

INTERTAPE POLYMER GROUP INC

Form 6-K

March 07, 2012

[Table of Contents](#)

**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, 2012**

Commission File Number 1-10928

**INTERTAPE POLYMER GROUP INC.**

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

Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

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  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): \_\_\_\_\_

**Table of Contents**

**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 7, 2012

By: /s/ Bernard J. Pitz  
Bernard J. Pitz, Chief Financial Officer

**Table of Contents**

**Intertape Polymer Group Inc.**

**Consolidated Financial Statements**

**December 31, 2011 and 2010**

<u>Management's Responsibility for Financial Statements</u>	2
<u>Management's Report on Internal Control over Financial Reporting</u>	3
<u>Independent Auditor's Report of Registered Public Accounting Firm</u>	4 to 5
<u>Independent Auditor's Report of Registered Public Accounting Firm on Internal Control over Financial Reporting</u>	6 to 7
<u>Consolidated Financial Statements</u>	
<u>Consolidated Earnings (Loss)</u>	8
<u>Consolidated Comprehensive Income (Loss)</u>	9
<u>Consolidated Changes in Shareholders' Equity</u>	10 to 11
<u>Consolidated Cash Flows</u>	12
<u>Consolidated Balance Sheets</u>	13
<u>Notes to Consolidated Financial Statements</u>	14 to 103

**Table of Contents**

**Management's Responsibility for Financial Statements**

The consolidated financial statements of Intertape Polymer Group Inc. (the Company) 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 International Financial Reporting Standards 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 International Financial Reporting Standards. 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 International Financial Reporting Standards.

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 independent 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 registered public accounting firm, Raymond Chabot Grant Thornton LLP was appointed by the shareholders at the Annual Meeting of Shareholders on June 3, 2011, 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 6, 2012

**Table of Contents**

**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 International Financial Reporting Standards.

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 International Financial Reporting Standards, 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, 2011 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, 2011 based on those criteria.

The Company's internal control over financial reporting as of December 31, 2011 has been audited by Raymond Chabot Grant Thornton LLP, the Company's external independent registered public accounting firm, 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 6, 2012

**Table of Contents**

**Raymond Chabot**

**Grant Thornton**

**Independent Auditor's Report of**

**Registered Public Accounting Firm**

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 statements of financial position as at December 31, 2011, and 2010 and January 1, 2010 and the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2011 and 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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). 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 consolidated financial statements.

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

**Table of Contents**

***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, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

***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, 2011, 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 6, 2012, expressed an unqualified opinion on Intertape Polymer Group Inc.'s internal control over financial reporting.

/s/ Raymond Chabot Grant Thornton LLP

Montreal, Canada

March 6, 2012

<sup>1</sup> Chartered accountant auditor permit no. 20154



**Table of Contents**

**Raymond Chabot**

**Grant Thornton**

**Independent Auditor's Report of**

**Registered Public Accounting Firm**

**on Internal Control over Financial**

**Reporting**

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, 2011, 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 the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal control over financial reporting.

## **Table of Contents**

### ***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 International Financial Reporting Standards. 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 consolidated financial statements in accordance with International Financial Reporting Standards, 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 consolidated 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, 2011 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. as at December 31, 2011 and 2010 and January 1, 2010 and for the years ended December 31, 2011 and 2010 and our report dated March 6, 2012 expressed an unqualified opinion thereon.

/s/ Raymond Chabot Grant Thornton LLP

Montreal, Canada

March 6, 2012

<sup>1</sup> Chartered accountant auditor permit no. 20154

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Earnings (Loss)**

Years ended December 31, 2011 and 2010

(In thousands of US dollars, except per share amounts)

	2011 \$	2010 \$
Revenue	<b>786,737</b>	720,516
Cost of sales	<b>672,262</b>	636,194
Gross profit	<b>114,475</b>	84,322
Selling, general and administrative expenses	<b>76,969</b>	73,302
Research expenses	<b>6,200</b>	6,252
	<b>83,169</b>	79,554
Operating profit before manufacturing facility closures, restructuring and other charges	<b>31,306</b>	4,768
Manufacturing facility closures, restructuring and other charges (Note 4)	<b>2,891</b>	3,534
Operating profit	<b>28,415</b>	1,234
Finance Costs		
Interest	<b>15,361</b>	15,670
Other expense	<b>2,180</b>	880
	<b>17,541</b>	16,550
Earnings (loss) before income taxes (recovery)	<b>10,874</b>	(15,316)
Income taxes (recovery) (Note 5)		
Current	<b>688</b>	(10)
Deferred	<b>1,232</b>	33,243
	<b>1,920</b>	33,233
Net earnings (loss)	<b>8,954</b>	(48,549)
Earnings (loss) per share (Note 6)		
Basic	<b>0.15</b>	(0.82)
Diluted	<b>0.15</b>	(0.82)

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

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Comprehensive Income (Loss)**

Years ended December 31, 2011 and 2010

(In thousands of US dollars)

	2011	2010
	\$	\$
Net earnings (loss)	<b>8,954</b>	(48,549)
Other comprehensive income (loss)		
Changes in fair value of interest rate swap agreements designated as cash flow hedges (net of deferred income taxes of nil, nil in 2010)	<b>(30)</b>	(599)
Settlements of interest rate swap agreements, transferred to earnings (net of income taxes of nil, nil in 2010)	<b>927</b>	1,249
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges (net of deferred income taxes of nil, nil in 2010)	<b>867</b>	1,828
Settlements of forward foreign exchange rate contracts, transferred to earnings (net of income taxes of nil, nil in 2010)	<b>(1,015)</b>	(869)
Gain on forward foreign exchange rate contracts recorded in earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related hedging relationships (net of income taxes of nil, nil in 2010)	<b>(998)</b>	(616)
Change in cumulative translation difference	<b>(1,729)</b>	2,935
Actuarial gains or losses and change in asset ceiling and minimum funding requirements on defined benefit plans (net of tax benefit of \$1,427, \$768 in 2010) (Note 17)	<b>(14,701)</b>	(2,091)
Other comprehensive income (loss)	<b>(16,679)</b>	1,837
Comprehensive income (loss) for the period	<b>(7,725)</b>	(46,712)

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

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Changes in Shareholders' Equity**

Year ended December 31, 2010

(In thousands of US dollars, except for number of common shares)

	Capital Stock		Contributed surplus	Accumulated other comprehensive income			Total	Deficit	Total Shareholders' Equity
	Number	Amount		Cumulative translation adjustment account	Reserve for cash flow hedges	Total			
		\$	\$	\$	\$	\$	\$	\$	
Balance as at January 1, 2010	58,951,050	348,143	15,024		(757)	(757)	(172,387)	190,023	
Transactions with owners									
Exercise of stock options	10,000	5						5	
Stock-based compensation expense (Note 15)			769					769	
	10,000	5	769					774	
Net earnings							(48,549)	(48,549)	
Other comprehensive income									
Changes in fair value of interest rate swap agreements, designated as cash flow hedges					(599)	(599)		(599)	
Settlements of interest rate swap agreements transferred to earnings					1,249	1,249		1,249	
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges					1,828	1,828		1,828	
Settlements of forward foreign exchange rate contracts transferred to earnings					(869)	(869)		(869)	
Gain on forward foreign exchange rate contracts recorded in earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related hedging relationships					(616)	(616)		(616)	
Actuarial gains or losses and change in minimum funding requirements on defined benefit plans (net of tax benefit of \$768)							(2,091)	(2,091)	
Changes to cumulative translation differences				2,935		2,935		2,935	
				2,935	993	3,928		1,837	
Balance as at December 31, 2010	58,961,050	348,148	15,793	2,935	236	3,171	(223,027)	144,085	

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

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Changes in Shareholders' Equity**

Year ended December 31, 2011

(In thousands of US dollars, except for number of common shares)

	Capital Stock		Contributed surplus	Accumulated other comprehensive income			Total	Deficit	Total Shareholders' Equity
	Number	Amount		Cumulative translation adjustment	Reserve for cash flow hedges	Total			
		\$	\$	\$	\$	\$	\$	\$	
Balance as at January 1, 2011	58,961,050	348,148	15,793	2,935	236	3,171	(223,027)	144,085	
Transactions with owners									
Stock-based compensation expense (Note 15)			818					818	
Net earnings							8,954	8,954	
Other comprehensive income									
Changes in fair value of interest rate swap agreements, designated as cash flow hedges					(30)	(30)		(30)	
Settlements of interest rate swap agreements transferred to earnings					927	927		927	
Changes in fair value of forward foreign exchange rate contracts, designated as cash flow hedges					867	867		867	
Settlements of forward foreign exchange rate contracts transferred to earnings					(1,015)	(1,015)		(1,015)	
Gain on forward foreign exchange rate contracts recorded in earnings pursuant to recognition of the hedged item in cost of sales upon discontinuance of the related hedging relationships					(998)	(998)		(998)	
Actuarial gains or losses and change in minimum funding requirements on defined benefit plans (net of tax benefit of \$1,427)							(14,701)	(14,701)	
Changes to cumulative translation differences				(1,729)		(1,729)		(1,729)	
				(1,729)	(249)	(1,978)		(16,679)	
Balance as at December 31, 2011	58,961,050	348,148	16,611	1,206	(13)	1,193	(228,774)	137,178	

