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INTERTAPE POLYMER GROUP INC

Form 6-K

December 27, 2005

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 December, 2005

Commission File Number 1-10928

INTERTAPE POLYMER GROUP INC.

9999 Cavendish Blvd., 2nd Floor, St. Laurent, Quebec, Canada, H4M 2X5

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

Form 20-F

Form 40-F

☒ X

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): _____

Indicate by check mark whether by furnishing the information contained in this
Form, the registrant is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

☒ X

If "Yes" is marked, indicate below the file number assigned to the registrant
in connection with Rule 12g3-2(b): 82-_____

The Information contained in this Report is incorporated by reference into
Registration Statement No. 333-109944

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: December 20, 2005

By: /s/Andrew M. Archibald
Andrew M. Archibald, C.A.,
CFO and Secretary

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Intertape Polymer Group Inc.
Form 51-102 F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Intertape Polymer Group Inc. (the "Company")
9999 Cavendish Blvd. 2nd Floor
Ville St. Laurent, Quebec
H4M 2X5

1.2 Executive Officer

For further information contact Melbourne F. Yull, Chairman of the Board and Chief Executive Officer of the Company at (941) 739-7505.

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On October 5, 2005, the Company's wholly-owned subsidiary, Intertape Polymer Inc., acquired all of the outstanding shares of Flexia Corporation Ltd., being the body corporate that resulted from the amalgamation, on October 4, 2005, of Flexia Corporation ("Flexia") and Fib-Pak Industries Inc. ("Fib-Pak").

Flexia is headquartered in Brantford, Ontario and also has operations in Langley, British Columbia and Cap-de-la-Madeleine, Quebec. Flexia produces a wide range of coated, printed and laminated materials, including fabrics, paper, film and foil, all of which it sells to customers throughout North America.

Fib-Pak operates two plants in Hawkesbury, Ontario from which it manufactures woven circular or flat polyethylene scrims and polypropylene fabrics that are sold to manufacturers of flexible intermediate bulk containers (FIBCs), reinforced products and flexible packaging. Fib Pak also manufactures a broad range of FIBCs.

2.2 Date of Acquisition

October 5, 2005.

2.3 Consideration

The aggregate consideration paid by the Company in connection with the transaction was approximately C\$33,500,000:

(a) approximately C\$14,768,000 of which was advanced by the Company to Flexia and Fib-Pak in order to be used by Flexia and Fib-Pak to repay, in full, their respective indebtedness to the National Bank of Canada and to holders of debentures that had previously been issued by Flexia and Fib-Pak;

(b) a portion of the remaining consideration is being held in escrow in order, inter alia, to satisfy post-closing purchase price adjustments which may be required to be made further to the terms and conditions of the share purchase agreement entered into by the parties in connection with the acquisition, such post-closing adjustments which

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will be based on items related to Flexia and Fib-Pak at the time of the closing of the acquisition, including, without limitation, the actual level of their respective working capital and indebtedness; and

(c) the remaining consideration was paid to the shareholders of Flexia and Fib-Pak.

To fund the acquisition, the Company used approximately C\$6,000,000 of cash on hand and it drew approximately C\$27,500,000 on its revolving credit facility.

2.4 Effect on Financial Position

The Company completed its acquisition of Flexia Corporation Ltd., being the successor corporate body to Flexia and Fib-Pak, for several reasons, including the expectation that the acquisition would (i) allow the Company to increase its market share in key product groups, (ii) provide the Company with an enhanced geographic proximity to its customers and to its suppliers of raw materials, (iii) lead to procurement savings arising from an improved global sourcing model, (iv) provide the Company with operational synergies, and (v) broaden the Company's existing product offering.

Subsequent to the acquisition, on December 20, 2005, the Company announced its intention to pursue a spin-off of substantially all of its engineered coated products and flexible intermediate bulk containers bag import operations (the "Coated Products Operations"), combined with a spin-off of substantially all of the operations of Flexia and Fib-Pak (the Coated Products Operations, Flexia's operations and Fib-Pak's operations being collectively referred to herein as the "Business"). For the 12-month period ended September 30, 2005, the Company's Coated Products Operations generated sales of approximately C\$120.0 million and Flexia and Fib-Pak generated sales of approximately C\$117.0 million for a combined total of approximately C\$237.0 million in sales during such period.

The Company intends to proceed with an initial public offering of the Business through an income trust structure. A preliminary prospectus in respect of the offering is expected to be filed by the Company in the first quarter of 2006. Following the closing of the offering, the Company will continue to retain a significant interest in the Business. The amount of cash generated from the offering will be dependent on the pricing and successful completion of the offering. The Company plans to use the cash that it receives as a result of the offering primarily to reduce its outstanding indebtedness with the balance, if any, to be used for general corporate purposes, including working capital.

The Company's intention to proceed with the offering is subject to its ability to obtain all required regulatory approvals and third party consents in connection with the offering, as well as the existence of favourable market conditions for such an offering.

Please note that the financial statements and other financial information presented as part of this report, including the pro forma financial statements, cover periods during which the Company, Flexia and Fib-Pak were not under the same management and, therefore, may not be indicative of future financial conditions or operating results.

2.5 Prior Valuations

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No valuation opinions of Flexia Corporation Ltd., Flexia or Fib-Pak were obtained within the last 12 months by the Company, Flexia Corporation Ltd., Flexia or Fib-Pak.

2.6 Parties to the Acquisition

Flexia Corporation Ltd., Flexia and Fib-Pak were not, prior to the acquisition, informed persons, associates or affiliates of the Company or Intertape Polymer Inc.

2.7 Date of Report

December 20, 2005.

Item 3 Financial Statements

The following financial statements are included as part of this Business Acquisition Report:

Schedule A:

a balance sheet of Flexia as at June 30, 2005 and as at June 30, 2004, statements of earnings, retained earnings and cash flows for Flexia for its financial years ended June 30, 2005 and June 30, 2004, as well as notes to the foregoing financial statements and an auditor's report thereon;

Schedule B:

a balance sheet of Fib-Pak as at June 30, 2005 and as at June 30, 2004, statements of earnings and deficit and cash flows for Fib-Pak for its financial years ended June 30, 2005 and June 30, 2004, as well as notes to the foregoing financial statements and an auditor's report thereon;

Schedule C:

an unaudited interim balance sheet of Flexia as at September 30, 2005, unaudited interim statements of earnings, retained earnings and cash flows for Flexia for the three months ended September 30, 2005 and September 30, 2004;

Schedule D:

an unaudited interim balance sheet of Fib-Pak as at September 30, 2005, unaudited interim statements of income, retained earnings and cash flows for Fib-Pak for the three months ended September 30, 2005 and September 30, 2004; and

Schedule E:

an unaudited pro forma consolidated balance sheet of the Company as at September 30, 2005, unaudited pro forma consolidated statement of earnings of the Company for its financial year ended December 31, 2004 and for the nine months ended September 30, 2005, notes to the pro forma consolidated financial statements of the Company and a compilation report dated December 19, 2005 accompanying the unaudited pro forma consolidated financial statements of the Company.

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INTERTAPE POYLMER GROUP INC.

(signed by):

Name: Andrew M. Archibald
Title: Chief Financial Officer and
Secretary

Business Acquisition Report Dated December 20, 2005

Caution Regarding Forward-Looking Information

This Business Acquisition Report may contain certain forward looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "intend", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. Such statements constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995 and are made pursuant to the "safe harbour" provisions of US securities legislation. Forward looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results and will not necessarily be accurate indications as to whether or not such results will be achieved. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, readers should specifically consider various factors mentioned in the Company's public securities filings that could cause actual results to differ materially from management's projections, estimates and expectations. While such forward-looking statements reflect current beliefs of management and are based upon what management believes to be reasonable assumptions, there can be no assurance that actual results will be consistent with these forward looking statements. These forward looking statements are made as at the date of this Business Acquisition Report and the Company does not assume any obligation to update or revise them to reflect new events or circumstances.

Schedule A

A balance sheet of Flexia as at June 30, 2005 and as at June 30, 2004, statements of earnings, retained earnings and cash flows for Flexia for its financial years ended June 30, 2005 and June 30, 2004, as well as notes to the foregoing financial statements and an auditor's report thereon

(Please see attached)

Financial Statements of

FLEXIA CORPORATION

June 30, 2005, June 30, 2004 and June 30, 2003

DELOITTE

Deloitte & Touche LLP

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Suite 202
Burlington ON L7P 5B1
Canada

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AUDITORS' REPORT

To the Directors of
Flexia Corporation

We have audited the balance sheets of Flexia Corporation as at June 30, 2005 and 2004 and the statements of earnings, retained earnings and cash flows for each of the years in the three year period ended June 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three year period ended June 30, 2005 in accordance with Canadian generally accepted accounting principles.

/s/Deloitte & Touche LLP

Chartered Accountants
Burlington, Ontario

October 26, 2005

Member of
Deloitte Touche Tohmatsu

FLEXIA CORPORATION
Statements of Earnings
For the years ended June 30, 2005, 2004 and 2003
(in thousands of dollars except per share amounts)

	2005	2004	2003
NET SALES	\$ 106,401	\$ 98,106	\$ 104,523
COST OF SALES	95,748	86,955	91,126
GROSS PROFIT	10,653	11,151	13,397

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OTHER EXPENSES (INCOME)			
Selling and administrative	6,246	6,361	5,814
Amortization of patents and trademarks	83	83	83
Amortization of deferred financing costs	55	161	161
Amortization of deferred gain (Note 15)	(132)	--	--
Gain on sale of product line (Note 16)	(11,886)	--	--
	(5,634)	6,605	6,058
EARNINGS BEFORE THE UNDERNOTED	16,287	4,546	7,339
Interest expense - long term (Note 8)	1,767	2,195	2,640
- short term	323	438	326
	2,090	2,633	2,966
EARNINGS BEFORE INCOME TAXES	14,197	1,913	4,373
INCOME TAXES (Note 17)			
Current	3,507	252	503
Future	(439)	393	932
	3,068	645	1,435
NET EARNINGS	\$ 11,129	\$ 1,268	\$ 2,938
EARNINGS PER SHARE			
BASIC AND DILUTED	\$1.11	\$0.13	\$0.29

FLEXIA CORPORATION
Statements of Retained Earnings
For the years ended June 30, 2005, 2004 and 2003
(in thousands of dollars)

	2005	2004	2003
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 6,620	\$ 5,352	\$ 2,414
NET EARNINGS	11,129	1,268	2,938
RETAINED EARNINGS, END OF YEAR	\$ 17,749	\$ 6,620	\$ 5,352

