated with the vendor the period over which the Commitment must be attained. Accordingly, the Commitment period was extended to September, 2018.

Within the first two years of the Agreement, the wrapping system machines acquired had to have attained certain market acceptance parameters or the Company had the right to renegotiate the Commitment with the vendor. If such renegotiation was not concluded on terms satisfactory to the Company, and if the vendor remained unable to resolve the issues to the satisfaction of the Company, then the Commitment would be relieved.

Effective September 30, 2009, and due to the adverse economic conditions impacting the lumber wrap film market targeted under the Asset Agreement, the Company did not meet the performance criteria included in the first milestone of the Asset Agreement. Accordingly, the Company recorded a charge amounting to $0.4 million representing the penalties due to the vendor.

At this time and notwithstanding that the Company and the Vendor have mutually put each other in default under the agreements, the Company s management determined that no additional penalties are likely to be incurred under these agreements because it continues to negotiate and develop remedies with the vendor in light of the adverse market acceptance of the wrapping system machines and related technology.

In addition, the Company s management revised its projection of expected cash flows from the distribution and sale of specialized wrapping system machines and related technology, and determined that the related tangible and intangible assets were impaired. Consequently, the Company recorded impairment charges under the caption of cost of sales, as follows:

Intangible assets:

-

$1.2 million for distribution rights;

-

$0.5 million for customer contracts;

Property, plant and equipment:

-

$1.0 million for wrapping system machines;

Other assets:

-

$1.2 million for specific deposits on the future manufacturing of wrapping system machines; and

-

$0.1 million for deferred charges incurred in connection with the Asset Agreement.

License agreement

In June 2010, the Company entered into a license agreement under which the Company will be entitled to purchase certain finished goods for distribution to its customers. The terms and conditions of this license agreement call for an initial payment in the amount of $325,000 followed by ten quarterly instalments of $62,500, commencing on October 1, 2010. Accordingly, the Company recorded an intangible asset in the amount of $0.8 million and corresponding liabilities in the amount of $0.4 million and $0.4 million on its consolidated balance sheet under the captions accounts payable and accrued

11

INTANGIBLE ASSETS (Continued)

liabilities and other liabilities, respectively. This asset is being amortized using the straight-line method over its useful life of 5 years.

1

LONG-TERM DEBT

Long-term debt consists of the following:

	2010	2009
	$	$
Senior subordinated notes (a)(1)	**116,169**	115,600
Asset-based loan (b)	**87,988**	85,389
Obligations under capital leases (c)	**6,089**	6,496
Term debt (d)	**6,205**	7,796
Mortgage loan (e)	**4,563**	1,721
	221,014	217,002
Less: Instalments on long-term debt	**2,837**	1,721
	218,177	215,281

(1)

The senior subordinated notes are presented net of related debt issue expenses that are amortized using the effective interest rate method amounting to $2.5 million ($3.1 million in 2009).

Long-term debt repayments are due as follows:

	Obligations under capital leases	Other long-term loans
	$	$
2011	**754**	**2,353**
2012	**647**	**2,410**
2013	**609**	**91,678**
2014	**592**	**119,337**
2015	**572**	**256**

Thereafter	**4,910**	**1,422**
Total payments	**8,084**	**217,456**
Interest expense included in minimum lease payments	**1,995**	
Total	**6,089**	**217,456**

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LONG-TERM DEBT (Continued)

(a)

Senior subordinated notes

Senior subordinated notes bearing interest at 8.5%, payable semi-annually on February 1 and August 1. The principal is due on August 1, 2014. The effective interest rate of the Senior Subordinated Notes is 9.20%.

The Company and all of its subsidiaries, which are all wholly-owned directly or indirectly by the Company, other than the subsidiary issuer, have guaranteed the senior subordinated notes. The senior subordinated notes were issued and the guarantees executed pursuant to an indenture dated July 28, 2004. All of the guarantees are full, unconditional, joint and several. There are no significant restrictions on the ability of the Company or any guarantor to obtain funds from its subsidiaries by dividend or loan. The Company, on a non-consolidated basis, has no independent assets or operations. The subsidiary issuer is an indirectly wholly-owned subsidiary of the Company and has nominal assets and no operations.