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





**Table of Contents****Intertape Polymer Group Inc.****Consolidated Cash Flows**

Years ended December 31, 2011 and 2010

(In thousands of US dollars)

	2011 \$	2010 \$
<b><i>OPERATING ACTIVITIES</i></b>		
Net earnings (loss)	8,954	(48,549)
Adjustments to net earnings		
Depreciation and amortization	30,882	33,482
Income tax expense	1,920	33,233
Interest expense	15,361	15,670
Charges in connection with manufacturing facility closures, restructuring and other charges	191	1,540
Write-down of inventories, net	30	1,641
Stock-based compensation expense	818	769
Pension and post-retirement benefits expense	953	1,515
(Gain) loss on foreign exchange	(276)	(180)
Impairment of long-term assets		4,037
Other adjustments for non cash items	298	198
Income taxes paid	(639)	(394)
Contributions to defined benefit plans	(4,318)	(4,020)
 Cash flows from operating activities before changes in working capital items	 54,174	 38,942
<b>Changes in working capital items</b>		
Trade receivables	3,356	(12,201)
Inventories	1,140	(15,210)
Parts and supplies	(747)	(1,016)
Other current assets	(2,750)	(1,892)
Accounts payable and accrued liabilities	(5,664)	16,899
Provisions	(757)	985
	(5,422)	(12,435)
 <b>Cash flows from operating activities</b>	 48,752	 26,507
<b><i>INVESTING ACTIVITIES</i></b>		
Proceeds on the settlements of forward foreign exchange rate contracts	1,520	647
Purchase of property, plant and equipment	(14,006)	(8,627)
Proceeds from disposals of property, plant and equipment and other assets	2,962	1,430
Restricted cash and other assets	5,520	(8,057)
Purchase of intangible assets	(1,318)	(849)
 Cash flows from investing activities	 (5,322)	 (15,456)
<b><i>FINANCING ACTIVITIES</i></b>		
Proceeds from long-term debt	105,415	42,242
Repayment of long-term debt	(132,404)	(38,239)

Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

Interest paid	(15,953)	(14,481)
Exercise of stock options		5
<b>Cash flows from financing activities</b>	<b>(42,942)</b>	<b>(10,473)</b>
<b>Net increase in cash</b>	<b>488</b>	<b>578</b>
Effect of exchange differences on cash	(111)	(281)
Cash and cash equivalents, beginning of period	3,968	3,671
Cash and cash equivalents, end of period	4,345	3,968

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

**Table of Contents****Intertape Polymer Group Inc.****Consolidated Balance Sheets**

As at

(In thousands of US dollars)

	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	4,345	3,968	3,671
Restricted cash		5,183	
Trade receivables	82,622	86,516	74,161
Other receivables (Note 7)	4,870	4,270	3,052
Inventories (Note 8)	90,709	92,629	79,001
Parts and supplies	14,596	13,933	13,967
Prepaid expenses	6,581	4,586	3,693
Derivative financial instruments (Note 21)		1,270	1,438
	<b>203,723</b>	212,355	178,983
Property, plant and equipment (Note 9)	<b>203,648</b>	224,335	251,378
Assets held-for-sale		671	149
Other assets (Note 10)	2,726	2,983	3,443
Intangible assets (Note 11)	3,137	2,344	2,216
Deferred tax assets (Note 5)	33,489	33,926	64,806
Total Assets	<b>446,723</b>	476,614	500,975
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	73,998	82,252	66,034
Provisions (Note 14)	1,913	2,893	2,194
Derivative financial instruments (Note 21)	13		
Installments on long-term debt (Note 13)	3,147	2,837	1,721
	<b>79,071</b>	87,982	69,949
Long-term debt (Note 13)	191,142	216,856	213,450
Pension and post-retirement benefits (Note 17)	37,320	24,680	24,675
Derivative financial instruments (Note 21)		898	1,548
Other liabilities		230	
Provisions (Note 14)	2,012	1,883	1,330
	<b>309,545</b>	332,529	310,952
<b>SHAREHOLDERS EQUITY</b>			
Capital stock (Note 15)	348,148	348,148	348,143
Contributed surplus	16,611	15,793	15,024
Deficit	(228,774)	(223,027)	(172,387)
Accumulated other comprehensive income (loss) (Note 16)	1,193	3,171	(757)
	<b>137,178</b>	144,085	190,023

Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

Total Liabilities and Shareholders Equity	<b>446,723</b>	476,614	500,975
---	----------------	---------	---------

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

---

**Table of Contents**

**Intertape Polymer Group Inc.**

**Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**1 GENERAL BUSINESS DESCRIPTION**

Intertape Polymer Group Inc. (the *Parent Company*), incorporated under the Canada Business Corporations Act, has its principal administrative offices in Montreal, Quebec, Canada and in Sarasota-Bradenton, Florida. The address of the Company's registered office is 1250 René-Lévesque Blvd. West, Suite 2500, Montreal, Quebec, Canada H3B 4Y1, c/o Heenan Blaikie LLP. The Company's common shares are listed on the Toronto Stock Exchange (*TSX*) in Canada.

The Parent Company and its subsidiaries (together referred to as the *Company*), develops, manufactures and sells a variety of paper and film based pressure sensitive and water activated tapes, specialized polyolefin films, woven fabrics and complementary packaging systems for industrial use and retail applications.

Intertape Polymer Group Inc. is the Company's ultimate parent.

Certain prior period amounts have been reclassified to conform to current period presentation.

**2 ACCOUNTING POLICIES**

**Basis of Presentation and Statement of Compliance**

The consolidated financial statements present the Company's consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, as well as its consolidated earnings (loss), comprehensive income (loss), cash flows, and changes in shareholders' equity for the years ended December 31, 2011 and 2010. Until December 31, 2010, the Company's consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (*GAAP*) that applied prior to the conversion to International Financial Reporting Standards (*IFRS*) and are expressed in US dollars. In preparing these consolidated financial statements, management applied *IFRS 1, First-time Adoption of International Financial Reporting Standards* and amended certain recognition and measurement methods to comply with *IFRS*. The consolidated financial statements of the Company have been prepared in accordance with *IFRS* as issued by the International Accounting Standards Board (*IASB*). The comparative figures for 2010 were restated to reflect these adjustments. Certain reconciliations and descriptions of the effect of the transition from Canadian *GAAP* to *IFRS* on shareholders' equity, earnings, comprehensive income and cash flows have been provided in Note 22.

The consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 6, 2012.

**Basis of Measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets for which the measurement basis is detailed in their respective accounting policies:

Derivative financial instruments; and

The defined benefit liability of the Company's pension plans and other post-retirement benefit plans.

## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

### **Critical Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are summarized below:

#### *Impairments*

At the end of each reporting period the Company performs a test of Impairment, if there are indicators of impairment. An impairment loss is recognized when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which in turn is the higher of its fair value less costs to sell and its value in use. The value in use is based on discounted estimated future cash flows. The cash flows are derived from the budget or forecasts for the estimated remaining useful lives of the cash generating units and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the asset or cash generating unit being tested. The value in use will vary depending on the discount rate applied to the discounted cash flows, the estimated future cash inflows, and the growth rate used for extrapolation purposes. Refer to Note 12 for more information regarding impairment testing.

#### *Pension and post-retirement benefits*

The cost of defined benefit pension plans and other post-employment benefits and the present value of the related obligations are determined using actuarial valuations. The determination of benefits expense and related obligations requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, expected mortality, the expected future compensation and the expected healthcare cost trend. Actual results will differ from results which are estimated based on assumptions. Refer to Note 17 for more information regarding the assumptions related to the pension and post-retirement benefits.

#### *Uncertain tax positions*

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, liabilities in excess of the Company's provisions could result from audits by, or litigation with, the relevant taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

### *Deferred income taxes*

Deferred tax assets are recognized for unused tax losses and tax credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies. Refer to Note 5 for more information regarding the income tax provisions.