FLEXIA CORPORATION
Balance Sheets
June 30, 2005 and 2004
(in thousands of dollars)

	2005	2004
ASSETS		

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CURRENT

Accounts receivable	\$	13,040	\$	15,063
Due from affiliated company (Note 12)		8		-
Income taxes receivable		-		336
Inventories (Note 4)		17,377		13,701
Prepaid expenses		191		319
		30,616		29,419
LONG-TERM RECEIVABLE (Note 16)		1,517		-
PROPERTY, PLANT AND EQUIPMENT (Note 5)		18,291		26,478
ACCRUED PENSION ASSET (Note 13)		1,295		602
OTHER NON-CURRENT ASSETS (Note 6)		-		138
	\$	51,719	\$	56,637

LIABILITIES

CURRENT

Bank indebtedness (Note 7)	\$	1,687	\$	5,258
Accounts payable and accrued liabilities		10,370		15,654
Income taxes payable		3,021		-
Due to affiliated company (Note 12)		-		506
Current portion of long-term debt (Note 8)		7,420		20,143
		22,498		41,561
FUTURE INCOME TAXES (Note 17)		2,461		2,900
ACCRUED POST-RETIREMENT BENEFITS OBLIGATION (Note 13)		1,458		1,326
DEFERRED GAIN (Note 15)		3,323		-
		29,740		45,787

CONTINGENCIES (Note 9)

SHAREHOLDERS' EQUITY

Share capital (Note 10)		4,230		4,230
Retained earnings		17,749		6,620
		21,979		10,850
	\$	51,719	\$	56,637

APPROVED BY THE BOARD

.....DirectorDirector

FLEXIA CORPORATION

Statements of Cash Flows

For the years ended June 30, 2005, 2004 and 2003

(in thousands of dollars)

	2005	2004	2003
--	------	------	------

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

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OPERATING

Net earnings	\$ 11,129	\$ 1,268	\$ 2,938
Items not affecting cash			
Gain on sale of product line	(11,886)	-	-
Amortization of property, plant and equipment	2,455	2,349	2,222
Amortization of deferred gain	(132)	-	-
Amortization of patents and trademarks	83	83	83
Amortization of deferred financing costs	55	161	161
Future income taxes	(439)	393	932
Pension funding in excess of amounts expensed	(693)	(540)	(238)
Post-retirement benefit expense	132	110	96
Other	(17)	-	-
	687	3,824	6,194
Changes in non-cash operating working capital items (Note 11)	(3,966)	96	(4,400)
	(3,279)	3,920	1,794

INVESTING

Proceeds on sale of product line (Note 16)	10,386	-	-
Purchase of property, plant and equipment	(1,499)	(1,828)	(2,823)
Proceeds on sale of property, plant and equipment (Note 15)	10,686	-	-
	19,573	(1,828)	(2,823)

FINANCING

(Decrease) increase in bank indebtedness	(3,571)	1,435	3,279
Repayment of long-term debt	(12,723)	(3,527)	(2,250)
	(16,294)	(2,092)	1,029

NET CASH INFLOW, CASH AND CASH EQUIVALENTS
BEGINNING AND END OF YEAR

\$ - \$ - \$ -

Supplementary information (Note 11)

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

1. DESCRIPTION OF BUSINESS

Flexia Corporation (the "Company") is incorporated under the province of Quebec and its principal line of business is the manufacture and distribution of protective barrier products.

2. CHANGES IN ACCOUNTING POLICIES

Asset retirement obligations

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On July 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3110 "Asset retirement obligations". The standard provides guidance for the recognition, measurement and disclosure of liabilities for asset retirement obligations. The liability represents the fair value of the obligations. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. The new recommendations had no impact on the financial statements.

Stock-based compensation and other stock-based payments

Effective July 1, 2002 the Company adopted the recommendations in section 3870 of the CICA Handbook, "Stock-based compensation and other stock-based payments". The section sets standards for recognizing, measuring and disclosing stock-based compensation and other stock-based payments made in exchange for goods and services.

According to the standard, awards granted to employees which can be settled in cash and other assets, must be recognized in the financial statements based on the intrinsic value of the awards.

The Company's employee stock option plan includes cash settlement features in the event an employee leaves the employ of the Company or if there is a change in control. Before July 1, 2002 an expense was not recognized until the date the employee ceased working for the Company. Effective July 1, 2002 the liability is recognized as an expense, amortized over the period that the options vest. At the reporting dates, the liability is measured as the difference between the exercise price and the net book value of the options, which is the settlement value according to the Plan.

Impairment of long-lived assets

Effective July 1, 2003 the Company prospectively adopted the recommendations in Section 3063 of the CICA Handbook, "Impairment of long-lived assets". These recommendations require that an impairment loss on long-lived assets to be held and used be recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposal. The amount of the impairment loss is determined as the excess of the carrying value of the assets over their fair value. The new recommendations had no impact on the financial statements.

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

3. ACCOUNTING POLICIES (continued)

Use of estimates

The financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates.

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Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

Inventories

Finished goods and work-in-process are valued at the lower of cost and net realizable value. Inventories of raw materials are valued at the lower of average cost determined on a first-in, first-out basis and replacement cost. The cost of work-in-process and finished goods includes the cost of raw materials, direct labour and applicable overhead.

Accounts receivable

Credit is extended based on evaluation of a customer's financial condition and collateral is usually not requested. Accounts receivable are stated at amounts due from customers based on agreed upon payment terms net of an allowance for doubtful accounts. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due and the customer's current ability to pay its obligation to the Company. The Company writes off accounts receivable when they are determined to be uncollectible. Any payments subsequently received on such receivables are credited to the bad debt expense.

Property, plant and equipment

Property, plant and equipment is recorded at acquisition cost. The Company provides for amortization of capital assets using the straight-line method over the following number of years:

Buildings	10 - 25
Machinery and equipment	5- 12.5
Office furniture and equipment	10
Computer equipment	4

Assets under development are recorded at cost until they are completed and then they are transferred into the appropriate property, plant and equipment account.

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

3. ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or

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changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Patents and trademarks

Patents and trademarks are recorded at acquisition cost less accumulated amortization. Amortization for patents and trademarks is charged on a straight-line basis over six years.

Deferred financing costs

Financing costs are amortized over the term of the long-term debt to which they relate, namely six years, on a straight-line basis.

Environmental costs

The Company expenses, on a current basis, recurring costs associated with managing hazardous substances and pollution in ongoing operations.

Foreign currency transactions and balances

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the year except for amortization, which is translated at historical rates. Translation gains or losses are included in earnings.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between carrying amount of balance sheet items and their corresponding tax basis, using the enacted or substantively enacted income tax rates for the years in which the differences are expected to reverse.

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

3. ACCOUNTING POLICIES (continued)

Post-retirement benefits

The Company maintains two defined benefit pension plans for unionized employees.

The Company contributes to a multi-employer pension plan on behalf of unionized employees at its Langley facility.

The Company maintains a defined contribution pension plan for salaried employees.

The Company maintains an unfunded defined benefit plan which provides

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life insurance, and health and dental benefits for eligible retired employees.

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 18 years (2004 and 2003 - 17 years). The average remaining service period of the active employees covered by the other retirement benefits plan is 12 years (2004 and 2003 - 12 years).
- When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.
- Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Company has insufficient information to apply defined benefit plan accounting.

Deferred gain

The deferred gain resulted from the sale and leaseback of land and building (see note 15). The deferred gain is being amortized on a straight line basis over the initial term of the operating lease entered into as part of the sale leaseback transaction (5 years).

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

3. ACCOUNTING POLICIES (continued)

Stock based compensation plans

The Company has a stock based compensation plan, as described in Note 14. Compensation expense is measured as the difference between the net book value per common share and the exercise price and is recognized as the stock options vest to the employee. If the options are settled in cash with the employee, the value is measured at the net book value of the stock at the time of the settlement. Any difference between

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cash value and the accrued liability is taken as an adjustment to income at the time of the settlement. Any consideration paid by employees on exercise of stock options and purchase of stock is credited to share capital.

Earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method.

4. INVENTORIES

	2005	2004
Raw materials	\$ 10,709	\$ 8,865
Work-in-process	2,391	1,632
Finished goods	4,277	3,204
	\$ 17,377	\$ 13,701

5. PROPERTY, PLANT AND EQUIPMENT

	2005		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 594	\$ -	\$ 594
Buildings	2,639	955	1,684
Machinery and equipment	23,949	9,672	14,277
Office furniture and equipment	114	61	53
Computer equipment	787	662	125
Assets under development	1,558	-	1,558
	\$ 29,641	\$ 11,350	\$ 18,291

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	2004		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 2,414	\$ -	\$ 2,414
Buildings	9,409	2,094	7,315
Machinery and equipment	22,629	7,744	14,885
Office furniture and equipment	105	50	55
Computer equipment	733	611	122
Assets under development	1,687	-	1,687

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\$ 36,977 \$ 10,499 \$ 26,478

6. OTHER NON-CURRENT ASSETS

	2005		
	Cost	Accumulated Amortization	Net Book Value
Deferred financing costs	\$ 327	\$ 327	\$ -
Patents and trademarks	500	500	-
	\$ 827	\$ 827	\$ -

	2004		
	Cost	Accumulated Amortization	Net Book Value
Deferred financing costs	\$ 327	\$ 272	\$ 55
Patents and trademarks	500	417	83
	\$ 827	\$ 689	\$ 138

7. BANK INDEBTEDNESS

Under its operating credit facilities, the Company, on a combined basis with Fib-Pak Industries Inc., a related company under common ownership, may draw up to \$17,000 (2004 - \$15,000). The companies have provided cross-guarantees for amounts drawn on the credit facility. At June 30, 2005, the companies on a combined basis have drawn \$2,350 (2004 - \$7,050) against the credit facility made up of a revolving line of credit bearing interest averaging at 4.25% (2004-4.1%).

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

7. BANK INDEBTEDNESS (continued)

An assignment of inventory and accounts receivable has been provided as security for the bank indebtedness under a Credit Agreement dated March 31, 2005 (see Note 9).

Accounts receivable and inventory of Fib-Pak Industries Inc. at June 30, 2005 amounted to \$4,366 (2004 - \$3,903).

8. LONG-TERM DEBT

2005 2004

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Bankers' acceptances

Interest payable in advance for one to six months at the bankers' acceptance rate plus margin dependent on the debt to EBITDA ratio. On a combined basis with Fib-Pak Industries Inc., this debt was repayable in four quarterly principal payments of \$500,000 commencing on January 1, 2000, followed by thirteen quarterly instalments of \$750,000 and four quarterly instalments of \$1,000,000. The outstanding balance was repaid on November 30, 2004.