Repurchase

In 2009, the Company repurchased $6.3 million of its outstanding senior subordinated notes. Accordingly, the Company recorded a gain on repurchase amounting to approximately $0.8 million in its consolidated earnings for the year ended December 31, 2009. The gain on repurchase was computed net of the proportionate amount of debt issue expenses incurred at the time the senior subordinated notes were initially issued and the related repurchase fees amounting to $0.2 million.

(b)

Asset-based loan

In 2008, the Company secured a five-year, $200.0 million asset based loan (ABL) entered into with a syndicate of financial institutions. In securing the ABL the Company incurred debt issue expenses amounting to approximately $2.8 million, which are presented as part of other assets. The ABL bears interest at LIBOR plus a premium varying between 150 and 225 basis points depending on the loan s remaining availability (200 basis points as at December 31, 2010, 200 basis points in 2009). As at December 31, 2010, the effective interest rate on the ABL was 3.77% (3.70% in 2009), taking into account the effect of the interest rate swap agreements described in Note 21.

The amount of the borrowing available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is calculated as a function of a percentage of eligible trade receivables, inventories and property, plant and equipment as defined in the ABL agreement.

Under the ABL loan agreement, the Company s remaining unencumbered real estate is subject to a negative pledge in favour of the ABL lenders. However, the Company retains the ability to secure financing, on all or a portion of, its owned real estate thereby subordinating the negative pledge to the ABL lenders up to an amount of $35.0 million. During the years ended December 31, 2010 and 2008, the Company obtained a $3.0 million and $1.8 million mortgage financing on its owned real estate located in Danville, Virginia and Bradenton, Florida, respectively. As at December 31, 2010, $30.4 million of real estate mortgage financing remains available to the Company ($33.2 million in 2009).

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LONG-TERM DEBT (Continued)

As at December 31, 2010, the ABL s borrowing base amounted to $136.6 million ($129.4 million in 2009) of which $97.5 million ($88.0 million in 2009) was drawn, including $9.5 million (including $8.0 million posted in connection with the bond described in Note 19) ($2.6 million in 2009) in letters of credit. Accordingly, the Company s unused availability amounted to $39.1 million ($41.4 million in 2009).

The ABL is secured by a first priority lien on the Company s, and substantially all of its subsidiaries , trade receivables, inventories and property, plant and equipment, included in the determination of the ABL s borrowing base, with a carrying amount of $86.5 million, $92.7 million and $241.4 million ($74.2 million, $79.0 million and $274.5 million, respectively in 2009), respectively as at December 31, 2010.

The ABL contains one financial covenant, a fixed charge coverage ratio, which becomes enforceable only when unused availability is under $25.0 million. As at December 31, 2010 and 2009, the Company s availability on its ABL exceeded $25.0 million and accordingly, the related financial covenant was not applicable.

In line with the Company s interest rate risk policy to mitigate the risk associated with its variable interest rate debt instruments, including its ABL, the Company contracted interest rate swap agreements designated as cash flow hedges. These interest rate swap agreements as well as the Company s interest rate risk policy are described in Note 20.

(c)

Obligations under capital leases

The Company has obligations under capital leases for the rental of a building, computer hardware, shop equipment and office equipment, bearing interest at rates varying between 4.4% and 8.6% (4.4% to 8.6% as at December 31, 2009), payable in monthly installments ranging from $90 to $46,320 ($90 to $46,320 in 2009), including interest and maturing on various dates until 2015.

(d)

Term debt

The Company s wholly-owned subsidiary has a long-term loan agreement, containing two debt instruments, totalling approximately $6.0 million at December 31, 2010 (€4.5 million), with each instrument bearing interest at a rate of Euribor (ranging between 1.16% and 1.22% in 2010, 1.02% and 1.16% in 2009) plus a premium, 175 basis points as at December 31, 2010 (125 basis points as at December 31, 2009), which could, at the discretion of the lender, be increased semi-annually by 75 basis points. Under the terms of the agreement, only monthly interest payments are required for the first two years followed by eight equal semi-annual principal payments amounting to $0.3 million and $0.6 million for each of the instruments commencing on January 2010 and November 2010, respectively. The term debt is secured by a comfort letter issued to the lender by the Company in favour of its wholly-owned subsidiary.