### *Fair value measurement of financial instruments*

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 21 for more information regarding the fair value measurement of financial instruments.

### *Leases*

Management considers its leases of building and equipment to be operating leases. In some cases, the assessment of a lease contract is not always conclusive and management uses its judgement in determining if an agreement is a finance lease that transfers substantially all risks and rewards incidental to ownership, or an operating lease.

### *Useful lives of depreciable assets*

Management reviews the useful lives, depreciation methods and residual values of depreciable assets at each reporting date. As of the reporting date, management assesses the useful lives which represent the expected utility of the assets to the Company. Actual results, however, may vary due to technical or commercial obsolescence, particularly with respect to computers and manufacturing equipment.

### *Net realizable value of inventories*

Inventories and parts and supplies are measured at the lower of cost or net realizable value. In estimating net realizable values of inventories and parts and supplies, management takes into account the most reliable evidence available at the time the estimate is made.

### *Allowance for doubtful accounts and revenue adjustments*

Each reporting period, the Company makes an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other revenue adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. The Company also records reductions to revenue for estimated returns, claims, customer rebates, and other incentives that are estimated based on historical experience and current economic trends. If future collections and trends differ from estimates, future earnings will be affected. Refer to Note 21 for more information regarding the allowance for doubtful accounts and the related credit risks.





## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

### *Provisions for restoration*

Provisions for restoration represent the estimated value of the present obligation to restore one or more leased facilities at the end of the related lease. The estimated value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate, as applicable when the effect of the time value of money is material. A change in any or a combination of the three key assumptions used to determine the provisions could have an impact on earnings and on the carrying value of the provision.

### *Provisions for restructuring*

Termination benefits are recognized as a liability and an expense when, and only when, the Company is demonstrably committed to terminate the employment of an employee or group of employees before normal retirement date. The measurement of termination benefits is based on the expected costs and the number of employees expected to be terminated.

### *Provisions for litigation*

The Company is currently defending certain litigation where the actual outcome may vary from the amount recognized in the financial statements. Refer to Note 14 for more information relating to the provisions for restoration, restructuring and litigation.

### *Share-based payments*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

## **Principles of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries. Subsidiaries are entities over which the Parent Company has the power to control the financial and operating policies. At the reporting date, the subsidiaries are all 100% owned by the Parent Company.

All subsidiaries have a reporting date identical to that of the Parent Company. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

All intercompany balances and transactions have been eliminated on consolidation, including unrealized gains and losses on transactions between the consolidated entities. When unrealized losses on intra-company asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Company perspective.



**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**2 ACCOUNTING POLICIES (Continued)**

Details of the Parent Company's operating subsidiaries, at the balance sheet date are as follows:

<b>Name of Subsidiaries</b>	<b>Principal Activity</b>	<b>Country of Incorporation and Residence</b>	<b>Proportion of Ownership Interest and Voting Power Held</b>
Intertape Polymer Corp.	Manufacturing	United States	100%
Intertape Polymer Inc.	Manufacturing	Canada	100%
ECP GP II Inc.	Manufacturing	Canada	100%
ECP L.P.	Manufacturing	Canada	100%
FIBOPE Portuguesa-Filmes Borientados, S.A.	Manufacturing	Portugal	100%

**Financial Assets and Liabilities**

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

On initial recognition, financial instruments are measured at fair value, plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

In subsequent periods, the measurement of financial instruments depends on their classification. The classification of the Company's financial instruments is presented in the following table:

<b>Category</b>	<b>Financial instruments</b>
Loans and receivables	Cash
	Restricted cash
	Trade receivables
	Other receivables <sup>(1)</sup>
	Loan to an officer
Other financial liabilities	Accounts payable
	Long-term debt

Derivatives used for hedging

Derivative financial instruments

(1) Excluding income, sales and other taxes

## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Discounting is omitted where the effect of discounting is immaterial. Subsequent to acquisition, trade receivables are measured at amortized cost using the effective interest rate method, which usually corresponds to the amount initially recorded as due from customers based on agreed upon payment terms less any allowance for doubtful accounts. Other receivables are subsequently measured at amortized cost using the effective interest method, including any impairment thereof. The expense relating to the allowance for doubtful accounts is recognized in Selling, general and administrative expenses.

Other financial liabilities including Accounts payable and Long-term debt are measured at amortized cost using the effective interest method. All interest related charges are reported in earnings within Finance costs.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value on the consolidated balance sheet, and the related gains and losses are recognized in earnings.

All financial assets except those at fair value through profit or loss are subject to review for impairment at least at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that a financial asset or a group of financial assets are impaired could include:

significant financial difficulty of the issuer or counterparty; or

default or delinquency in interest or principal payments; or

it becomes probable that the borrower will enter bankruptcy or financial reorganization.

Evidence of impairment of Trade and Other receivables is considered at both specific asset and collective levels. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment by grouping together receivables with similar risk categories.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of the loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

### **Derivative Financial Instruments and Hedging**

## Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

The Company may use derivative financial instruments to mitigate or eliminate the interest rate risk on its long-term debt and the foreign exchange risk on certain inventory purchases.

## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

#### **2 ACCOUNTING POLICIES (Continued)**

The interest rate swap agreements were used as part of the Company's program to manage the floating interest rate on the senior subordinated notes and the related cost of borrowing. The interest rate swap agreements involve the exchange of periodic payments excluding the notional principal amount upon which the payments are based.

These payments were 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.

The forward foreign exchange rate contracts are used to manage the exchange risk associated with certain highly probable forecast monthly inventory purchases of the Company's United States ( US ) operations that are settled in Canadian dollars.

When the requirements for hedge accounting are met at inception, the Company's policy is to designate each derivative financial instrument as a hedging instrument in a cash flow hedge relationship. Upon designation, the Company documents the relationships between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, and the methods that will be used to assess the effectiveness of the hedging relationship. At inception of the hedge relationship and at each subsequent reporting date, the Company uses the critical terms method to determine prospectively whether or not the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge are designated. At each subsequent financial reporting date, the Company uses the dollar offset method to determine retrospectively whether or not the hedging relationship has continued to be effective, and what part may be ineffective. A relationship is generally considered to be highly effective if the offsetting changes are within a range of 80 to 125 percent, and the transactions continue to be highly probable.

The effective portion of changes in the fair value of a derivative financial instrument designated as a hedging item is recognized in other comprehensive income (loss) and gains and losses related to the ineffective portion, if any, are immediately recognized in earnings. Amounts previously included as part of other comprehensive income (loss) are transferred to earnings in the period during which the changes in cash flow of the hedged item impact net income.

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 earnings.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and if the combined instrument is not measured at fair value through profit or loss. As at December 31, 2011 and 2010, the Company did not have any embedded derivatives that needed to be separated from a host contract.

## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

### **Comprehensive income**

Total comprehensive income is the change in equity during the period resulting from transactions and other events. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognized in net earnings as required or permitted by IFRS. These items include gains and losses arising from the translation of consolidated subsidiaries having a functional currency different from the reporting currency and changes in the fair value of financial instruments designated as cash flow hedges.

### **Foreign Currency Translation**

#### *Functional and presentation currency*

The consolidated financial statements are presented in US dollars, which is the Company's presentation currency. Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which each entity operates (the functional currency). The significant functional currencies of the different consolidated entities include the US dollar, the Canadian dollar and the Euro.

#### *Transactions and balances*

Transactions denominated in currencies other than the functional currency of a consolidated entity are translated into the functional currency of that entity using the exchange rates prevailing at the date of each transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies using the current rate at each period-end. Foreign exchange gains or losses arising on the settlement of monetary items or on the translation of monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in earnings in the period in which they arise, except when deferred in Other comprehensive income as a qualifying cash-flow hedge.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### *Group companies*

Assets and liabilities of entities with a functional currency other than the US dollar are translated to the presentation currency using the closing exchange rate in effect at the balance sheet date, and revenues and expenses are translated at the average exchange rate for the reporting period. The resulting translation adjustments are included in the Cumulative translation adjustment account within Accumulated other comprehensive income in Shareholders' equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken in to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of consolidated earnings (loss) as part of the gain or loss on sale.





## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

Foreign exchange gains or losses recognized in earnings are presented in Cost of sales and Finance costs.

### **Revenue Recognition**

Revenues are generated almost exclusively from the sale of goods.

Revenue is recognized when the significant risks and rewards of ownership, legal title and effective control and management over the goods have transferred to the customer, collection of the relevant receivable is probable, the sales price is fixed and the revenues and the associated incurred costs can be measured reliably. Revenue is recognized in accordance with the terms of sale, generally when goods are shipped to external customers.

