INTERTAPE POLYMER GROUP INC
Form 6-K
March 10, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

# FORM 6-K

**Report of Foreign Private Issuer**

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

**the Securities Exchange Act of 1934**

**For the month of March, 2016**

**Commission File Number 1-10928**

**INTERTAPE POLYMER GROUP INC.**

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

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

Form 20-F x Form 40-F ¨

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

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

SIGNATURES

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

INTERTAPE POLYMER GROUP INC.

Date: March 10, 2016

By: /s/ Jeffrey Crystal
Jeffrey Crystal, Chief Financial Officer

**Intertape Polymer Group Inc.**

**Consolidated Financial Statements**

**December 31, 2015, 2014 and 2013**


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**Management s Responsibility for Financial Statements**

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

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

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

The Audit Committee, all of whose members are independent directors, is involved in the review of the consolidated financial statements and other financial information.

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

The Company s external independent registered public accounting firm, Raymond Chabot Grant Thornton LLP, was appointed by the Shareholders at the Annual Meeting of Shareholders on June 4, 2015, to conduct the integrated audit of the Company s consolidated financial statements, and the Company s internal control over financial reporting. Its reports indicating the scope of its audits and its opinions on the consolidated financial statements and the Company s internal control over financial reporting follow.

**/s/ Gregory A.C. Yull**

Gregory A.C. Yull

President and Chief Executive Officer

**/s/ Jeffrey Crystal**

Jeffrey Crystal

Chief Financial Officer

Sarasota, Florida and Montreal, Quebec

March 9, 2016

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**Management s Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company s financial reporting as well as the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards ( IFRS ).

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

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

Management conducted an assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2015 based on the criteria established in *2013 Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management has concluded that the Company s internal control over financial reporting was effective as of December 31, 2015 based on those criteria.

The Company s internal control over financial reporting as of December 31, 2015 has been audited by Raymond Chabot Grant Thornton LLP, the Company s external independent registered public accounting firm, as stated in their report which follows.

**/s/ Gregory A.C. Yull**

Gregory A.C. Yull

President and Chief Executive Officer

**/s/ Jeffrey Crystal**

Jeffrey Crystal

Chief Financial Officer

Sarasota, Florida and Montreal, Quebec

March 9, 2016

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**Independent Auditor s Report of**

**Registered Public Accounting Firm**

To the Shareholders of

Intertape Polymer Group Inc.

***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Intertape Polymer Group Inc. which comprise the consolidated balance sheets as at December 31, 2015 and 2014 and the consolidated statements of earnings, comprehensive income, changes in shareholders equity and cash flows for each of the years in the three-year period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

***Management s Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor s Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Intertape Polymer Group Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

***Other Matter***

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Intertape Polymer Group Inc. s internal control over financial reporting as at December 31, 2015, based on the criteria established in *2013 Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2016, expressed an unqualified opinion on Intertape Polymer Group Inc. s internal control over financial reporting.

Montreal, Canada

March 9, 2016

[1] CPA auditor, CA, public accountancy permit No. A120795

**Independent Auditor s Report of**

**Registered Public Accounting Firm on**

**Internal Control over Financial Reporting**

To the Shareholders of

Intertape Polymer Group Inc.

We have audited Intertape Polymer Group Inc. s internal control over financial reporting as at December 31, 2015, based on criteria established in *2013 Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

***Management s Responsibility***

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

***Auditor s Responsibility***

Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

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

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

***Definition of internal control over financial reporting***

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

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***Inherent limitations***

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

***Opinion***

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2015 based on criteria established in 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Intertape Polymer Group Inc. as at December 31, 2015 and 2014 and for each of the years in the three-year period ended December 31, 2015 and our report dated March 9, 2016 expressed an unqualified opinion thereon.

Montreal, Canada

March 9, 2016

[1] CPA auditor, CA, public accountancy permit No. A120795

**Intertape Polymer Group Inc.**

**Consolidated Earnings**

Years ended December 31, 2015, 2014 and 2013

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| | **$** | $ | $ |
| Revenue | **781,907** | 812,732 | 781,500 |
| Cost of sales | **613,895** | 649,099 | 623,006 |
| Gross profit | **168,012** | 163,633 | 158,494 |
| Selling, general and administrative expenses | **84,072** | 85,955 | 82,682 |
| Research expenses | **9,459** | 7,873 | 6,900 |
| | **93,531** | 93,828 | 89,582 |
| Operating profit before manufacturing facility closures, restructuring and other related charges | **74,481** | 69,805 | 68,912 |
| Manufacturing facility closures, restructuring and other related charges (Note 4) | **3,666** | 4,927 | 30,706 |
| Operating profit | **70,815** | 64,878 | 38,206 |
| Finance costs (Note 3) | | | |
| Interest | **3,553** | 4,631 | 5,707 |
| Other (income) expense, net | **(393)** | 1,528 | 946 |
| | **3,160** | 6,159 | 6,653 |
| Earnings before income tax expense (benefit) | **67,655** | 58,719 | 31,553 |
| Income tax expense (benefit) (Note 5) | | | |
| Current | **8,185** | 3,665 | 3,622 |
| Deferred | **2,798** | 19,238 | (39,426) |
| | **10,983** | 22,903 | (35,804) |
| Net earnings | **56,672** | 35,816 | 67,357 |
| Earnings per share (Note 6) | | | |
| Basic | **0.95** | 0.59 | 1.12 |
| Diluted | **0.93** | 0.58 | 1.09 |