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LONG-TERM DEBT (Continued)

(e)

Mortgage loans

In 2010, the Company obtained a $3.0 million mortgage loan on its owned real estate in Danville, Virginia having a net book value of $2.2 million as at December 31, 2010. The mortgage is for a period of 32 months, bearing interest at an annual fixed rate of 10%. The mortgage requires monthly payments of principal and interest amounting to $63,741 commencing on November 1, 2010, with the remaining principal and accrued interest due on July 1, 2013.

The Company has a $1.8 million mortgage loan on its owned real estate located in Bradenton, Florida having a net book value of $0.6 million as at December 31, 2010 ($0.7 million in 2009). The mortgage is for a period of 20 years, bearing interest at 7.96%, and thereafter, the applicable interest rate will adjust every three years to a 355 basis point spread over the 10-year Interest Rate Swap published in the daily release of the Federal Reserve. The mortgage requires monthly payments of principal and interest in the amount of $14,723.

2

OTHER LIABILITIES

	2010	2009
	$	$
Asset retirement obligation [(a)]	**1,256**	1,072
License agreement (Note 11)	**230**	
	1,486	1,072

(a)

Asset retirement obligation

In 2009, the Company renegotiated the terms and conditions included in the lease for its operating facility located in Langley, British Columbia, Canada. As a result of the renegotiation the Company has concluded that it is subject to an asset retirement legal obligation, by virtue of a written contract, to restore the leased property to the same condition which existed at the time of the initial lease. This asset retirement obligation (ARO) includes, among other costs, the permanent removal of the Company s manufacturing equipment used in this facility. During 2010, the Company extended the term of this lease.

The assumptions, on which the carrying amount of the ARO is based on, are as follows:

Undiscounted cash flows required to settle the obligation ($1.2 million in 2009)	$1.4 million
Timing of payment of the cash flows required to settle the obligation (48 months in 2009)	43 months

Credit-adjusted risk-free rate (15.0% in 2009)	14.14%

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OTHER LIABILITIES (Continued)

The reconciliation of the Company s ARO liability is as follows:

	2010	2009
	$	$
Balance, beginning of period	**1,072**	
Liabilities incurred	**380**	936
Revision in estimated cash flows	**(430)**	
Accretion expense	**172**	40
Foreign exchange	**62**	96
Balance, end of period	**1,256**	1,072

3

CAPITAL STOCK

Authorized

Unlimited number of shares without par value

Common shares, voting and participating

Class A preferred shares, issuable in series, ranking in priority to the common shares with respect to dividends and return of capital on dissolution. The Board of Directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

Share repurchase

The Company announced a normal course issuer bid effective May 20, 2010. In connection with this normal course issuer bid, the Company is entitled to repurchase for cancellation up to 2,947,552 of its 58,956,050 common shares issued and outstanding, representing 5% of the Company s common shares issued and outstanding as at that date. The normal course issuer bid will expire in May 2011.

In 2009, the Company accounted for the repurchase of 5,298 common shares for cancellation under a normal course issuer bid, which resulted in a decrease of approximately $31,000 and $13,000 of the Company s consolidated capital stock and deficit, respectively.

Stock options

Under the Company s executive stock option plan, options may be granted to the Company's executives, directors and key employees for the purchase of up to a total of 10% of the Company s issued and outstanding common shares.

Options expire no later than 10 years after the date of the grant. The plan provides that such options granted to key employees and executives will vest and may be exercisable 25% per year over four years. The options granted to directors, who are not officers of the Company, will vest and may be exercisable 25% on the grant date, and a further 25% will vest and may be exercisable per year over three years.

All options are granted at a price determined and approved by the Board of Directors, which cannot be less than the average of the closing price of the common shares on the TSX for the day immediately preceding the grant date.