Revenue is measured by reference to the fair value of the consideration received or receivable, net of estimated returns, rebates and discounts.

### **Research**

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

### **Share-Based Payments**

The Company has a stock-based employee compensation plan that grants stock options to employees and directors. This plan is classified as an equity-settled plan. The fair value of the service is measured indirectly by reference to the fair value of the equity instruments granted as at the date of the grant. The expense is recognized over the vesting period of the options granted, and is recognized as an expense in earnings with a corresponding credit to contributed surplus. Forfeitures are estimated at the time of the grant and are included in the measurement of the expense and are subsequently adjusted to reflect actual events.

At the end of each reporting period, the Company re-assesses its estimate of the number of stock options that are expected to vest and recognizes the impact of any revisions in earnings.

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.

### **Earnings Per Share**

Basic earnings per share are calculated by dividing the earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share was calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options. The denominator is: (1) increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options with exercise prices below the average market price for the year; and (2) decreased by the number of shares that the Company could have repurchased if it had used the assumed proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the year.



## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

### **Cash and Cash Equivalents**

Cash includes cash on hand and demand deposits. Cash equivalents include highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and mature within less than three months.

### **Restricted Cash**

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

### **Inventories and Parts and Supplies**

Raw materials, work in process and finished goods are measured at the lower of cost or net realizable value. Cost is assigned by using the first in, first out cost formula, and includes all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The cost of work in process and finished goods includes the cost of raw materials, direct labour and a systematic allocation of fixed and variable production overhead incurred in converting materials into finished goods. The allocation of fixed production overheads to the cost of conversion is based on the normal capacity of the manufacturing facilities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses.

Parts and supplies are valued at the lower of cost or net realizable value, the latter being determined based on replacement cost.

### **Assets Held-for-sale**

Assets held for sale are non-current assets or disposal groups for which the carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are classified as held for sale when they are available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups), and the sale within one year is highly probable.

Assets held-for-sale are measured 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 carried at cost less accumulated depreciation, accumulated impairment losses and the applicable investment tax credits earned. The cost of an item of property, plant and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, where applicable, borrowing costs and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.



**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**2 ACCOUNTING POLICIES (Continued)**

Depreciation is recognized using the straight-line method, over the estimated useful lives of like assets as outlined below or, if lower, over the terms of the related leases:

	Years
Land	Indefinite
Buildings and related major components	5 to 40
Manufacturing equipment and related major components	5 to 30
Computer equipment and software	3 to 20
Furniture, office equipment and other	3 to 7
Asset related to restoration provision	Remaining life of the lease

The depreciation methods, useful lives and residual values related to property, plant and equipment are reviewed and adjusted if necessary at each financial year-end.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment, and are depreciated over their respective useful lives. Depreciation of an asset begins when it is available for use in the location and condition necessary for it to be capable of operating in the manner intended by management. Manufacturing equipment under construction is not depreciated. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale, or is included in a disposal group that is classified as held for sale and the date that the asset is derecognized.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the asset if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. At the same time, the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment, and repairs and maintenance are recognized in earnings as incurred.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the Other expense caption on the accompanying statement of consolidated earnings (loss).

Depreciation expense has been recognized in the expense category consistent with the function of the property, plant and equipment.

**Intangible Assets**

The Company has no identifiable intangible assets for which the expected useful life is indefinite.

When intangible assets are purchased with a group of assets, as was the case of distribution rights and customer contracts, the cost of the group of assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. When intangible assets are purchased separately, as was the case of the license agreement and software, the cost comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.



**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**2 ACCOUNTING POLICIES (Continued)**

Intangible assets are carried at cost less accumulated amortization and are amortized using the straight-line method, over their estimated useful lives as follows:

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

The amortization methods, useful lives and residual values related to intangible assets are reviewed and adjusted if necessary at each financial year-end. Amortization begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization expense is recognized in earnings in the expense category consistent with the function of the intangible asset.

**Borrowing Costs**

Borrowing costs, directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use, are capitalized as part of the cost of the asset. All other borrowing costs are recognized in earnings within interest in the period they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

**Impairment Testing of Intangible Assets and Property, Plant and Equipment**

The Company assesses, at least at each reporting date, whether or not there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing is required for intangible assets such as applications software not yet available for use, the Company estimates the recoverable amount of the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of other assets or groups of assets. In the latter case, the recoverable amount is determined for a cash generating unit which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The recoverable amount is the higher of its value in use and its fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. The Company determines the recoverable amount and compares it with the carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized for the difference. Impairment losses are recognized in earnings in the expense category consistent with the function of the corresponding property, plant and equipment or intangible asset. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amounts of the assets of the unit or group of units on a pro rata basis of the carrying amount of each asset in the unit or group of units.





## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. In this case, the Company will estimate the recoverable amount of that asset, and if appropriate, record a partial or an entire reversal of the impairment. The increased carrying amount of an asset attributable to a reversal of an impairment loss would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

### **Provisions, Contingent Liabilities and Contingent Assets**

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are measured at the present value of the expected expenditures to settle the obligation which, when the effect of the time value of money is material, is determined using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision during the period to reflect the passage of time is recognized as Interest.

A provision is recorded in connection with the estimated future costs to restore a leased property to its original condition at the inception of the lease agreement. The liability and a corresponding asset are recorded on the Company's consolidated balance sheet respectively under the captions Provisions, and Property, plant and equipment (machinery and equipment). The provision is reviewed at the end of each reporting period to reflect the passage of time, changes in the discount rate and changes in the estimated future restoration costs. The Company amortizes the amount capitalized to Property, plant and equipment on a straight-line basis over the lease term and recognizes a financial cost in connection with the discounted liability over the same period. Changes in the liability are added to, or deducted from, the cost of the related asset in the current period. These changes to the capitalized cost result in an adjustment to depreciation and interest.

Contingent liabilities represent a possible obligation to the Company that arises from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

### **Pension and Post-Retirement Benefits**

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

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and to which it will have no legal or constructive obligation to pay future amounts. The Company contributes to several state plans, multi-employer plans and insurance funds for individual employees that are considered defined contribution plans. Contributions to defined contribution pension plans are recognized as an employee benefit expense in earnings in the periods during which services are rendered by employees.



## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. For defined benefit pension plans and other post-employment benefits, the benefits expense and the related obligations are actuarially determined on an annual basis by independent qualified actuaries using the projected unit credit method.

The asset or liability related to defined benefit plan recognized in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets, together with adjustments for unrecognized past service costs, the asset ceiling and minimum funding liabilities. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Past service costs are recognized as an expense on a straight-line basis over the average vesting period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately in earnings. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in Other comprehensive income, net of income taxes, and in deficit.

For funded plans, surpluses are only recognized to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan. Any reduction in the recognized asset is recognized in Other comprehensive income, net of income taxes, and in deficit.

An additional liability is recognized equivalent to the minimum funding requirement of a plan when the Company does not have an unconditional right to the plan surplus. The liability and any subsequent remeasurement of that liability is recognized in Other comprehensive income, net of income taxes, and deficit.

### **Leases**

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed other than by renewing the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized in the statement of consolidated earnings (loss) on a straight-line basis over the period of the lease.

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance cost and the liability. The finance charge is recognized in earnings within Finance costs and is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## **Table of Contents**

### **Intertape Polymer Group Inc.**

#### **Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

## **2 ACCOUNTING POLICIES (Continued)**

### **Income Taxes**

Income tax expense comprises both current and deferred tax. Current and deferred tax is recognized in earnings except to the extent it relates to items recognized in Other comprehensive income or directly in Shareholders' equity. When it relates to the latter items, the income tax is recognized in Other comprehensive income or directly in Shareholders' equity, respectively.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or deductible. Current tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the taxing authorities.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date in the countries where the Company operates, and which are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

The carrying amount of deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off the recognized amounts and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Shareholders' Equity**

Capital stock represents the amount received on issuance of shares, less any issuance costs, net of taxes. Contributed surplus includes amounts related to stock options until such equity instruments are exercised, in which case the amounts are transferred to Capital stock. Foreign currency translation differences arising on the translation of the consolidated entities that use a functional currency different from the presentation currency are included in the Cumulative translation adjustment account. Gains and losses on certain derivative financial instruments designated as hedging instruments are included in reserves for cash flow hedges until such time as the hedged forecasted cash flows affect earnings. Deficit includes all current and prior period retained earnings or losses.

### **Segment Reporting**

The Company operates as a single segment.