	\$	-	\$	7,700
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Debentures

Interest at 12.5% payable annually, principal due December 1, 2005 (April 2, 2005 in 2004), collateralized by a general security agreement consisting of a first charge on all assets not pledged to the bank, and a second charge on the assets pledged to the bank. On April 22, 2005 a principal repayment of \$5,000,000 was made.

	7,420		12,420
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Term loans

Interest payable monthly at prime rate plus up to 1.5% dependent on debt to EBITDA ratio, due April 1, 2005, collateralized by a security agreement consisting of a first charge on all assets not pledged to the bank and a second charge on the assets pledged to the bank. The term loan was repaid on November 30, 2004.

	-		23
--	---	--	----

	7,420	20,143
Current portion	7,420	20,143
	\$ -	\$ -

Interest expense on the long-term debt was \$1,767 (2004 - \$2,195; 2003 - \$2,640).

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

9. COMMITMENTS AND CONTINGENCIES

Commitments

- (a) The future minimum lease payments under operating leases for the rental of space, equipment, automobiles and rail sidings for each of the next five years:

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2006	\$ 888
2007	847
2008	838
2009	832
2010	684
	\$ 4,089

(b) Contingencies

The Company is party to various claims which are being contested. In the opinion of management, the outcome of such claims will not have a material adverse effect on the Company.

Security for the bank indebtedness provides for a cross-guarantee by the Company and Fib-Pak Industries Inc. (a related company) for amounts drawn on the credit facility (see Note 7).

The Company believes that this guarantee will not have any significant unfavourable impact on its financial position and consequently no provision has been made in the financial statements.

10. SHARE CAPITAL

Authorized

Unlimited number of common shares

	2005	2004
Issued		
10,000,000 common shares	\$ 4,230	\$ 4,230

There were no issuance or cancellation of common shares during fiscal 2005 and 2004.

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

11. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital items

	2005	2004	2003
Accounts receivable	\$ 2,023	\$ (1,418)	\$ 748
Inventories	(3,676)	(192)	(1,105)
Income taxes	3,357	(714)	324
Prepaid expenses	128	89	(96)
Accounts payable and accrued liabilities	(5,284)	2,128	(4,369)
Due to/from affiliated company	(514)	203	98

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\$ (3,966) \$ 96 \$ (4,400)

Interest and taxes

	2005	2004	2003
Interest paid	\$ 4,101	\$ 2,446	\$ 6,406
Income taxes paid	150	625	266

12. RELATED PARTY BALANCES AND TRANSACTIONS

	2005	2004	2003
Fib-Pak Industries Inc. - a company under common ownership			
Purchases of materials	\$ 2,047	\$ 3,547	\$ 3,191
Sales of finished goods	37	41	58

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. The amounts due to and from the affiliated company are non-interest bearing, unsecured and due on demand.

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

13. PENSION COSTS AND OBLIGATIONS

The Company has three defined benefit plans providing pension, other retirement and post-employment benefits to most of its employees. The Company maintains a defined contribution pension plan for its salaried employees. The Company contributions equal 4% of each participant's eligible salary. One of the Company's divisions participates in a multi-employer defined benefit plan providing both pension and other retirement benefits. This plan is accounted for as a defined contribution plan.

The net expense for the Company's benefit plans is as follows:

	Pension Benefit Plans			Other Benefit Plan		
	2005	2004	2003	2005	2004	2003
Defined benefit plans	\$401	\$457	\$413	\$152	\$126	\$117
Defined contribution plans	160	171	182	-	-	-
Contributions to a multi- employer plan	271	262	263	-	-	-
	\$832	\$890	\$858	\$152	\$126	\$117

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FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

13. PENSION COSTS AND OBLIGATIONS (continued)

Information about the Company's defined benefit plans as at June 30, in aggregate, is as follows:

	Pension Benefit Plans		Other Benefit Plan	
	2005	2004	2005	2004
Accrued benefit obligations				
Balance, beginning of year	\$ 9,439	\$ 8,737	\$ 1,510	\$ 1,333
Current service cost	284	271	56	41
Interest cost	586	525	93	85
Benefits paid and expenses	(312)	(281)	(20)	(14)
Employee contributions	179	175	-	-
Actuarial losses (gains)	1,290	(81)	209	65
Past service cost	-	93	-	-
Balance, end of year	11,466	9,439	1,848	1,510
Plan assets				
Balance, beginning of year	7,399	5,969	-	-
Actual return on plan assets	920	540	-	-
Employer contributions	1,094	997	-	-
Benefits paid	(312)	(281)	-	-
Employee contributions	179	175	-	-
Balance, end of year	9,280	7,400	-	-
Funded status - deficit	2,186	2,039	1,848	1,510
Unamortized past service costs	(165)	(176)	-	-
Unamortized net actuarial loss	(3,113)	(2,246)	(390)	(184)
Unamortized transition obligation	(203)	(219)	-	-
Accrued benefit (asset) liability	\$ (1,295)	\$ (602)	\$ 1,458	\$ 1,326

Both defined benefit pension plans had a plan deficit as at June 30, 2005 and June 30, 2004.

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

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13. PENSION COSTS AND OBLIGATIONS (continued)

Net benefit expense for defined benefit plans:

	Pension Benefit Plans			Other Benefit Plan		
	2005	2004	2003	2005	2004	2003
Current service cost	\$ 284	\$ 271	\$ 267	\$ 56	\$ 41	\$ 38
Interest cost	586	525	484	93	85	79
Actual return on plan assets	(920)	(540)	(72)	-	-	-
Actuarial losses (gains)	1,290	(81)	588	209	65	-
Difference between expected return and actual return on plan assets for the year	350	77	(332)	-	-	-
Difference between actuarial loss recognized for the year and actual actuarial loss on accrued benefit obligation for the year	(1,216)	178	(542)	(206)	(65)	-
Amortization of past service costs	11	11	4	-	-	-
Amortization of transition obligation	16	16	16	-	-	-
Net benefit expense for the year	\$ 401	\$ 457	\$ 413	\$ 152	\$ 126	\$ 117

Approximately 50% of plan assets are invested in Jarislowsky Fraser Balanced Fund and approximately 50% in Standard Life Diversified Fund as at June 30, 2005 and 2004. Both funds employ a target equity weighting varying within the range of 45% to 65%.

The dates of the most recent actuarial valuations are as follows:

- (i) Pension Benefit Plans - December 31, 2004 and December 31, 2002
- (ii) Other Benefit Plan - June 30, 2004

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

13. PENSION COSTS AND OBLIGATIONS (continued)

The significant actuarial assumptions adopted in measuring the

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Company's accrued benefit obligations are as follows (weighted-average assumptions as of December 31st).

	Pension Benefit Plans		Other Benefit Plan	
	2005	2004	2005	2004
Discount rate	5.63%	6.25%	5.63%	6.25%
Rate of compensation increase	3.25%	3.25%	-	-

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for the first ten years of service. The rate was assumed to decrease to 5% thereafter with an increase of these rates by 3% occurring at retirement. For dental benefits, a 3.5% annual rate of increase was assumed. An increase or decrease of 1% of this rate would have the following impact:

	Increase of 1%	Decrease of 1%
Impact on net benefit expense - increase (decrease)	\$ 25	\$ (20)
Impact on accrued benefit obligation - increase (decrease)	215	(171)

14. DIRECTORS AND EMPLOYEES SHARE OPTION PLAN

Under the Company's share option plan, options were granted to designated directors and/or employees on or after June 30, 1999. Options provide the right to purchase common shares from the Company at a fixed price in the event of a change in control and are intended to maximize the Company's net worth. When employment has ceased, the vested options are purchased by the Company for cancellation. The price is determined by the Board of Directors and the maximum number of shares that may be issued upon the exercise of options granted under the plan cannot exceed 5% of the outstanding shares of the Company. The options granted under the plan shall vest as follows:

- a) 25% on the second anniversary of the grant date
- b) an additional 25% on each of the following anniversary dates.

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

14. DIRECTORS AND EMPLOYEES SHARE OPTION PLAN (continued)

The share option liability of \$723 (2004 - \$231) is included in accounts payable and accrued liabilities.

Share option expense for the year amounted to \$492 (2004 -

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\$74; 2003 - \$157).

	2005		2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	395,000	\$ 0.49	420,000	\$ 0.48	380,000	\$ 0.49
Granted	-	-	-	-	40,000	0.47
Purchased for cancellation	-	-	(25,000)	0.42	-	-
Outstanding, end of year	395,000	\$ 0.49	395,000	\$ 0.49	420,000	\$ 0.48
Exercisable	385,000	\$ 0.49	336,250	\$ 0.48	256,250	\$ 0.47

The following table summarizes information about share options outstanding and exercisable as at June 30:

	2005		2004		2003	
Exercise Price	# of Options Outstanding	# of Options Exercisable	# of Options Outstanding	# of Options Exercisable	# of Options Outstanding	# of Options Exercisable
\$0.42	200,000	200,000	200,000	200,000	225,000	160,000
\$0.47	40,000	30,000	40,000	20,000	40,000	10,000
\$0.58	155,000	155,000	155,000	116,250	155,000	70,000
Total	395,000	385,000	395,000	336,250	420,000	250,000
Weighted average exercise price:	\$0.49	\$0.49	\$0.49	\$0.48	\$0.48	\$0.47

15. DEFERRED GAIN ON SALE AND LEASEBACK TRANSACTION

On April 22, 2005, the Company sold its land and building located in Langley, British Columbia for net proceeds of \$10,686 and simultaneously entered into an operating lease for the entire property. The sale resulted in a gain of \$3,454 which has been deferred and amortized over the initial lease term of 5 years. Amortization of the gain amounted to \$132 in 2005.

FLEXIA CORPORATION
Notes to the Financial Statements
For the years ended June 30, 2005, 2004 and 2003

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(amounts in thousands of dollars except per share amounts)

16. SALE OF PRODUCT LINE

On November 30, 2004 the Company sold of the synthetic roof underlayment product line. The sale included all intangible property related to this product line including product formulations, customer relationships, trade names, and goodwill. The Company recorded a pre tax gain of \$11,886. The initial proceeds included \$1,500 which is being held in escrow (along with accrued interest of \$17) until November 30, 2006 to support the representations and warranties made by the Company. The Company may also be entitled to additional proceeds of up to \$3,700 contingent on synthetic roof underlayment sales in a particular market for the year ending November 30, 2005. As at June 30, 2005 the Company has not earned or recorded any contingent proceeds.