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CAPITAL STOCK (Continued)

The changes in number of options outstanding were as follows:

	2010		2009		2008	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	CAD$		CAD$		USD$	
Balance, beginning of year	**6.45**	**3,318,053**	6.99	3,511,462	6.44	3,976,337
Granted	**2.07**	**825,000**	2.83	262,927	3.44	200,000
Exercised	**0.55**	**(10,000)**				
Forfeited	**6.02**	**(210,284)**	12.25	(11,000)	3.99	(163,250)
Expired	**12.14**	**(567,000)**	8.44	(445,336)	10.08	(501,625)
Balance, end of year	**4.44**	**3,355,769**	6.45	3,318,053	5.91	3,511,462
Options exercisable at the end of the year	**5.67**	**2,003,974**	7.92	2,121,909	7.26	1,997,680

The following table summarizes information about options outstanding and exercisable as at December 31, 2010:

	Options outstanding			Options exercisable	
	Number	Weighted average contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
Range of exercise prices			CAD$		CAD$

$0.55 to $0.83	40,000	4.25	0.55	17,500	0.55
$1.84 to $2.76	855,000	5.69	2.06	57,500	2.10
$3.44 to $5.16	1,751,327	2.91	3.58	1,219,532	3.60
$7.50 to $11.25	596,950	0.68	9.30	596,950	9.30
$11.42	112,492	0.44	11.42	112,492	11.42
	3,355,769	2.59	4.44	2,003,974	5.67

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CAPITAL STOCK (Continued)

In connection with the Company s delisting from the NYSE, as described in Note 1, all stock options having a US dollar denominated exercise price were converted to the Canadian dollar exercise price available on the TSX as at the time of the grant. This change did not have a significant impact on the Company s accounting for stock options, including the related expense.

The Company uses the fair value based method of accounting for stock-based compensation expense and other stock-based payments. Accordingly, the Company recorded a pre-tax stock-based compensation expense of approximately $1.0 million in 2010, $1.0 million in 2009 and $1.3 million in 2008.

The fair value of options granted was estimated using the Black-Scholes option pricing model, taking into account the following weighted average assumptions:

	2010	2009	2008
Expected life	**6.0 years**	5.9 years	5.5 years
Expected volatility	**61%**	63%	50%
Risk-free interest rate	**2.68%**	2.67%	3.13%
Expected dividends	**$0.00**	$0.00	$0.00

The weighted average fair value per option granted is:

2010	2009	2008
CAD$	CAD$	USD$
1.23	0.92	1.14

During 2009, 182,927 stock options were granted at exercise prices exceeding the market price of the Company s common shares at the date of the grant. The exercise price and market price of these stock options were $3.62 and

$2.23, respectively.

4

ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of other accumulated comprehensive income as at December 31, are as follows:

	2010	2009
	$	$
Accumulated currency translation adjustments	**54,679**	51,165
Cumulative changes in fair value of interest rate swap agreements (net of future income taxes of nil, nil in 2009)	**(898)**	(1,548)
Cumulative changes in fair value of forward foreign exchange rate contracts (net of future income taxes of nil, nil in 2009)	**1,134**	791
	54,915	50,408

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PENSION AND POST-RETIREMENT BENEFIT PLANS

The Company has several defined contribution plans and defined benefit plans for substantially all its employees in both Canada and the United States. These plans are generally contributory in Canada and non-contributory in the United States.

Total cash payments

Total cash payments for employee future benefits for 2010, consisting of cash contributed by the Company to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, cash contributed to its defined contribution plans and cash contributed to its multi-employer defined benefit plans, were $4.8 million ($3.4 million in 2009 and $5.8 million in 2008).

Defined contribution plans

In the United States, the Company maintains a savings retirement plan (401(k) Plan) for the benefit of certain employees who have been employed for at least 90 days. Contribution to this plan is at the discretion of the Company. The Company also maintains 401(k) plans according to the terms of certain collective bargaining agreements.

The Company also contributes to its multi-employer plans for employees covered by certain collective bargaining agreements.