---

**Table of Contents**

**Intertape Polymer Group Inc.**

**Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**2 ACCOUNTING POLICIES (Continued)**

**New Standards and Interpretations Issued But Not Yet Effective**

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the International Accounting Standards Board ( IASB ) or International Financial Reporting Interpretations Committee ( IFRIC ) that are mandatory for annual periods beginning after January 1, 2013. The Company has not elected to early adopt any of these standards. The new standards which could potentially impact the Company's consolidated financial statements are detailed as follows:

**IFRS 9 *Financial Instruments*:** The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management has yet to assess the impact that these amendments are likely to have on the financial statements of the Company.

**IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities*:** IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRS, the IASB also issued amended and retitled IAS 27 *Separate Financial Statements*. IAS 28 *Investments in Associates and Joint Ventures* has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13. The new requirements are effective for annual periods beginning on or after January 1, 2013. The impact of these new standards on the Company is expected to be minimal, given that it has interests only in wholly-owned subsidiaries.

**IFRS 13 *Fair Value Measurement*:** IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and required disclosures about fair value measurements. IFRS 13 applies when other IFRS require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013. Management has yet to assess the impact that these amendments are likely to have on the financial statements of the Company.

**Amended IAS 19 *Employee Benefits*:** Amended IAS 19 key provisions include eliminating an option to defer the recognition of actuarial gains and losses, improving comparability and faithfulness of presentation, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that may be perceived to be the result of an entity's day-to-day operations and enhancing the disclosure requirements for defined benefit plans, by providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The new requirements are effective for annual periods beginning on or after January 1, 2013. Management has yet to assess the impact that these amendments are likely to have on the financial statements of the Company.

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**2 ACCOUNTING POLICIES (Continued)**

Amended IAS 1 *Presentation of Financial Statements*: Amended IAS 1 includes a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially re-classifiable to profit or loss. The new requirement is effective for annual periods beginning on or after July 1, 2012. Management has yet to assess the impact that these amendments are likely to have on the financial statements of the Company.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

**3 INFORMATION INCLUDED IN CONSOLIDATED EARNINGS**

	2011 \$	2010 \$
<b>Employee Benefit Expense</b>		
Wages, salaries and other short-term benefits	134,121	129,095
Stock-based payments	818	769
Pensions—defined benefit plans (Note 17)	953	1,515
Pensions—defined contribution plans	2,218	536
Employee benefit expense	138,110	131,915
<b>Finance costs—Interest</b>		
Interest on long-term debt	14,453	14,503
Amortization of debt issue expenses on long-term debt and asset based loan	1,182	1,116
Other interest and financial (income) expense	(116)	58
Interest capitalized to property, plant and equipment	(158)	(7)
	15,361	15,670
<b>Finance costs—Other expense</b>		
Foreign exchange (gain) loss	453	(802)
Interest income and other finance costs	1,409	1,432
Change in fair value of forward foreign exchange rate contracts	318	250
	2,180	880





**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**3 INFORMATION INCLUDED IN CONSOLIDATED EARNINGS (Continued)**

	2011	2010
	\$	\$
<b>Other Elements of Expenses</b>		
Depreciation of property, plant and equipment	<b>30,163</b>	32,580
Amortization of intangible assets	<b>719</b>	902
Amortization of other charges	<b>86</b>	58
Impairment of long-term assets	<b>107<sup>(1)</sup></b>	4,037 <sup>(1)</sup>
Loss on disposal of property, plant and equipment	<b>550</b>	308
Write-down of inventories to net realizable value	<b>517</b>	1,651
Reversal of write-down of inventories to net realizable value, recognized as a reduction of cost of sales	<b>(487)</b>	(10)
Advisory and support services fees	<b>153</b>	796

(1) Please refer to Note 12.

**4 MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, AND OTHER CHARGES****Year ended December 31, 2011**

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, 2011 under the caption manufacturing facility closures, restructuring and other charges.

		Impairment of long-lived assets	Severance and other labor related costs	Other costs	Total
		\$	\$	\$	\$
Brantford, Ontario facility closure	(a)	<b>107</b>	1,411	1,526	3,044
Hawkesbury, Ontario facility closure	(b)			(153)	(153)
		<b>107</b>	1,411	1,373	2,891

(a) In 2011, in connection with the closure of the Brantford, Ontario facility, the Company recorded additional charges of \$3.0 million, on impairment, severance and other labor related costs and other closing expenses. As at December 31, 2011, the total charge recorded in connection with this facility closure was \$5.9 million.

(b)

## Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

In 2011, in connection with the closure of the Hawkesbury, Ontario facility, the Company recovered \$0.2 million on the sale of remaining assets.

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**4 MANUFACTURING FACILITY CLOSURES, RESTRUCTURING, AND OTHER CHARGES (Continued)****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)		1,994	875	2,869
Hawkesbury, Ontario facility closure	(b)	665			665
		665	1,994	875	3,534

- (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 \$2.9 million. This charge includes \$0.9 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.
- (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. As at December 31, 2010 these assets are presented under the caption assets held-for-sale. As at December 31, 2011, \$1.4 million is included in provisions (\$2.2 million in 2010) and nil (nil in 2010) in accounts payable and accrued liabilities for restructuring provisions.

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**5 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:

	2011	2010
	%	%
Combined Canadian federal and provincial income tax rate	30.4	32.8
Foreign earnings taxed at higher income tax rates	10.8	(4.3)
Losses accounted for at lower income tax rates		1.4
Foreign earnings/losses taxed at lower income tax rates	3.2	
Expiration of operating losses		(5.9)
Non-deductible expenses	5.5	(0.8)
Impact of other differences	3.5	(0.6)
Change in derecognition of deferred tax assets	(35.7)	(239.5)
<b>Effective income tax rate</b>	<b>17.7</b>	<b>(216.9)</b>

**Major components of income tax expense**

	2011	2010
	\$	\$
Current income tax expense (recovery)		
Income tax expense (recovery) for the year	688	(10)
<b>Total current income tax expense (recovery)</b>	<b>688</b>	<b>(10)</b>
Deferred tax expense		
Amount related to temporary differences, write-downs of deferred tax assets and other	1,232	33,243
<b>Total deferred income tax expense</b>	<b>1,232</b>	<b>33,243</b>
<b>Total tax expense for the year</b>	<b>1,920</b>	<b>33,233</b>

For the year ended December 31, 2011, the Company estimated a recovery of \$6.5 million of derecognized deferred tax assets in the US jurisdiction due to increased earnings.

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**5 INCOME TAXES (Continued)***Income Taxes Related to Components of Other Comprehensive Income*

The amount of income taxes relating to components of other comprehensive income are outlined below:

<b>Components of Other comprehensive income</b>	Amount before income tax \$	Deferred income taxes \$	Amount net of income taxes \$
For the year ended December 31, 2011			
Deferred tax credit on actuarial losses on defined benefit plans	(18,066)	2,005	(16,061)
Deferred tax expense on funding requirement changes of defined benefit plans	1,938	(578)	1,360
	(16,128)	1,427	(14,701)

<b>Components of Other comprehensive income</b>	Amount before income tax \$	Deferred income taxes \$	Amount net of income taxes \$
For the year ended December 31, 2010			
Deferred tax credit on actuarial losses on defined benefit plans	(3,930)	1,090	(2,840)
Deferred tax expense on funding requirement changes of defined benefit plans	1,071	(322)	749
	(2,859)	768	(2,091)

**Recognized Deferred Tax Assets and Liabilities**

	As at December 31, 2011		
	Deferred tax assets \$	Deferred tax liabilities \$	Net \$
Timing differences, unused tax losses and unused tax credits			
Property, plant and equipment	15,093	(34,749)	(19,656)
Tax credits, losses, carry-forwards and other tax deductions	46,655		46,655
Pension and post-retirement benefits	2,165		2,165
Goodwill	4,272		4,272
Other	53		53

Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

Deferred tax assets and liabilities	68,238	(34,749)	33,489
-------------------------------------	--------	----------	--------

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**5 INCOME TAXES (Continued)**

	As at December 31, 2010		
	Deferred tax assets \$	Deferred tax liabilities \$	Net \$
Timing differences, unused tax losses and unused tax credits			
Property, plant and equipment	16,052	(36,831)	(20,779)
Tax credits, losses, carry-forwards and other tax deductions	49,042		49,042
Pension and post-retirement benefits	1,069		1,069
Goodwill	4,403		4,403
Other	191		191
Deferred tax assets and liabilities	70,757	(36,831)	33,926
	As at January 1, 2010		
	Deferred tax assets \$	Deferred tax liabilities \$	Net \$
Timing differences, unused tax losses and unused tax credits			
Trade and other receivables	335		335
Inventories	779		779
Property, plant and equipment ( PP&E )	12,848	(42,853)	(30,005)
Accounts payable and accrued liabilities	1,646		1,646
Tax credits, losses, carry-forwards and other tax deductions	78,001		78,001
Pension and post-retirement benefits	1,620		1,620
Goodwill	11,376		11,376
Other	1,054		1,054
Deferred tax assets and liabilities	107,659	(42,853)	64,806