17. INCOME TAXES

The reconciliation of the combined federal and provincial statutory income tax rate to the Company's effective income tax rate is detailed below:

	2005	2004	2003
	<u> </u>	<u> </u>	<u> </u>
Combined federal and provincial income tax rate	40.65%	38.52%	40.65%
Manufacturing and processing allowance	(6.33)	(7.15)	(7.73)
Non-taxable portion of gain on sale of product line	(14.33)	-	-
Impact of other differences	1.61	2.33	(0.12)
	<u> </u>	<u> </u>	<u> </u>
Effective income tax rate	21.6%	33.7%	32.8%

Net future income tax liabilities (assets) are detailed as follows:

	2005	2004
	<u> </u>	<u> </u>
Property, plant and equipment	\$ 2,819	\$ 2,852
Post-retirement benefit obligations	(212)	(167)
Accrued pension asset	447	209
Deferred gain on sale and leaseback transaction	(604)	-
Other	11	6
	<u> </u>	<u> </u>
Future income taxes	\$ 2,461	\$ 2,900

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

18. EARNINGS PER SHARE

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	2005	2004	2003
Net earnings	\$ 11,129	\$ 1,268	\$ 2,938
Number of common shares outstanding	10,000,000	10,000,000	10,000,000
Basic earnings per share	\$ 1.11	\$ 0.13	\$ 0.29

There were no dilutive instruments outstanding in fiscal 2005, 2004 and 2003.

19. FINANCIAL INSTRUMENTS

Financial risk

The financial risk is the risk to the Company's earnings that arises from fluctuations in interest rates, foreign exchange rates and the degree of volatility of these rates.

The Company is exposed to currency risk as a result of its export to the United States of goods produced in Canada. From time to time the Company uses forward exchange contracts to reduce its exposure to this risk. No such contracts were outstanding as at June 30, 2005, 2004 and 2003.

The Company's bank indebtedness has a floating interest rate and therefore is subject to risks associated with fluctuating interest rates.

Credit risk

The Company is exposed to credit risk from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers. The Company monitors its credit risk associated with amounts receivable.

Fair value

The fair value of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes receivable/payable and due from/to affiliated company approximates their carrying values due to their short-term nature.

The fair value of the long-term receivable approximates the carrying value as the interest rate is at market rates.

The fair value of debentures approximates the carrying value due to their short term to maturity.

The fair value of the bankers' acceptances and term loans approximates their carrying values as interest is charged at floating rates.

FLEXIA CORPORATION

Notes to the Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(amounts in thousands of dollars except per share amounts)

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20. SEGMENT DISCLOSURES

The Company supplies protective barrier products to customers in North America. All products are to be considered part of one reportable segment as they are made from similar manufacturing processes and generally have similar economic characteristics.

All capital assets of the Company are located in Canada.

The following table presents revenues attributed to countries based on the location of customers:

	2005	2004	2003
Canada	\$ 50,052	\$ 47,624	\$ 47,707
United States	55,414	50,376	56,641
Other Foreign Countries	935	106	175
Total net sales	\$ 106,401	\$ 98,106	\$ 104,523

For the year ended June 30, 2005, a single customer accounted for 13.1% (2004 - 10.7%; 2003 - 12.6%) of total sales, and 12.3% (2004 - 9.9%) of trade accounts receivable as of June 30, 2005.

21. SUBSEQUENT EVENT

Flexia Corporation was amalgamated with Fib-Pak Industries Inc. (see Note 12) on October 4, 2005 and all of the shares of the amalgamated corporation were acquired by a new shareholder on October 5, 2005.

Schedule B

A balance sheet of Fib-Pak as at June 30, 2005 and as at June 30, 2004, statements of earnings and deficit and cash flows for Fib-Pak for its financial years ended June 30, 2005 and June 30, 2004, as well as notes to the foregoing financial statements and an auditor's report thereon.

(Please see attached)

Financial Statements of

FIB-PAK INDUSTRIES INC.

June 30, 2005, June 30, 2004 and June 30, 2003
(In Canadian dollars)

Deloitte

Auditors' Report

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To the Directors of Fib-Pak Industries Inc.

We have audited the balance sheets of Fib-Pak Industries Inc. as at June 30, 2005 and 2004 and the statements of earnings, deficit and cash flows for each of the years in the three year period ended June 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three year period ended June 30, 2005 in accordance with Canadian generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Chartered Accountants

Hawkesbury, Ontario
October 28, 2005

FIB-PAK INDUSTRIES INC.
Statements of Earnings
For the years ended June 30, 2005, 2004 and 2003
(In thousands of dollars except per share amounts)

	2005	2004	2003
Sales	\$ 14,429	\$ 12,676	\$ 14,145
Cost of Sales	12,845	11,530	12,674
Gross profit	1,584	1,146	1,471
Other expenses			
Selling and administration	797	1,062	874
Amortization of goodwill	-	-	97
Amortization of deferred financing costs	8	41	41
Write-off of goodwill (note 6)	-	578	-

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	805	1,681	1,012
Earnings (loss) before the undernoted	779	(535)	459
Interest expenses			
Long-term (note 9)	202	233	294
Short-term	117	104	51
	319	337	345
Earnings (loss) before income taxes	460	(872)	114
Income taxes			
Current	214	(2)	161
Future	(57)	(183)	(103)
	157	(185)	58
NET EARNINGS (LOSS)	\$ 303	\$ (687)	\$ 56
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	\$ 0.03	\$ (0.068)	\$ 0.006

FIB-PAK INDUSTRIES INC.
Statements of Retained Earnings
For the years ended June 30, 2005, 2004 and 2003
(In thousands of dollars)

	2005	2004	2003
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	\$ (401)	\$ 286	\$ 230
NET EARNINGS (LOSS)	303	(687)	56
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ (98)	\$ (401)	\$ 286

FIB-PAK INDUSTRIES INC.
Balance Sheets
as at June 30, 2005 and 2004
(In thousands of dollars)

	2005	2004
ASSETS		

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CURRENT

Accounts receivable	\$ 1,871	\$ 1,576
Income taxes receivable	-	145
Due from affiliated company (note 12)	-	506
Inventories (note 3)	2,495	2,327
Prepaid expenses	2	3
	4,368	4,557
PROPERTY, PLANT AND EQUIPMENT (note 4)	1,360	1,615
DEFERRED FINANCING COSTS (note 5)	-	8
FUTURE INCOME TAXES (note 14)	176	119
	\$ 5,904	\$ 6,299

LIABILITIES

CURRENT

Bank indebtedness (note 7)	\$ 69	\$ 54
Bank loan (note 7)	2,350	1,651
Accounts payable and accrued liabilities	1,094	1,501
Due to affiliated company (note 12)	8	-
Income taxes payable	208	-
Current portion of long-term debt (note 9)	1,380	2,630
	5,109	5,836
ACCRUED POST-RETIREMENT BENEFITS OBLIGATION (note 8)	423	394
	5,532	6,230

SHAREHOLDERS' EQUITY

Share capital (note 10)	470	470
Deficit	(98)	(401)
	372	69
	\$ 5,904	\$ 6,299

APPROVED BY THE BOARD:

_____, Director

_____, Director

FIB-PAK INDUSTRIES INC.

Statements of Cash Flows

For the years ended June 30, 2005, 2004 and 2003

(In thousands of dollars)

2005

2004

2003

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NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

OPERATING

Net earnings (loss)	\$	303	\$	(687)	\$	56
Items not affecting cash						
Amortization of property, plant and equipment		283		377		440
Amortization of deferred financing costs		8		41		41
Amortization of goodwill		-		-		97
Write-off of goodwill		-		578		-
Future income taxes		(57)		(183)		(103)
Post-retirement benefits expense (recovery)		29		29		(21)
		566		155		510
Changes in non-cash operating working capital items (note 11)		(2)		(561)		(482)
		564		(406)		28

INVESTING

Purchase of property, plant and equipment		(28)		(62)		(92)
---	--	------	--	------	--	------

FINANCING

Increase in bank indebtedness		699		564		666
Repayment of long-term debt		(1,250)		-		(750)
		(551)		564		(84)

NET CASH INFLOW (OUTFLOW)		(15)		96		(148)
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BANK INDEBTEDNESS, BEGINNING OF YEAR		(54)		(150)		(2)
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BANK INDEBTEDNESS, END OF YEAR	\$	(69)	\$	(54)	\$	(150)
--------------------------------	----	------	----	------	----	-------

Supplementary information (note 11)

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

1. DESCRIPTION OF BUSINESS

The Company was incorporated pursuant to the laws of the Province of Quebec. The Company is primarily engaged in the production of industrial bags and fabrics.

2. ACCOUNTING POLICIES

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The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

Inventories

Inventories of finished goods and work in process are valued at the lower of cost and net realizable value. Inventories of raw materials are valued at the lower of average cost and replacement cost. The cost of finished goods and work in process includes the cost of raw materials, direct labour and applicable overhead.

Accounts receivable

Credit is extended based on evaluation of a customer's financial condition and collateral is usually not requested. Accounts receivable are stated at amounts due from customers based on agreed upon payment terms net of an allowance for doubtful accounts. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due and the customer's current ability to pay its obligation to the Company. The Company writes off accounts receivable when they are determined to be uncollectible. Any payments subsequently received on such receivables are credited to the bad debt expense.

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

2. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on their estimated useful life using the straight-line basis method over the following number of years:

Buildings	10 - 25
Machinery and equipment	5 - 6 - 12.5
Furniture and fixtures	10

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

Deferred financing costs

Deferred financing costs are being amortized over 6 years, which is the term of the financing agreement.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse.

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

2. ACCOUNTING POLICIES (continued)

Post retirement benefits

The Company maintains a defined contribution pension plan for salaried employees.

The Company maintains an unfunded defined benefit plan which provides life insurance, and health and dental benefits for eligible retired employees.

The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets,

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those assets are valued at fair value.

- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 11.8 years (2004 and 2003 - 10 years).
- When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

Earnings (loss) per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year.