In Canada, the Company maintains defined contribution pension plans for its salaried employees and contributes amounts equal to 4% of each participant's eligible salary.

The Company has expensed $0.7 million for these plans for the year ended December 31, 2010 ($0.8 million and $2.8 million in 2009 and 2008, respectively).

Defined benefit plans

The Company has, in the United States, three defined benefit pension plans (hourly and salaried). Benefits for employees are based on compensation and years of service for salaried employees and fixed benefits per month for each year of service for hourly employees.

In Canada, certain non-union hourly employees of the Company are covered by a plan which provides a fixed benefit of CAD$20.00 in 2010, 2009 and 2008 (USD$19.40 in 2010, USD$17.52 in 2009 and USD$18.79 in 2008) per month for each year of service. In addition, the Company maintains a defined benefit plan, which provides for a fixed benefit at a rate ranging from 40.0% to 62.5% in 2010, 2009 and 2008) of the employee contributions, depending on the participation start date.

In the United States, the Company provides group health care and life insurance benefits to certain retirees.

In Canada, the Company provides group health care, dental and life insurance benefits for eligible retired employees.

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Intertape Polymer Group Inc.

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PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

Supplementary executive retirement plans

The Company has Supplementary Executive Retirement Plans (SERPs) to provide supplemental pension benefits to certain key executives. The SERPs are not funded and provide for an annual pension benefit, from retirement or termination date, in the amounts ranging from $0.2 million to $0.6 million, annually. The SERPs had accrued benefit liability as at December 31, 2010 of $4.9 million ($4.8 million in 2009).

Non-routine events

Certain employees located at the Company s manufacturing facility in Brantford, Ontario, Canada, participate in one of the Company s defined benefit plan and multi-employer plan. In connection with the Company s plan to close this facility, as at December 31, 2010, these plans are effectively curtailed. The curtailment will result in a gain. This gain was not recorded given the fact that the event giving rise to this curtailment has not yet occurred.

Effective February 2010, as described in Note 4, the Company terminated the operations of its manufacturing facility located in Hawkesbury, Ontario, Canada. In connection with this closure, and the related defined benefit plan for certain of the facility s employees, the Company recorded a curtailment gain.

During the year ended December 31, 2009, and in connection with the closure of the Green Bay, Wisconsin manufacturing facility in 2003, the Company finalized the termination benefits to be paid to certain employees of this facility. Accordingly, the Company recorded an additional benefit cost, with respect to the related defined pension plan, amounting to approximately $0.6 million. The total agreed upon benefit, in the amount of $1.9 million, will be paid over a period of 15.5 years, and bears interest at a rate of 6.74%.

Investment policy

The Company's Investment Committee comprised of the Company s Chief Financial Officer and Vice President, Human Resources, makes investment decisions for the company s pension plans. The committee established a target mix of equities and bonds of 70% equities and 30% bonds over time. In Canada, the funds of the non-union plans are split evenly between two balanced mutual funds, thus, over time, achieving the target mix of 70% equities and 30% bonds. The funds of the union plans have a target equity weighing ranging from 45% to 65%.

The rate of return decision is a function of advice from the Company's actuaries and their review of current holdings, general market trends and common levels used by other employers.

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PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

Measurement Date and Date of Actuarial Valuations

The Company measures its plan assets and accrued benefit obligations for accounting purposes as at December 31 of each year.

The most recent actuarial valuations for funding purposes were January 1, 2010 and October 1, 2010 for the US plans and September 1, 2008 for the Canadian plans.

The next valuation dates for actuarial valuations to be used for funding purposes are January 1, 2011 and October 1, 2011 for the US plans and September 1, 2011 for the Canadian plan.