**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**5 INCOME TAXES (Continued)****Variations During the Period**

	Balance January 1, 2010 \$	Recognized in earnings (with translation adjustments) \$	Recognized in other comprehensive income \$	Balance December 31, 2010 \$
Timing differences, unused tax losses and unused tax credits				
Trade and other receivables	335	(335)		
Inventories	779	(779)		
Property, Plant and equipment	12,848	3,204		16,052
Accounts payable and accrued liabilities	1,646	(1,646)		
Tax credits, losses, carry-forwards and other tax deductions	78,001	(28,959)		49,042
Pension and post-retirement benefits	1,620	(1,319)	768	1,069
Goodwill	11,376	(6,973)		4,403
Other	1,054	(863)		191
Deferred tax liabilities: PP&E	(42,853)	6,022		(36,831)
Deferred tax assets and liabilities	64,806	(31,648)	768	33,926
Impact due to foreign exchange rates		(1,595)		
Total recognized in earnings		(33,243)		
	Balance January 1, 2011 \$	Recognized in earnings (with translation adjustments) \$	Recognized in other comprehensive income \$	Balance December 31, 2011 \$
Timing differences, unused tax losses and unused tax credits				
Trade and other receivables				
Inventories				
Property, Plant and equipment	16,052	(959)		15,093
Accounts payable and accrued liabilities				
Tax credits, losses, carry-forwards and other tax deductions	49,042	(2,387)		46,655
Pension and post-retirement benefits	1,069	(381)	1,477	2,165
Goodwill	4,403	(131)		4,272
Other	191	(138)		53
Deferred tax liabilities: PP&E	(36,831)	2,082		(34,749)

Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

Deferred tax assets and liabilities	33,926	(1,914)	1,477	33,489
Impact due to foreign exchange rates		562	(50)	
Decrease due to reclassification		120		
Total recognized in earnings		(1,232)	1,427	

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**5 INCOME TAXES (Continued)**

Net deferred tax assets are detailed as follows:

	<b>December 31, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Deferred tax assets			
Trade and other receivables			335
Inventory			779
Property, plant and equipment	<b>15,093</b>	16,052	12,848
Accounts payable and accrued liabilities			1,646
Tax credits, loss carry forwards and other tax deductions	<b>41,402</b>	43,584	71,710
Investment tax credits recoverable	<b>5,253</b>	5,458	6,291
Pension and post-retirement benefits	<b>2,165</b>	1,069	1,620
Goodwill	<b>4,272</b>	4,403	11,376
Other	<b>53</b>	191	1,054
	<b>68,238</b>	70,757	107,659
Deferred tax liabilities			
Property, plant and equipment	<b>34,749</b>	36,831	42,853
Total net deferred tax assets	<b>33,489</b>	33,926	64,806

Net deferred tax assets from deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized on the consolidated balance sheets are as follows:

	2011	2010
	\$	\$
Trade and other receivables	<b>586</b>	376
Inventories	<b>875</b>	818
Property, plant and equipment	<b>2,680</b>	1,394
Accounts payable and accrued liabilities	<b>3,682</b>	2,360
Tax credits, loss carry forwards and other tax deductions	<b>48,798</b>	54,048
Pension and post-retirement benefits	<b>11,413</b>	7,542
Goodwill	<b>5,025</b>	6,648
Other	<b>900</b>	752



**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**5 INCOME TAXES (Continued)***Nature of Evidence Supporting Recognition of Deferred Tax Assets*

In assessing the recoverability of deferred tax assets, the Company's management determines, at each balance sheet date, whether it is probable that the amount recognized will be realized. 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 included, notably, the scheduled reversal of deferred tax liabilities, projected future taxable income, and the implementation of tax planning strategies. A significant weight was nevertheless placed on the Company's historical performance when making the determination.

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

Accordingly, as at December 31, 2011 and 2010, notwithstanding the fact that the Company's management projected a positive outlook from increased sales, cost reduction measures, and continued increases in the sale of new products with higher gross margins, the Company derecognized various deferred tax assets. These underlying unused tax losses, tax credits and timing differences remain available, and the Company expects to use them to reduce taxable income in future periods. When these unrecognized deferred tax assets are used, or when all or a portion of the unrecognized deferred tax assets are recognized, if sooner, the Company will realize the related benefit in its earnings.

The following table presents the amounts and expiration dates relating to unused tax credits for which no deferred tax asset is recognized on the consolidated balance sheets as at December 31:

	2011		2010	
	United States \$	Canada \$	United States \$	Canada \$
2012	379		379	
2018	402	836	402	849
2019	320	400	320	286
2026		27		28
2027		39		40
2028		88		89
2029		20		20
Total derecognition of tax credits	1,101	1,410	1,101	1,312

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**5 INCOME TAXES (Continued)**

The following table presents the year of expiration of the Company's operating losses carried forward as at December 31, 2011:

	DTA is recognized			DTA is not recognized		
	Canada		United States	Canada		United States
	Federal	Provincial		Federal	Provincial	
	\$	\$	\$	\$	\$	\$
2012						1,950
2014	1,488	1,487				
2015	1,227	1,227				
2018						4,620
2019						1,041
2020						5,477
2021						50,939
2022			7,221			26,655
2023			34,794			
2024			8,873			203
2026	1,745	1,745	25,456			1,959
2027	5,219	5,219				4
2028	2,544	2,544	17,385			
2029	3,208	3,208		7,959	7,959	
2030	3,198	3,198	186	10,141	10,141	
2031	2,016	2,016		5,896	5,896	
	20,645	20,644	93,915	23,996	23,996	92,848

**6 EARNINGS PER SHARE**

	2011	2010
	\$	\$
Net earnings (loss)	8,954	(48,549)
Weighted average number of common shares outstanding		
Basic	58,961,050	58,961,050
Diluted	59,099,198	58,961,050
Earnings (loss) per share		
Basic	0.15	(0.82)
Diluted	0.15	(0.82)

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:

	2011	2010
	<b>1,628,600</b>	2,003,974

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**7 OTHER RECEIVABLES**

	<b>December 31, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Income and other taxes	<b>911</b>	595	268
Supplier rebates receivable	<b>1,367</b>	1,586	1,200
Sales taxes	<b>1,462</b>	860	870
Other	<b>1,130</b>	1,229	714
	<b>4,870</b>	4,270	3,052

**8 INVENTORIES**

	<b>December 31, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Raw materials	<b>26,754</b>	25,467	23,713
Work in process	<b>18,234</b>	18,336	15,006
Finished goods	<b>45,721</b>	48,826	40,282
	<b>90,709</b>	92,629	79,001

During the year ended December 31, 2011 the Company recorded, in Cost of sales, a write-down of inventories to net realizable value of \$0.5 million (\$1.7 million in 2010). The Company recorded, in Manufacturing facility closures, restructuring and other charges, a write-down of inventories to net realizable value of nil (\$0.9 million in 2010).

In addition, during the year ended December 31, 2011, \$0.5 million (nil in 2010) 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.

The amount of inventories recognized as an expense during the period corresponds to Cost of sales.