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

3. INVENTORIES

	2005	2004
Raw materials	\$ 504	\$ 556
Work in process	230	175
Finished goods	1,761	1,596
	<u>\$ 2,495</u>	<u>\$ 2,327</u>

4. PROPERTY, PLANT AND EQUIPMENT

	2005		
	Cost	Accumulated depreciation	Net book value
Land	\$ 77	\$ -	\$ 77
Buildings	1,475	742	733
Machinery and equipment	2,175	1,633	542
Furniture and fixtures	25	25	--
Computer	71	63	8
	<u>\$ 3,823</u>	<u>\$ 2,463</u>	<u>\$ 1,360</u>

	2004		
	Cost	Accumulated depreciation	Net book value

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Land	\$	77	\$	—	\$	77
Buildings		1,475		616		859
Machinery and equipment		2,150		1,480		670
Furniture and fixtures		25		25		—
Computer		68		59		9
	\$	3,795	\$	2,180	\$	1,615

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

5. DEFERRED FINANCING COSTS

2005			
	Cost	Accumulated depreciation	Net book value
Financing Costs	\$ 50	\$ 50	\$ —
2004			
	Cost	Accumulated depreciation	Net book value
Financing Costs	\$ 50	\$ 42	\$ 8

6. WRITE-OFF OF GOODWILL

It was determined by management that the value of the goodwill should be written off as of June 30, 2004 due to an impairment arising from the loss incurred in 2004. The amount of loss recognized was \$ 578.

7. BANK INDEBTEDNESS AND BANK LOAN

A general security agreement and a general assignment of inventory and accounts receivable have been provided as collateral for the bank indebtedness under a Credit Agreement dated March 31, 2005. Security for the bank indebtedness provides for a cross-guarantee by the Company and Flexia Corporation for amounts drawn on the credit facility. The Company believes that this guarantee will not have any significant unfavorable impact on its financial position and consequently no provision for loss has been made in the financial statements.

Under their credit facilities, the Company, on a combined basis with Flexia Corporation may draw up to \$ 17,000 (2004, \$ 15,000). At June 30, 2005, the companies, on a combined basis, have drawn \$ 2,350 (2004, \$ 7,050) against their credit facilities made up of bankers'

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acceptances and a revolving line of credit bearing interest averaging at 4.25% (2004, 4.1%).

Accounts receivable and inventory of Flexia Corporation at June 30, 2005 amounted to \$ 30,417 (2004 - \$ 28,764)

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

8. PENSION COSTS AND OBLIGATIONS

The Company provides certain post-employment and post-retirement benefits (other benefit plan) to most of its employees. The unfunded other plan include life insurance, health and dental benefits for eligible retired employees. The Company also maintains a defined contribution pension plan for its salaried employees. The Company contribution equal 4% of each participant's eligible salary. The benefit expense for the Company is as follows:

	2005	2004	2003
Current service cost	\$ 15	\$ 20	\$ 19
Interest cost on accrued benefit obligation	19	17	15
Amortization of net actuarial loss (gain)	(5)	(8)	(10)
Curtailment gain	-	-	(45)
Benefit expense (income)	\$ 29	\$ 29	\$ (21)

Information about the Company's other benefit plans as at June 30, in aggregate, is as follows:

The accrued benefit obligation is as follows:

	2005	2004
Balance, beginning of year	\$ 300	\$ 254
Current service cost	15	20
Interest cost	19	17
Actuarial gains	17	9
Balance, end of year	351	300
Unamortized net actuarial gains	72	94
	\$ 423	\$ 394

FIB-PAK INDUSTRIES INC.

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Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

8. PENSION COSTS AND OBLIGATIONS (continued)

Plans assets

The future benefit obligation is currently not funded.

The date of the most recent actuarial valuations was June 30, 2004. The next valuation will be performed June 30, 2006. This unfunded defined benefit plan includes life insurance, health and dental benefits for eligible retired employees. The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2005	2004
Discount rate	5.75%	6.00%
Rate of compensation increase	3.25%	3.25%
Active employees entitled to post-retirement benefit	15	15

For measurement purposes, an 8% annual rate of increase in the per capital cost of covered health care benefits were assumed for the first ten years of service. The rate was assumed to decrease to 5% thereafter with an increase of these rates by 3% occurring at retirement. For dental benefit, a 3.5% annual rate of increase was assumed. An increase on decrease of 1% of this rate would have the following impact:

	Increase of 1%	Decrease of 1%
Impact on net benefit expense	\$ 9	\$ (7)
Impact on accrued obligation	\$ 70	\$ (54)

The employer contributions to the defined contribution pension plan were \$ 73, 2004, \$ 65 and 2003, \$ 62.

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

9. LONG-TERM DEBT

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	2005	2004
Bankers' acceptances, interest payable at the bankers' acceptance rate plus 1% plus margin dependent on the debt to EBITDA ratio; the principal was due on April 1, 2005, the bankers acceptances have terms from 30 to 180 days per the banking agreement	\$ -	\$1,250
Debentures due December 1, 2005, interest at 12.5% payable annually, a general security agreement has been provided as collateral	1,380	1,380
	1,380	2,630
Current portion	1,380	2,630
	\$ -	\$ -

Interest expense on the long-term debt was \$ 202 (2004 - \$ 233; 2003 - \$ 294).

10. SHARE CAPITAL

Authorized

Unlimited number of common shares,
voting, participating

	2005	2004
Issued		
10,000,000 common shares	\$470	\$470

There is no issuance or cancellation of common shares during fiscal 2005 and 2004.

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

11. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital items

	2005	2004	2003
Accounts receivable	\$ (295)	\$ 85	\$ (97)
Income taxes	353	(322)	556
Due to/from affiliated company	514	(203)	(98)

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Inventories	(168)	57	(443)
Prepaid expenses	1	12	10
Accounts payable and accrued liabilities	(407)	(190)	(410)
	\$ (2)	\$ (561)	\$ (482)

Interest and taxes

Interest paid	\$ 248	\$ 265	\$ 953
Income taxes paid (recovered)	(139)	320	--

12. RELATED PARTY BALANCES AND TRANSACTIONS

	2005	2004	2003
Flexia Corporation - a company with the same shareholders			
Purchases of materials	\$ 37	\$ 41	\$ 58
Sales of finished goods	2,047	3,547	3,191

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. The due from affiliated company is non-interest bearing, unsecured and due on demand.

13. DIRECTORS AND EMPLOYEES SHARE OPTION PLAN

Under the Company's share option plan, options were granted to designated directors and/or employees on or after June 30, 1999. Options provide the right to purchase common shares from the Company at a fixed price in the event of a change in control and are intended to maximize the Company's net worth. When employment has ceased, the vested options are purchased by the Company for cancellation. The price is determined by the Board of Directors and the maximum number of shares that may be issued upon the exercise of options granted under the plan cannot exceed 5% of the outstanding shares of the Company. The options granted under the plan shall vest as follows:

- a) 25% on the second anniversary of the grant date
- b) an additional 25% on each of the following anniversary date

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

13. DIRECTORS AND EMPLOYEES SHARE OPTION PLAN (continued)

As of June 30, 2005, there were 395,000 options outstanding with a total exercise price of \$ 32,800.

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No options were issued or exercised as of June 30, 2005, 2004 and 2003.

In August 2003, 25,000 options were forfeited.

The share option liability of \$ 32,800 (2004 - \$ 32,800; 2003 - \$ 34,050) was not included in accounts payable and accrued liabilities.

	2005		2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	395,000	\$ 0.08	420,000	\$ 0.08	380,000	\$ 0.07
Granted	-	-	-	-	40,000	0.14
Purchased for cancellation	-	-	(25,000)	0.05	-	-
Outstanding, end of year	395,000	\$ 0.08	395,000	\$ 0.08	420,000	\$ 0.08
Exercisable	385,000	\$ 0.08	336,250	\$ 0.07	256,250	\$ 0.07

The following table summarizes information about share options outstanding and exercisable as at June 30:

	2005		2004		2003	
Exercise Price	# of Options Outstanding	# of Options Exercisable	# of Options Outstanding	# of Options Exercisable	# of Options Outstanding	# of Options Exercisable
\$0.05	200,000	200,000	200,000	200,000	225,000	160,000
\$0.10	70,000	70,000	70,000	52,500	70,000	30,000
\$0.12	85,000	85,000	85,000	63,750	85,000	40,000
\$0.14	40,000	30,000	40,000	20,000	40,000	10,000
Total	395,000	385,000	395,000	336,250	420,000	250,000
Weighted average exercise price:	\$0.08	\$0.08	\$0.08	\$0.07	\$0.08	\$0.07

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For the years ended June 30, 2005, 2004 and 2003
(Amounts in thousands of dollars except per share amounts)

14. INCOME TAXES

The income tax expense (benefit reported differs from the amount computed by applying the Canadian Statutory Rate to earnings before income taxes).

	2005	2004	2003
Tax at the applicable tax rate 34% (34% in 2004 and 2003)	\$ 156	\$ (296)	\$ 38
Amortization of capital assets	96	128	149
Amortization of goodwill and deferred costs	2	14	47
Interest and penalties	0.5	-	-
Charitable donations	0.5	1	1
Non-deductible meals and entertainment expenses	2	2	2
Capital cost allowance	(48)	(52)	(61)
Financing fees deductible	(4)	(5)	(4)
Pension expense (income)	9	9	(7)
Write-off of goodwill	-	197	-
Capital assets adjustments	-	-	(4)
Income tax (benefit) expense	\$ 214	\$ (2)	\$ 161

Net future income tax liability (asset) is detailed as follows:

	2005	2004	2003
Building, machinery and equipment and Computer	\$ (36)	\$ 11	\$ 185
Post-retirement benefits	(140)	(130)	(121)
	\$ (176)	\$ (119)	\$ 64

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

15. FINANCIAL INSTRUMENTS

Credit risk

The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for potential credit losses. The Company minimizes its credit risk by concluding transactions with a large number of clients.

Fair value

The fair value of accounts receivable, the bank indebtedness, accounts payable and accrued liabilities and debentures is approximately equal

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to their carrying values due to their short-term maturity.

Currency risk

The Company realized approximately 39% of its sales in U.S. dollars in 2005 (2004 - 17%) and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk except to partially offset with purchases in U.S. dollars.

Interest rate risk

The Company is subject to interest rate risk due to changes to the prime rate since the majority of its borrowings bear variable interest rates or are short term.

16. EARNINGS (LOSS) PER SHARE

	2005	2004	2003
Net earnings (loss)	\$ 303	\$ (687)	\$ 56
Number of common shares outstanding	10,000	10,000	10,000
Basic earnings (loss) per share	\$ 0.03	\$ (0.068)	\$ 0.006

There were no dilutive instruments outstanding in fiscal 2005, 2004 and 2003.

FIB-PAK INDUSTRIES INC.

Notes to Financial Statements

For the years ended June 30, 2005, 2004 and 2003

(Amounts in thousands of dollars except per share amounts)

17. SEGMENT DISCLOSURES

The Company supplies industrial bags and fabrics to customers in North America. All products have to be considered part of one reportable segment as they are made from similar manufacturing processes and generally have similar economic characteristics.

All capital assets of the Company are located in Canada.