Information relating to the various plans is as follows:

	Pension Plans		Other plans	
	2010	2009	**2010**	2009
	$	$	**$**	$
Accrued benefit obligations				
Balance, beginning of year	**60,575**	52,891	**3,637**	2,605
Current service cost	**831**	790	**34**	54
Plan participants contributions		3		
Plan amendments	**935**			
Interest cost	**3,570**	3,323	**221**	194
Benefits paid	**(2,631)**	(2,210)	**(212)**	(84)
Actuarial losses	**4,648**	4,142	**625**	587
Decrease in liability due to curtailment			**(134)**	
Foreign exchange rate adjustment	**748**	1,636	**145**	281
Balance, end of year	**68,676**	60,575	**4,316**	3,637
Plans assets				
Balance, beginning of year	**43,247**	34,580		
Actual return on plans assets	**4,825**	6,200		
Employer contributions	**3,808**	2,519		
Plan participants' contributions		3		
Benefits paid	**(2,631)**	(2,210)		
Foreign exchange rate adjustment	**932**	2,155		
Balance, end of year	**50,181**	43,247		
Funded status deficit	**18,495**	17,328	**4,316**	3,637

Unamortized past service costs	**(2,640)**	(1,995)	**(31)**	(35)
Unamortized net actuarial gains (losses)	**(21,524)**	(19,950)	**(315)**	328
Unamortized transition assets (obligation)	**88**	90	**(7)**	(11)
Accrued benefit liability (accrued pension benefit asset)	**(5,581)**	(4,527)	**3,963**	3,919

16

PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

Included in the above accrued benefit obligation and fair value of plan assets as at December 31, are the following amounts in respect of plans that are not fully funded:

		Pension plans
	2010	2009
	$	$
Accrued benefit obligation	**58,153**	46,390
Fair value of plan assets	**38,257**	26,472
Funded status plan deficit	**19,896**	19,918

Weighted average plan assets allocations as at December 31, are as follows:

		Pension Plans
	2010	2009
Asset category	**%**	%
Equity securities	**76**	68
Debt securities	**19**	28
Other	**5**	4
Total	**100**	100

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PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

The accrued benefit liability (accrued pension benefit asset) is included in the Company s consolidated balance sheets as follows:

	Pension plans		Other plans		Total plans	
	2010	2009	**2010**	2009	**2010**	2009
	$	$	**$**	$	**$**	$
Other assets (Note 10)	**(12,285)**	(10,808)	**(61)**		**(12,346)**	(10,808)
Pension and post-retirement benefits	**6,704**	6,281	**4,024**	3,919	**10,728**	10,200
	(5,581)	(4,527)	**3,963**	3,919	**(1,618)**	(608)

Net Benefit Cost

	Pension plans			Other plans		
	2010	2009	2008	**2010**	2009	2008
	$	$	$	**$**	$	$
Current service cost	**831**	790	1,057	**34**	54	75
Interest cost	**3,570**	3,323	3,163	**221**	194	189
Actual return on plans assets	**(4,825)**	(6,200)	10,266			
Plan amendments	**935**		649			33
Actuarial (gains) losses	**4,648**	4,142	(711)	**625**	587	(654)
Curtailment gain				**(134)**		
Elements of employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	**5,159**	2,055	14,424	**746**	835	(357)

Adjustments to recognize the long-term nature of employee future benefit costs:						
Difference between expected return and actual return on plan assets for the year	**1,309**	3,339	(13,929)			
Difference between actuarial loss recognized for the year and actual actuarial loss (gain) on accrued benefit obligations for the year	**(2,763)**	(2,482)	1,029	**(652)**	(647)	626
Difference between amortization of past service costs for the year and actual plan amendments for the year	**(619)**	809	(350)	**4**	4	(33)
Amortization of transition obligations (assets)	**(6)**	(5)	(6)	**4**	4	4
	(2,079)	1,661	(13,256)	**(644)**	(639)	597
Net benefit cost for the year	**3,080**	3,716	1,168	**102**	196	240

Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

December 31, 2010, 2009 and 2008
(in US dollars, tabular amounts in thousands, except as otherwise noted)

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PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)

The average remaining service period of the active employees covered by the pension plans ranges from 7.4 to 24 years for 2010 and from 9.4 to 24.0 years for 2009.

The significant assumptions, which management considers the most likely, and which were used to measure its accrued benefit obligations and net periodic benefit costs are as follows:

Weighted-average assumptions used to determine benefit obligations as at December 31 :