**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**9 PROPERTY, PLANT AND EQUIPMENT**

	Land \$	Buildings \$	Manufacturing equipment \$	Computer equipment and software \$	Furniture, office equipment and other \$	Manufacturing equipment under construction \$	Total \$
<b>Gross carrying amount</b>							
Balance at January 1, 2010	3,900	81,152	520,310	68,701	2,886	3,427	680,376
Additions		243	6,702	208	11	1,304	8,468
Disposals		(1,473)	(4,836)	(19)	(149)		(6,477)
Reclass assets held for sale	(83)	(2,074)					(2,157)
Foreign exchange	(10)	665	4,387	438	2	74	5,556
Balance at December 31, 2010	3,807	78,513	526,563	69,328	2,750	4,805	685,766
<b>Accumulated depreciation and impairments</b>							
Balance at January 1, 2010	535	46,108	320,233	59,373	2,749		428,998
Depreciation		2,415	24,827	5,306	32		32,580
Impairments			1,213	1	9		1,223
Reversal of impairments	(225)	(609)					(834)
Disposals		(409)	(4,897)	(12)	(149)		(5,467)
Reclass assets held for sale		(1,485)					(1,485)
Foreign exchange		783	4,841	788	4		6,416
Balance at December 31, 2010	310	46,803	346,217	65,456	2,645		461,431
<b>Net Carrying amount at December 31, 2010</b>	<b>3,497</b>	<b>31,710</b>	<b>180,346</b>	<b>3,872</b>	<b>105</b>	<b>4,805</b>	<b>224,335</b>

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Land \$	Buildings \$	Manufacturing equipment \$	Computer equipment and software \$	Furniture, office equipment and other \$	Manufacturing equipment under construction \$	Total \$
<b>Gross carrying amount</b>							
Balance at January 1, 2011	3,807	78,513	526,563	69,328	2,750	4,805	685,766
Additions		873	8,099	1,617	62	3,641	14,292
Disposals		(6)	(12,652)	(466)	(265)		(13,389)
Reclass assets held for sale							
Foreign exchange	194	(565)	(3,260)	(157)	(21)	(39)	(3,848)
Balance at December 31, 2011	4,001	78,815	518,750	70,322	2,526	8,407	682,821
<b>Accumulated depreciation and impairments</b>							
Balance at January 1, 2011	310	46,803	346,217	65,456	2,645		461,431
Depreciation		2,913	24,218	2,928	104		30,163
Impairments		107					107
Reversal of impairments							
Disposals		(3)	(8,707)	(371)	(218)		(9,299)
Reclass assets held for sale							
Foreign exchange	(1)	220	(3,052)	(308)	(88)		(3,229)
Balance at December 31, 2011	309	50,040	358,676	67,705	2,443		479,173
<b>Net Carrying amount at December 31, 2011</b>	<b>3,692</b>	<b>28,775</b>	<b>160,074</b>	<b>2,617</b>	<b>83</b>	<b>8,407</b>	<b>203,648</b>

Included in property, plant and equipment as at December 31, 2011 are assets under capital leases, primarily a building and computer hardware, with cost and accumulated amortization of \$12,327 and \$7,204, respectively (\$11,971 and \$6,626, respectively in 2010).

During the year ended December 31, 2011 and 2010 the loss on disposals amounted to \$0.5 million and 0.3 million, respectively.

As at December 31, 2011 and 2010, the Company had no significant commitments to purchase any property, plant or equipment.

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

The amount of borrowing costs capitalized in property, plant and equipment was \$158,000 in the year ended December 31, 2011 (\$7,000 in the year ended December 31, 2010). The weighted average capitalization rates used to determine the amount of the borrowing costs eligible for capitalization for those periods were respectively 3.94% and 6.44%.

**10 OTHER ASSETS**

	<b>December 31, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Loan to an officer	<b>91</b>	108	108
Funds held in grantor trust to satisfy future pension obligation	<b>1,158</b>	1,468	1,614
Cash surrender value of officer life insurance	<b>1,338</b>	1,172	948
Accrued pension benefit asset (Note 17)			504
Other	<b>139</b>	235	269
	<b>2,726</b>	2,983	3,443

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**11 INTANGIBLE ASSETS**

	Distribution rights \$	Customer contracts \$	License agreements \$	Software \$	Total \$
<b>Gross carrying amount</b>					
Balance at January 1, 2010	3,318	1,204			4,522
Additions separately acquired			849	431	1,280
Disposals					
Retirements					
Foreign exchange	86	62			148
Balance at December 31, 2010	3,404	1,266	849	431	5,950
<b>Accumulated depreciation and impairments</b>					
Balance at January 1, 2010	2,025	281			2,306
Depreciation	288	698	86	10	1,082
Impairments	186				186
Disposals					
Retirements					
Foreign exchange	18	14			32
Balance at December 31, 2010	2,517	993	86	10	3,606
<b>Net Carrying amount at December 31, 2010</b>	<b>887</b>	<b>273</b>	<b>763</b>	<b>421</b>	<b>2,344</b>

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**11 INTANGIBLE ASSETS (Continued)**

	Distribution rights \$	Customer contracts \$	License agreements \$	Customer List \$	Software \$	Total \$
<b>Gross carrying amount</b>						
Balance at January 1, 2011	3,404	1,266	849		431	5,950
Additions separately acquired	197			811	341	1,349
Disposals						
Retirements						
Foreign exchange	(26)	103				77
Balance at December 31, 2011	3,575	1,369	849	811	772	7,376
<b>Accumulated depreciation and impairments</b>						
Balance at January 1, 2011	2,517	993	86		10	3,606
Depreciation	244	94	173	68	83	662
Impairments						
Disposals						
Retirements						
Foreign exchange	(13)	(16)				(29)
Balance at December 31, 2011	2,748	1,071	259	68	93	4,239
<b>Net Carrying amount at December 31, 2011</b>	<b>827</b>	<b>298</b>	<b>590</b>	<b>743</b>	<b>679</b>	<b>3,137</b>

*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 asset's relative fair value.

**Table of Contents**

**Intertape Polymer Group Inc.**

**Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**11 INTANGIBLE ASSETS (Continued)**

Under the Asset 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.

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 in 2010 under the caption of Cost of sales, as follows:

*Intangible assets:*

\$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.

In August 2011, the Company entered into a Contract Adjustment Agreement. Under the Contract Adjustment Agreement the Company and the Vendor agreed that all past and future penalties, film purchase minimums and machine placement thresholds were eliminated.

In July 2011, the Company entered into an Asset Purchase Agreement for total consideration of \$0.9 million to acquire assets primarily consisting of a customer list to supplement the Company's existing water activated tape business.

*License agreement*

In June 2010, the Company entered into a license agreement under which the Company is entitled to purchase certain finished goods for distribution to its customers. The terms and conditions of this license agreement called 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 liabilities and other liabilities, respectively. As at December 31, 2011 \$0.2 million (\$0.2 million in

## Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

2010) is included in Accounts payable and accrued liabilities and nil (\$0.2 million in 2010) in Other liabilities. This asset is being amortized using the straight-line method over its useful life of 5 years.

**Table of Contents**

**Intertape Polymer Group Inc.**

**Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**12 IMPAIRMENT**

**Impairment Testing on Property, Plant and Equipment and Intangible Assets**

As at December 31, 2011, the Transition Date and December 31, 2010, impairment tests were performed on those assets and groups of assets that had indications that they might be impaired, and on any software projects not yet in use. The software projects not yet in use are subject to an annual impairment test. These impairment tests were performed at a level of cash generating units ( CGU ) only as no individual assets independently generated cash flows. These CGU s included property, plant and equipment and intangible assets.



**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**12 IMPAIRMENT (Continued)**

The amounts of impairment loss recognized and amounts of impairment loss reversed under IFRS are as follows:

	For the year ended December 31, 2011		For the year ended December 31, 2010		At January 1, 2010 upon transition	
	Impairment recognized \$	Impairment reversed \$	Impairment recognized \$	Impairment reversed \$	Impairment recognized \$	Impairment reversed \$
<b>Classes of assets impaired</b>						
Property, plant and equipment						
Land				225	(535)	
Buildings	(107)			609	(1,836)	
Manufacturing equipment			(1,213)		(11,821)	
Furniture, office equipment and other			(9)		(22)	
Computer equipment and software			(1)		(40)	
	(107)		(1,223)	834	(14,254)	
Intangible assets - distribution rights			(186)		(1,334)	
Total	(107)		(1,409)	834	(15,588)	

Impairment tests performed as at December 31, 2011 resulted in additional impairment recorded for the Brantford manufacturing facility building of approximately \$107,000 recognized in the consolidated earnings under the caption Cost of sales. No reversal of impairment charges occurred during the period.

The recoverable amount for all of the above situations was the value in use, except for the land and building at the Brantford manufacturing facility, where the recoverable amount as at December 31, 2011 was as a result of assets being actively marketed. As at December 31, 2010 the recoverable amount was the fair value less costs to sell, as determined by an external evaluator in reference to an active market as part of the planning effort related to the closure of that facility.

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**12 IMPAIRMENT (Continued)**

Impairment tests were performed as at December 31, 2011 and 2010 on a number of cash generating units based on the detection of possible indicators of impairment. For these situations, the recoverable amounts of the cash-generating units were determined based on their value-in-use, which in turn was based on a detailed three-year forecast, followed by an extrapolation of expected cash flows for the units remaining useful lives using the growth rates stated below. The following rates were used for the tests performed at the following dates:

	<b>December 31, 2011</b>	December 31, 2010	January 1, 2010
Revenue growth rate used in projections	<b>2% -3.1%</b>	3.5% -19%	3.5% -19%
Discount rate used to compute the value in use	<b>12.5%</b>	11.1%	14.5%

Management is not currently aware of any reasonable changes that would necessitate changes to the above key estimates.