The following table presents revenues attributed to countries based on the location of customers:

	2005	2004	2003
Canada	\$ 8,786	\$ 10,458	\$ 7,039
United States	5,643	2,218	7,106
Total sales	\$ 14,429	\$ 12,676	\$ 14,145

18. SUBSEQUENT EVENT

Fib-Pak Industries Inc. was amalgamated with Flexia Corporation on

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October 4, 2005 and all of the shares of the amalgamated corporation were acquired by a new shareholder on October 5, 2005.

Schedule C

An unaudited interim balance sheet of Flexia as at September 30, 2005, unaudited interim statements of earnings, retained earnings and cash flows for Flexia for the three months ended September 30, 2005 and September 30, 2004.

(Please see attached)

FLEXIA CORPORATION

UNAUDITED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2005 and 2004

FLEXIA CORPORATION BALANCE SHEETS (In thousands of Canadian dollars)

	September 30, 2005	June 30, 2005
	\$	\$
	(unaudited)	(audited)
ASSETS		
Current assets		
Accounts receivables	12,421	13,040
Due from affiliated company	135	8
Income taxes receivable	963	
Inventories	12,697	17,377
Prepaid expenses	335	191
Future income taxes	126	
	26,677	30,616
Long-term receivable	1,610	1,517
Property, plant and equipment	17,722	18,291
Deferred pension expense	1,448	1,295
Future income taxes	447	
	47,904	51,719
LIABILITIES		
Current liabilities		
Bank indebtedness	3,083	1,687
Accounts payable and accrued liabilities	9,011	10,370
Income taxes payable		3,021
Current portion of long term debt	7,420	7,420

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	19,514	22,498
Future income taxes	3,070	2,461
Post retirement benefits obligation	1,500	1,458
Deferred gain	3,151	3,323
	27,235	29,740
SHAREHOLDERS' EQUITY		
Share capital	4,230	4,230
Retained earnings	16,439	17,749
	20,669	21,979
	47,904	51,719

See accompanying notes

FLEXIA CORPORATION
STATEMENTS OF EARNINGS
(In thousands of Canadian dollars)
(Unaudited)

	Three Months ended September 30,	
	2005 \$	2004 \$
Net sales	21,065	25,287
Cost of sales	20,338	22,530
Gross profit	727	2,757
Selling and administrative expenses	2,579	1,714
Amortization of patents and trademarks	---	21
Amortization of deferred costs	---	14
Amortization of deferred gain	(172)	---
Gain on sale of intangibles	(83)	---
Interest expense	287	632
	2,611	2,381
Earnings (loss) before income taxes	(1,884)	376
Income taxes (recovery)	(574)	143
Net earnings (loss)	(1,310)	233

See accompanying notes

FLEXIA CORPORATION
STATEMENTS OF RETAINED EARNINGS

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(In thousands of Canadian dollars)
(Unaudited)

	September 30,	
	2005	2004
	\$	\$
Retained earnings, beginning of period	17,749	6,620
Net earnings (loss)	(1,310)	233
Retained earnings, end of period	16,439	6,853

See accompanying notes

FLEXIA CORPORATION STATEMENTS OF CASH FLOWS (In thousands of Canadian dollars) (Unaudited)

	Three Months ended September 30,	
	2005	2004
	\$	\$
OPERATING ACTIVITIES		
Net earnings	(1,310)	233
Items not affecting cash		
Gain on sale of intangibles	(83)	
Amortization	421	658
Future income taxes	36	
Pension funding in excess of amounts expensed	(153)	(144)
Post retirement benefit expense	42	27
Cash flows from operations before changes in non-cash operating capital items	(1,047)	774
Changes in non cash operating working capital items	(315)	(4,981)
Cash flows from operating activities	(1,362)	(4,207)
INVESTING ACTIVITIES		
Long-term receivable	(10)	
Purchase of property, plant and equipment	(24)	(161)
Cash-flow from investing activities	(34)	(161)
FINANCING ACTIVITIES		
Increase in bank indebtedness	1,396	5,368
Repayment of long-term debt		(1,000)

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Cash flows from financing activities	1,396	4,368
Net change in cash and cash beginning and end of period	---	---

See accompanying notes

FLEXIA CORPORATION
NOTES TO FINANCIAL STATEMENTS
(In thousands of Canadian dollars, except as otherwise noted)
(Unaudited)

1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited interim financial statements, prepared in accordance with Canadian generally accepted accounting principles, contain all adjustments necessary to present fairly Flexia Corporation's (the "Company") financial position as at September 30, 2005 as well as its results of operations and its cash flows for the three months ended September 30, 2005 and 2004.

These unaudited interim financial statements and notes should be read in conjunction with the Company's audited annual financial statements.

These unaudited interim financial statements and notes follow the same accounting policies as the most recent audited annual financial statements.

2. INFORMATION INCLUDED IN THE INTERIM STATEMENTS OF EARNINGS

	Three months ended September 30, 2005	2004
	\$	\$
Amortization of property, plant and equipment	593	623
Board of directors' fees	22	24
Expenses of sale of Flexia to Intertape Polymer Group Inc. and other valuation adjustments	1,753	-

Included in the statement of earnings for the three months ended September 30, 2005 is \$1,253 of expense incurred in connection with the sale of the Company to Intertape Polymer Group Inc. in October 2005, \$22 of fees and expenses paid to the prior owners of Flexia in their capacity as directors of the Company, as well as a \$500 increase in inventory obsolescence for roof underlay products.

3. POST-RETIREMENT BENEFITS

	Three months ended September 30, 2005	2004
	\$	\$

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Net periodic benefit cost for defined benefit plans	154	133

4. SUBSEQUENT EVENTS

On October 4, 2005, the Company and its sister company (through common ownership) Fib-Pak Industries Inc. were amalgamated into Flexia Corporation Ltd. and, on October 5, 2005, Intertape Polymer Group Inc., through a wholly-owned subsidiary, acquired all of the outstanding stock of Flexia Corporation Ltd.

Schedule D

An unaudited interim balance sheet of Fib-Pak as at September 30, 2005, unaudited interim statements of income, retained earnings and cash flows for Fib-Pak for the three months ended September 30, 2005 and September 30, 2004.

(Please see attached)

FIB-PAK INDUSTRIES INC. UNAUDITED FINANCIAL STATEMENTS For the Three Months ended September 30, 2005 and 2004

FIB PAK INDUSTRIES INC. BALANCE SHEETS (In thousands of Canadian dollars)

	September 30, 2005	June 30, 2005
	\$ (unaudited)	\$ (audited)
ASSETS		
Current assets		
Accounts receivables	1,929	1,871
Income taxes receivable	6	
Due from affiliated company		7
Inventories	2,405	2,495
Prepaid expenses	35	2
	4,375	4,375
Property plant and equipment	1,305	1,360
Future income taxes	191	176
	5,871	5,911
LIABILITIES		
Current liabilities		
Bank indebtedness		69

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Bank loan	2,570	2,350
Accounts payable and accrued liabilities	1,058	1,094
Due to affiliated company	135	15
Income taxes payable		208
Current portion of long term debt	1,380	1,380
	5,143	5,116
Post retirement benefits obligation	433	423
	5,576	5,539
SHAREHOLDERS' EQUITY		
Share capital	470	470
Deficit	(175)	(98)
	295	372
	5,871	5,911

See accompanying notes

FIB PAK INDUSTRIES INC. STATEMENTS OF EARNINGS AND DEFICIT (In thousands of Canadian dollars) (Unaudited)

	Three Months ended September 30,	
	2005 \$ (unaudited)	2004 \$ (unaudited)
Sales	3,011	3,066
Cost of sales	2,593	2,795
Gross profit	418	271
Selling and administrative expenses	394	174
Amortization	--	2
Interest expense	78	80
	472	256
Earning (loss) before income taxes	(54)	15
Income taxes	23	5
Net earnings (loss)	(77)	10
Deficit, beginning of the period	(98)	(401)
Deficit, end of the period	(175)	(391)

See accompanying notes

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FIB PAK INDUSTRIES INC.
STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars)
(Unaudited)

	Three Months ended September 30,	
	2005 \$	2004 \$
OPERATING ACTIVITIES		
Net earnings (loss)	(77)	10
Items not affecting cash		
Amortization	70	77
Future income taxes	(15)	
Post retirement benefit expense	10	7
Cash flows from operations before changes in non-cash operating working capital items	(12)	94
Changes in non cash operating working capital items	(124)	462
Cash flows from operating activities	(136)	556
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and cash flows from investing activities	(15)	(22)
FINANCING ACTIVITIES		
Increase in bank indebtedness and bank loan and cash flows from financing activities	151	(534)
Net change in cash and cash beginning and end of period	--	--

See accompanying notes

FIB-PAK INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
(In thousands of Canadian dollars, except as otherwise noted)
(Unaudited)

1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited interim financial statements, prepared in accordance with Canadian generally accepted accounting principles, contain all adjustments necessary to present fairly Fib-Pak Industries Inc.'s (the "Company") financial position as at September 30, 2005 as well as its results of operation and its cash flows for the three months ended September 30, 2005 and 2004.

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These unaudited interim financial statements and notes should be read in conjunction with the Company's audited annual financial statements.

These unaudited interim financial statements and notes follow the same accounting policies as the most recent audited annual financial statements.

2. INFORMATION INCLUDED IN THE INTERIM STATEMENT OF EARNINGS

	Three months ended September 30,	
	2005	2004
Amortization of property, plant and equipment	\$ 70	\$ 75
Board of directors' fees	3	3
Expenses of sale of Flexia to Intertape Polymer Group Inc.	154	-

Included in the statement of earnings for the three months ended September 30, 2005 is \$154 of expense incurred in connection with the sale of the Company to Intertape Polymer Group Inc. in October 2005 and \$3 of fees and expenses paid to the prior owners of Fib-Pak in their capacity as directors of the Company.

3. POST-RETIREMENT BENEFITS

	Three months ended September 30,	
	2005	2004
Net periodic benefit cost for defined benefit plans	\$ 9	\$ 7

4. SUBSEQUENT EVENTS

On October 4, 2005, the Company and its sister company (through common ownership) Flexia Corporation were amalgamated into Flexia Corporation Ltd., and on October 5, 2005, Intertape Polymer Group Inc., through a wholly-owned subsidiary, acquired all of the outstanding stock of Flexia Corporation Ltd.

Schedule E:

An unaudited pro forma consolidated balance sheet of the Company as at September 30, 2005, unaudited pro forma consolidated statement of earnings of the Company for its financial year ended December 31, 2004 and for the nine months ended September 30, 2005, notes to the pro forma consolidated financial statements of the Company and a compilation report dated December 19, 2005 accompanying the unaudited pro forma consolidated financial statements of the Company.

(Please see attached)

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Intertape Polymer Group Inc.
Pro Forma Consolidated Financial Statements
As at September 30, 2005 and for the nine months then
ended and for the year ended December 31, 2004

(Unaudited - See Compilation Report)

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Consolidated Pro Forma Financial Statements	
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COMPILATION REPORT ON PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

To the Directors of
Intertape Polymer Group Inc.

We have read the accompanying unaudited pro forma consolidated balance sheet of Intertape Polymer Group Inc. ("IPG") as at September 30, 2005 and the unaudited pro forma consolidated statements of earnings for the nine months then ended and for the year ended December 31, 2004, and have performed the following procedures:

1. Compared the figures in the columns captioned "IPG" to the corresponding figures in the unaudited financial statements of IPG as at and for the nine months ended September 30, 2005, and the corresponding figures in the audited financial statements for the year ended December 31, 2004 and found them to be in agreement.
2. Compared the figures in the columns captioned "Flexia" to the corresponding figures in the unaudited balance sheet of Flexia Corporation as at September 30, 2005, and found them to be in agreement.
3. Compared the figures in the columns captioned "Fib-Pak" to the corresponding figures in the unaudited balance sheet of Fib-Pak Industries Inc. as at September 30, 2005, and found them to be in agreement.
4. Reperformed the calculations of the columns captioned "Flexia" and "Fib-Pak" in the unaudited pro forma consolidated statements of earnings for the nine months ended September 30, 2005 and for the twelve months ended December 31, 2004. These columns were constructed, as described in Notes 2 and 3, by adding and subtracting relevant periods. We found the columns to be arithmetically correct.
5. Made enquiries of certain officials of the IPG who have responsibility for financial and accounting matters about:
 - (a) the basis for determination of the pro forma adjustments; and
 - (b) whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with the applicable requirements of the applicable securities

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regulatory authorities in Canada.

6. The officials:
 - (a) described to us the basis for determination of the pro forma adjustments; and
 - (b) stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the applicable requirements of applicable securities regulatory authorities in Canada.
7. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
8. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "IPG", "Flexia" and "Fib-Pak" as at September 30,

2005 and for the nine months then ended, and for the year ended December 31, 2004, and found the amounts in the column captioned "Pro forma consolidated" to be arithmetically correct.

A pro forma financial statement is based on management's assumptions and adjustments, which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

/s/ Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montreal, Canada
December 19, 2005

Intertape Polymer Group Inc. 4
Pro Forma Consolidated Balance Sheet
As at September 30, 2005
(In thousands of U.S. dollars, except as otherwise noted)
(Unaudited - See Compilation Report)

	IPG	Flexia	Fib-Pak	Total	Pro forma adjustments	Note 4
	\$	\$	\$	\$	\$	
ASSETS						

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Current assets						
Cash	48,759			48,759	(28,368)	(b)
Accounts receivable	122,217	10,594	1,645	134,456		
Due from affiliated company		115		115	(115)	(a)
Other receivables	10,008	821	5	10,834		
Inventories	92,297	10,829	2,052	105,178		
Parts and supplies	14,271			14,271		
Prepaid expenses	5,444	286	30	5,760		
Future income taxes	1,509	107		1,616	(107)	(b)
	<u>294,505</u>	<u>22,752</u>	<u>3,732</u>	<u>320,989</u>	<u>(28,590)</u>	
Long-term receivable		1,373		1,373	(1,373)	(b)
Property, plant and equipment	345,417	15,115	1,113	361,645	1,169	(b)
Other assets	18,815			18,815		
Pension plan prepaid benefit		1,235		1,235	(1,235)	(b)
Future income taxes	35,323	381	163	35,867	(381)	(b)
Goodwill	181,117			181,117	3,555	(b)
	<u>875,177</u>	<u>40,856</u>	<u>5,008</u>	<u>921,041</u>	<u>(26,855)</u>	
LIABILITIES						
Current liabilities						
Bank indebtedness	28,529	2,629	2,194	33,352	(4,823)	(a)
Accounts payable and accrued liabilities	89,340	7,679	901	97,920	(264)	(a)
					4,450	(b)
Due to affiliated company			115	115	(115)	(a)
Current portion of long-term debt	2,781	6,328	1,177	10,286	(7,505)	(a)
	<u>120,650</u>	<u>16,636</u>	<u>4,387</u>	<u>141,673</u>	<u>(8,257)</u>	
Long-term debt	328,898			328,898		
Deferred gain		2,687		2,687	(2,687)	(b)
Pension liability					1,390	(b)
Post retirement benefit		1,279	369	1,648	386	(b)
Future income taxes		2,618		2,618	(1,761)	(b)
Other liabilities		435		435	1,962	(b)
	<u>449,983</u>	<u>23,220</u>	<u>4,756</u>	<u>477,959</u>	<u>(8,967)</u>	
SHAREHOLDERS' EQUITY						
Capital stock	288,930	3,608	401	292,939	(4,009)	(b)
Contributed surplus	5,749			5,749		
Retained earnings	97,657	14,028	(149)	111,536	(13,879)	(b)
Accumulated currency translation adjustments	32,858			32,858		
	<u>425,194</u>	<u>17,636</u>	<u>252</u>	<u>443,082</u>	<u>(17,888)</u>	
	<u>875,177</u>	<u>40,856</u>	<u>5,008</u>	<u>921,041</u>	<u>(26,855)</u>	

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

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Pro Forma Consolidated Statement of Earnings
 Nine months ended September 30, 2005
 (In thousands of U.S. dollars, except as otherwise noted)
 (Unaudited - See Compilation Report)

	IPG \$	Flexia \$	Fib-Pak \$	Total \$	Pro forma adjustments \$	Note 5
Sales	579,156	59,151	8,588	646,895		
Cost of sales	458,918	54,834	7,530	521,282	(637) (70) (92)	(c) (d) (e)
Gross profit	120,238	4,317	1,058	125,613	799	
Selling, general and administrative expenses	76,154	3,613	664	80,431	(638)	(b)
Research and development	3,468			3,468		
Financial expenses	17,144	882	189	18,215	(1,089) 1,140	(a) (f)
Manufacturing facility closure and industrial accident costs	2,191			2,191		
	98,957	4,495	853	104,305	(587)	
Earnings before income taxes	21,281	(178)	205	21,308	1,386	
Income taxes	3,217	(176)	104	3,145	487	(g)
Net earnings	18,064	(2)	101	18,163	899	
Earnings (loss) per share						
Basic	0.44					
Diluted	0.44					
Weighted average number of shares outstanding						
Basic	41,219,329					
Diluted	41,362,491					

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

Intertape Polymer Group Inc.
 Pro Forma Consolidated Statement of Earnings
 Year ended December 31, 2004
 (In thousands of U.S. dollars, except as otherwise noted)

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(Unaudited - See Compilation Report)

	IPG \$	Flexia \$	Fib-Pak \$	Total \$	Pro forma adjustments \$	Note 5
Sales	692,449	82,484	10,702	785,635		
Cost of sales	549,252	72,796	9,582	631,630	(867)	(c)
					(87)	(d)
					(115)	(e)
Gross profit	143,197	9,688	1,120	154,005	1,069	
Selling, general and administrative expenses	95,272	5,918	636	101,826	(800)	(b)
Research and development	4,233			4,233		
Impairment of goodwill			444	444		
Gain on sale of intangibles		(9,132)		(9,132)		
Financial expenses	24,253	1,987	260	26,500	(1,847)	(a)
					1,521	(f)
Refinancing expense	30,444			30,444		
Manufacturing facility closure costs	7,386			7,386		
	161,588	(1,227)	1,340	161,701	(1,126)	
Earnings before income taxes	(18,391)	10,915	(220)	(7,696)	2,195	
Income taxes	(29,749)	2,514	(31)	(27,266)	778	(g)
Net earnings	11,358	8,401	(189)	19,570	1,417	
Earnings (loss) per share						
Basic	0.28					
Diluted	0.27					
Weighted average number of shares outstanding						
Basic	41,186,143					
Diluted	41,445,864					

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

INTERTAPE POLYMER GROUP INC.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2005 and the year ended December 31, 2004

(In thousands of U.S. dollars, except as otherwise noted)

(Unaudited - See Compilation Report)

1. DESCRIPTION OF TRANSACTIONS

On October 4, 2005, Flexia Corporation ("Flexia") and Fib-Pak Industries Inc. ("Fib-Pak") amalgamated to form Flexia Corporation Limited ("Flexia Co.") and create a new limited partnership, Flexia L.P. ("Flexia LP"). Nine units were

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issued upon formation of Flexia LP. Flexia Co. transferred all of its assets to Flexia LP, except for the land, building and equipment located at the Cap-de-la-Madeleine, Quebec facility and assumed the liabilities related to the assets transferred in exchange for 170,000 units of Flexia LP.

Effective October 4, 2005, Intertape Polymer Inc. ("IPI"), a wholly owned subsidiary of Intertape Polymer Group Inc. ("IPG") made cash advances to Flexia Co. in order for it to repay its bank indebtedness and long-term debt and the related accrued interest.

On October 5, 2005, IPI acquired all of the outstanding share capital of Flexia Co. and subsequently converted the advances into share capital.

Effective November 26, 2005, Flexia Co. was liquidated into IPI.

2. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated balance sheet as at September 30, 2005 and the unaudited pro forma consolidated statements of earnings for the nine months ended September 30, 2005 and for the year ended December 31, 2004 have been prepared by management of IPG. The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are those disclosed in the annual report of IPG and in the audited annual financial statements of Flexia and Fib-Pak, and are in accordance with Canadian generally accepted accounting principles.

The accompanying unaudited pro forma consolidated financial statements should be read in conjunction with the annual report of IPG and the audited annual financial statements of Flexia and Fib-Pak, and the notes thereto.

The unaudited pro forma consolidated balance sheet of IPG as at September 30, 2005 has been prepared with the information derived from the unaudited consolidated balance sheet of IPG and the unaudited balance sheets of Flexia and Fib-Pak as at September 30, 2005 and the adjustments and assumptions outlined below.

The unaudited pro forma consolidated statement of earnings of IPG for the nine months ended September 30, 2005 has been prepared with the information derived from the unaudited consolidated statement of earnings of IPG for the nine months ended September 30, 2005 and the unaudited statements of earnings of Flexia and Fib-Pak for the nine months ended September 30, 2005, constructed by adding the respective unaudited statements of earnings for the three months

INTERTAPE POLYMER GROUP INC.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2005 and the year ended December 31, 2004

(In thousands of U.S. dollars, except as otherwise noted)

(Unaudited - See Compilation Report)

ended September 30, 2005 and the unaudited statements of earnings for the six months ended June 30, 2005 as disclosed in Note 3, and the adjustments and assumptions outlined below.