**13 LONG-TERM DEBT**

Long-term debt consists of the following:

	<b>December 31, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Senior Subordinated Notes (a) (1)	<b>116,794</b>	116,169	115,600
Asset-based loan (b) (1)	<b>63,013</b>	86,774	83,635
Finance lease liabilities (c)	<b>6,058</b>	6,089	6,496
Term debt (d)	<b>4,501</b>	6,205	7,796
Mortgage loans (e) (1)	<b>3,923</b>	4,456	1,644
	<b>194,289</b>	219,693	215,171
Less: Installments on long-term debt	<b>3,147</b>	2,837	1,721
	<b>191,142</b>	216,856	213,450

(1) The Senior Subordinated Notes, Asset-based loans and Mortgage loans are presented net of unamortized related debt issue expenses, amounting to \$2.7 million (\$3.9 million in 2010).

Throughout the period, the Company remained in compliance with all the restrictions and reporting requirements associated with the different lending agreements.



**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**13 LONG-TERM DEBT (Continued)**

Long-term debt repayments are due as follows:

	Finance lease liabilities \$	Other long-term loans \$
2012	784	2,640
2013	798	67,382
2014	692	119,441
2015	645	71
2016	577	75
Thereafter	4,358	1,291
<b>Total payments</b>	<b>7,854</b>	<b>190,900</b>
Interest expense included in minimum lease payments	1,796	
<b>Total</b>	<b>6,058</b>	<b>190,900</b>

**(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.

**(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. See Note 23 for information relating to the extension of the ABL in February 2012. 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, 2011 and 2010). As at December 31, 2011, the effective

## Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

interest rate on the ABL was 2.56% (3.77% in 2010, 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.

**Table of Contents**

**Intertape Polymer Group Inc.**

**Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**13 LONG-TERM DEBT (Continued)**

Under the ABL 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, 2011, \$31.0 million of real estate mortgage financing remains available to the Company (\$30.4 million in 2010).

As at December 31, 2011, the ABL's borrowing base amounted to \$119.7 million (\$136.6 million in 2010) of which \$66.1 million (\$97.5 million in 2010) was drawn, including \$2.4 million in letters of credit (\$9.5 million in 2010 including \$8.0 million posted in connection with the bond described in Note 20). Accordingly, the Company's unused availability amounted to \$53.7 million (\$39.1 million in 2010).

The ABL is secured by a first priority lien on the Company's, and substantially all of its subsidiaries', trade receivables, inventories and personal property, plant and equipment, included in the determination of the ABL's borrowing base, with a carrying amount of \$77.5 million, \$87.9 million and \$190.1 million, respectively as at December 31, 2011 (\$81.6 million, \$90.0 million and \$211.2 million, respectively in 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, 2011 and 2010, the Company's availability on its ABL exceeded \$25.0 million and accordingly, the related financial covenant was not applicable. See Note 23 for information regarding the ABL extension.

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 during a portion of the current reporting period. These interest rate swap agreements as well as the Company's interest rate risk policy are described in Note 21.

**(c) Finance lease liabilities**

The Company has obligations under finance lease liabilities for the rental of a building, computer hardware, shop equipment and office equipment, bearing interest at rates varying between 4.4% and 8.7% (4.4% to 8.6% as at December 31, 2010), payable in monthly instalments ranging from \$90 to \$46,320 (\$90 to \$46,320 in 2010), including interest and maturing on various dates until 2017.

**Table of Contents**

**Intertape Polymer Group Inc.**

**Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**13 LONG-TERM DEBT (Continued)**

**(d) Term debt**

One of the Company's wholly-owned subsidiaries has a long-term loan agreement, containing two debt instruments, totalling approximately \$4.2 million at December 31, 2011 ( \$3.2 million) (\$6.2 million at December 31, 2010 ( \$4.5 million)), with each instrument bearing interest at a rate of Euribor (ranging between 1.78% and 1.82% in 2011, 1.16% and 1.22% in 2010) plus a premium, 175 basis points as at December 31, 2011 (175 basis points as at December 31, 2010), 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 interest plus 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.

**(e) Mortgage loans**

The Company has a \$3.0 million mortgage loan on its owned real estate in Danville, Virginia having a net book value of \$1.9 million as at December 31, 2011 (\$2.2 million in 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, 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 \$0.5 million as at December 31, 2011 (\$0.6 million in 2010). The mortgage is for a period of 20 years. Until October 1, 2011, the loan bore interest at 7.96%. The applicable interest rate adjusts 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. Effective on October 1, 2011, the applicable interest rate decreased to 5.63%. As a result the required monthly payments of principal and interest decreased from \$14,723 to \$12,535 beginning on November 1, 2011.

**14 PROVISIONS AND CONTINGENT LIABILITIES**

The Company's provisions consist of restoration obligations, restructuring provisions primarily related to employee termination costs resulting from the closure of manufacturing facilities and a provision for litigation.

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**14 PROVISIONS AND CONTINGENT LIABILITIES (Continued)**

The reconciliation of the Company's provisions as at December 31, 2010 is as follows:

	Restoration provisions \$	Restructuring provisions \$	Litigation \$	Total \$
Balance, January 1, 2010	1,330	1,335	859	3,524
Additional provisions	484	2,638		3,122
Amounts used		(1,260)		(1,260)
Unused amounts reversed			(663)	(663)
Foreign exchange	69	47	(63)	53
Balance, end of period	1,883	2,760	133	4,776
Amount presented as current		2,760	133	2,893
Amount presented as non-current	1,883			1,883
Balance, December 31, 2010	1,883	2,760	133	4,776

The reconciliation of the Company's provisions as at December 31, 2011 is as follows:

	Restoration provisions \$	Restructuring provisions \$	Litigation \$	Total \$
Balance, January 1, 2011	1,883	2,760	133	4,776
Additional provisions		1,873	141	2,014
Amounts used		(2,804)		(2,804)
Foreign exchange	(22)	(24)	(15)	(61)
Balance, end of period	1,861	1,805	259	3,925
Amount presented as current		1,654	259	1,913
Amount presented as non-current	1,861	151		2,012
Balance, December 31, 2011	1,861	1,805	259	3,925

The restoration provision pertains to a lease at one of the operating facilities where the Company is obligated to restore the leased property to the same condition that existed at the time of the initial lease. The carrying amount of this obligation is based on management's best estimate of the costs of the permanent removal of the Company's manufacturing equipment used in this facility.



## Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

The restructuring provision relates to the closure of the Hawkesbury and Brantford manufacturing facilities. The estimated costs pertain primarily to severance and other labor related costs. See Note 4 for more information

The litigation provisions are related to various lawsuits and disputes against the Company. As the Company cannot predict if and when amounts will be paid, they are classified as current. The amount of this provision was revised during the year to reflect the settlement agreement with ITI as discussed in Note 20.

**Table of Contents**

**Intertape Polymer Group Inc.**

**Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**14 PROVISIONS AND CONTINGENT LIABILITIES (Continued)**

As at December 31, 2011 and 2010:

No reimbursements are expected to be received by the Company for any of the provided amounts.

There were no contingent assets at any of the financial statement reporting dates covered by these financial statements. During the reporting period, there were no reversals of restructuring provisions and no changes in contingent liabilities.

**15 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. No Class A preferred shares have been issued.

**Common Shares**

The Company's common shares outstanding, issued and fully paid as at December 31, 2011, December 31, 2010 and January 1, 2010 were 58,961,050, 58,961,050 and 58,951,050, respectively.

The Company did not declare or pay dividends during the years ended December 31, 2011 and 2010.

**Share repurchase**

The Company announced a normal course issuer bid effective May 20, 2010. In connection with this normal course issuer bid, the Company was entitled to repurchase for cancellation up to 2,947,552 of its 58,951,050 common shares issued and outstanding, representing 5% of the Company's common shares issued and outstanding as at that date. The Company did not repurchase any common shares under this normal course issuer bid which expired in May 2011.

**Stock options**

## Edgar Filing: INTERTAPE POLYMER GROUP INC - Form 6-K

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 are equity-settled and expire no later than 10 years after the date of the grant and can only be used to purchase stock and may not be redeemed for cash. 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.

**Table of Contents****Intertape Polymer Group Inc.****Notes to Consolidated Financial Statements**

December 31, 2011 and 2010

(In US dollars, tabular amounts in thousands, except as otherwise noted)

**15 CAPITAL STOCK (Continued)**

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.

The changes in number of options outstanding were as follows:

	2011		2010	
	Weighted average exercise price CAD\$	Number of options	Weighted average exercise price CAD\$	Number of options
Balance, beginning of year	4.44	3,355,769	6.45	3,318,053