The unaudited pro forma consolidated statement of earnings of IPG for the year ended December 31, 2004 has been prepared with the information derived from the audited consolidated statement of earnings of IPG for the year ended December 31, 2004 and the unaudited statements of earnings of Flexia and Fib-Pak for the twelve months ended December 31, 2004, constructed by

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adding the respective audited statements of earnings for the year ended June 30, 2005 with the unaudited statements of earnings for the six months ended June 30, 2004 and subtracting the unaudited statements of earnings for the six months ended June 30, 2005 as disclosed in Note 3, and the adjustments and assumptions outlined below.

The transactions described in Note 1 are reflected in the unaudited pro forma consolidated balance sheet as if they had occurred on September 30, 2005 and in the unaudited pro forma consolidated statements of earnings for the nine months ended September 30, 2005 and for the year ended December 31, 2004 as if they had occurred on January 1, 2004.

The acquisition of Flexia and Fib-Pak was accounted for using the purchase method of accounting, under which the purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the date of the acquisition.

The underlying assumptions for the pro forma adjustments provide a reasonable basis for presenting the significant financial effects directly attributable to the transactions described in Note 1. These pro forma adjustments are tentative and are based on available financial information and certain estimates and assumptions. The actual financial effects of the transactions to the consolidated financial statements of IPG will depend on a number of factors. Therefore, the actual effects of the transactions will differ from those reflected in the pro forma adjustments. Management believes that such assumptions provide a reasonable basis for presenting all of the significant effects of the transactions contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma consolidated financial statements. In addition, in preparing the unaudited pro forma consolidated financial statements, no adjustments have been made to reflect the additional costs, savings or synergies that could result from combining IPG, Flexia and Fib-Pak.

The unaudited pro forma consolidated financial statements are not intended to reflect the results of operations which would have actually resulted had the acquisition of Flexia and Fib-Pak and other pro forma transactions and adjustments been effected on the dates indicated. Furthermore, the unaudited pro forma consolidated statements of earnings are not necessarily indicative of the results of operations that may be obtained by the IPG in the future.

The historical financial statements of Flexia and Fib-Pak have been prepared and presented in Canadian dollars. For the purpose of the preparation of these unaudited pro forma consolidated financial statements, the historical consolidated financial statements of Flexia and Fib-Pak have been translated into U.S. dollars using the exchange rates for the periods, as follows:

INTERTAPE POLYMER GROUP INC.
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
Nine months ended September 30, 2005 and the year ended December 31, 2004
(In thousands of U.S. dollars, except as otherwise noted)
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	Nine months	
As at	ended	Year ended
September	September 30,	December
30, 2005	2005	31, 2004

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Average rate.....	-	0.8164	0.7682
End of period rate.....	0.8528	-	-

3. COMPUTATION OF THE UNAUDITED STATEMENTS OF EARNINGS OF FLEXIA AND FIB PAK

Flexia

The unaudited statement of earnings of Flexia for the nine months ended September 30, 2005 was constructed by adding the unaudited statement of earnings for the three months ended September 30, 2005 and the unaudited statement of earnings for the six months ended June 30, 2005:

Flexia	Three months ended September 30, 2005	Six months ended June 30, 2005	Nine months ended September 30, 2005
	\$	\$	\$
Sales	17,197	41,954	59,151
Cost of sales	16,604	38,230	54,834
Gross profit	593	3,724	4,317
Selling, general and administrative expenses	1,897	1,716	3,613
Financial expenses	235	647	882
	2,132	2,363	4,495
Earnings (loss) before income taxes	(1,539)	1,361	(178)
Income taxes (recovery)	(470)	294	(176)
Net earnings (loss)	(1,069)	1,067	(2)

The unaudited statement of earnings of Flexia for the twelve months ended December 31, 2004, was constructed by adding the audited statement of earnings for the year ended June 30, 2005 and the unaudited statement of earnings for the six months ended June 30, 2004 and subtracting the unaudited statement of earnings for the six months ended June 30, 2005:

INTERTAPE POLYMER GROUP INC.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2005 and the year ended December 31, 2004

(In thousands of U.S. dollars, except as otherwise noted)

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Flexia	Year ended June 30, 2005	Six months ended June 30, 2004	Six months ended June 30, 2005	Twelve months ended December 31, 2004
	\$	\$	\$	\$

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Sales	81,740	40,222	(39,478)	82,484
Cost of sales	73,556	35,215	(35,945)	72,796
Gross profit	8,184	5,007	(3,503)	9,688
Selling, general and administrative expenses	4,803	2,730	(1,615)	5,918
Gain on sale of intangibles	(9,132)	--	--	(9,131)
Financial expenses	1,605	991	(609)	1,987
	(2,724)	3,721	(2,224)	(1,227)
Earnings before income taxes	10,908	1,286	(1,279)	10,915
Income taxes	2,357	434	(277)	2,514
Net earning	8,551	852	(1,002)	8,401

Fib-Pak

The unaudited statement of earnings of Fib-Pak for the nine months ended September 30, 2005 was constructed by adding the unaudited statement of earnings for the three months ended September 30, 2005 and the unaudited statement of earnings for the six months ended June 30, 2005:

Fib-Pak	Three months ended September 30, 2005	Six months ended June 30, 2005	Nine months ended September 30, 2005
	\$	\$	\$
Sales	2,458	6,130	8,588
Cost of sales	2,116	5,414	7,530
Gross profit	342	716	1,058
Selling, general and administrative expenses	320	344	664
Financial expenses	65	124	189
	385	468	853
Earnings (loss) before income taxes	(43)	248	205
Income taxes	19	85	104
Net earnings (loss)	(62)	163	101

The unaudited statement of earnings of Fib-Pak for the twelve months ended December 31, 2004, was constructed by adding the audited statement of earnings for the year ended June 30, 2005

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NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2005 and the year ended December 31, 2004

(In thousands of U.S. dollars, except as otherwise noted)

(Unaudited - See Compilation Report)

and the unaudited statement of earnings for the six months ended June 30, 2004 and subtracting the unaudited statement of earnings for the six months ended June 30, 2005:

Fib-Pak	Year ended June 30, 2005	Six months ended June 30, 2004	Six months ended June 30, 2005	Twelve months ended December 31, 2004
	\$	\$	\$	
Sales	11,085	5,386	(5,769)	10,702
Cost of sales	9,868	4,793	(5,079)	9,582
Gross profit	1,217	593	(690)	1,120
Selling, general and administrative expenses	618	356	(338)	636
Impairment of goodwill	--	444	--	444
Financial expenses	245	132	(117)	260
	863	932	(445)	1,340
Earnings (loss) before income taxes	354	(349)	(235)	(220)
Income taxes (recovery)	121	(72)	(80)	(31)
Net earnings (loss)	233	(267)	(155)	(189)

4. PRO FORMA CONSOLIDATED BALANCE SHEET OF IPG

The unaudited pro forma consolidated balance sheet of IPG as at September 30, 2005 is based on the unaudited balance sheet of IPG as at September 30, 2005 and has been prepared as if the acquisition of Flexia and Fib-Pak had occurred on September 30, 2005 and gives effect to the following adjustments:

- Effective October 4, 2005, IPI made cash advances amounting to \$12,592 to Flexia Co. in order for it to repay its bank indebtedness and long-term debt and the related accrued interest. The unaudited pro forma consolidated balance sheet reflects the repayment of bank indebtedness of \$4,823, the repayment of long-term debt of \$7,505 and of the related accrued interest of \$264 included with accounts payable and accrued liabilities.
- On October 5, 2005, IPI acquired all of the outstanding share capital of Flexia Co. for a cash consideration of \$28,368.

The acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price is summarized as follows:

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INTERTAPE POLYMER GROUP INC.
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
Nine months ended September 30, 2005 and the year ended December 31, 2004
(In thousands of U.S. dollars, except as otherwise noted)
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	\$
Assets acquired and liabilities assumed:	
Net working capital	13,496
Property, plant and equipment	17,397
Future income tax assets	163
Goodwill	3,555
Pension and post retirement liability	(3,424)
Future income taxes liabilities	(857)
Other liabilities	(1,962)
	28,368
Consideration:	
Cash	28,368

The actual calculation and allocation of the purchase price is to be based on the fair values of the assets acquired and liabilities assumed at the effective date of the acquisition and other information at that date to support the allocation of the purchase price. Accordingly, the actual amounts allocated for each of the assets and liabilities will vary from the pro forma amounts and the variations may be material.

5. PRO FORMA CONSOLIDATED STATEMENTS OF EARNINGS OF IPG

The unaudited pro forma consolidated statements of earnings of IPG for the nine months ended September 30, 2005 and the year ended December 31, 2004 assume that the acquisition of Flexia and Fib-Pak had occurred on January 1, 2004 and give effect to the following adjustments:

- (a) As a result of the repayment of bank indebtedness and long-term debt described in Note 4(a), the unaudited pro forma consolidated statements of earnings reflect a decrease in interest expense of \$1,089 for the nine months ended September 30, 2005 and of \$1,847 for the year ended December 31, 2004.
- (b) Reduction of salaries and wages amounting to \$638 for the nine months ended September 30, 2005 and \$800 for the year ended December 31, 2004 relating to the elimination of certain management and staffing positions at Flexia that have occurred.
- (c) Decrease in the amortization expense of \$637 for the nine months ended September 30, 2005 and of \$867 for the year ended December 31, 2004 to

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reflect the adjustment to fair value of the property, plant and equipment.

INTERTAPE POLYMER GROUP INC.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2005 and the year ended December 31, 2004

(In thousands of U.S. dollars, except as otherwise noted)

(Unaudited - See Compilation Report)

- (d) Reduction of the pension expense of \$70 for the nine months ended September 30, 2005 and of \$87 for the year ended December 31, 2004, to reflect the recording of the post retirement benefit obligations at fair value.
- (e) Reduction in rental expense of \$92 for the nine months ended September 30, 2005 and of \$115 for the year ended December 31, 2004 relating to the termination of a lease regarding the rental of warehouse space which has taken place.
- (f) Increase in interest expense due to bank indebtedness assumed for the purpose of financing the acquisition amounting to \$1,140 for the nine months ended September 30, 2005 and \$1,521 for the year ended December 31, 2004.
- (g) Tax effects of the above adjustments at the estimated effective income tax rate of IPG.