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

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**Intertape Polymer Group Inc.**

**Consolidated Comprehensive Income**

Years ended December 31, 2015, 2014 and 2013

(In thousands of US dollars)

| | **2015** **$** | 2014 $ | 2013 $ |
|---|---|---|---|
| Net earnings | **56,672** | 35,816 | 67,357 |
| Other comprehensive income (loss) | | | |
| Change in fair value of interest rate swap agreement designated as a cash flow hedge (net of deferred income tax benefit of $166 in 2015, and nil in 2014 and 2013) (Note 21) | **(272)** | | |
| Change in cumulative translation adjustments | **(12,294)** | (7,343) | (3,978) |
| Items that will be reclassified subsequently to net earnings | **(12,566)** | (7,343) | (3,978) |
| Remeasurement of defined benefit liability (net of income tax (expense) benefit of ($964), $3,183 in 2014 and ($6,160) in 2013) (Note 17) | **1,586** | (5,023) | 11,501 |
| Deferred tax benefit due to the recognition of US deferred tax assets (Note 5) | | | 4,671 |
| Items that will not be reclassified subsequently to net earnings | **1,586** | (5,023) | 16,172 |
| Other comprehensive income (loss) | **(10,980)** | (12,366) | 12,194 |
| Comprehensive income for the period | **45,692** | 23,450 | 79,551 |

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

**Intertape Polymer Group Inc.**

**Consolidated Changes in Shareholders Equity**

Year ended December 31, 2013

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

| | Capital stock | | | Accumulated other comprehensive loss | | |
|---|---|---|---|---|---|---|
| | Number | Amount | Contributed surplus | Cumulative translation adjustment account | Deficit | Total shareholders equity |
| | | $ | $ | $ | $ | $ |
| Balance as of December 31, 2012 | 59,625,039 | 351,702 | 16,386 | 3,208 | (217,462) | 153,834 |
| Transactions with owners | | | | | | |
| Exercise of stock options (Note 15) | 1,151,610 | 3,760 | | | | 3,760 |
| Excess tax benefit on exercised stock options (Note 5) | | 2,030 | | | | 2,030 |
| Excess tax benefit on outstanding stock options (Note 5) | | | 4,675 | | | 4,675 |
| Stock-based compensation expense (Note 15) | | | 1,145 | | | 1,145 |
| Stock-based compensation expense credited to capital on options exercised (Note 15) | | 1,709 | (1,709) | | | |
| Dividends on common shares (Note 15) | | | | | (14,567) | (14,567) |
| | 1,151,610 | 7,499 | 4,111 | | (14,567) | (2,957) |
| Net earnings | | | | | 67,357 | 67,357 |
| Other comprehensive income | | | | | | |
| Remeasurement of defined benefit liability (net of income tax expense of $6,160) (Note 17) | | | | | 11,501 | 11,501 |
| Deferred tax benefit due to the recognition of US deferred tax assets (Note 5) | | | | | 4,671 | 4,671 |
| Changes to cumulative translation adjustments | | | | (3,978) | | (3,978) |
| | | | | (3,978) | 16,172 | 12,194 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Comprehensive income for the period | | | | (3,978) | 83,529 | 79,551 |
| Balance as of December 31, 2013 | 60,776,649 | 359,201 | 20,497 | (770) | (148,500) | 230,428 |

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

**Intertape Polymer Group Inc.**

**Consolidated Changes in Shareholders Equity**

Year ended December 31, 2014

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

| | Capital stock | | | Accumulated other comprehensive loss | | |
|---|---|---|---|---|---|---|
| | Number | Amount<br>$ | Contributed surplus<br>$ | Cumulative translation adjustment account<br>$ | Deficit<br>$ | Total shareholders equity<br>$ |
| Balance as of December 31, 2013 | 60,776,649 | 359,201 | 20,497 | (770) | (148,500) | 230,428 |
| Transactions with owners | | | | | | |
| Exercise of stock options (Note 15) | 256,677 | 843 | | | | 843 |
| Excess tax benefit on exercised stock options (Note 5) | | 732 | (732) | | | |
| Excess tax benefit on outstanding stock awards (Note 5) | | | 2,535 | | | 2,535 |
| Stock-based compensation expense (Note 15) | | | 2,482 | | | 2,482 |
| Stock-based compensation expense credited to capital on options exercised (Note 15) | | 289 | (289) | | | |
| Repurchases of common stock (Note 15) | (597,500) | (3,225) | | | (4,597) | (7,822) |
| Dividends on common shares (Note 15) | | | | | (24,416) | (24,416) |
| | (340,823) | (1,361) | 3,996 | | (29,013) | (26,378) |
| Net earnings | | | | | 35,816 | 35,816 |
| Other comprehensive loss | | | | | | |
| Remeasurement of defined benefit liability (net of income tax benefit of $3,183) (Note 17) | | | | | (5,023) | (5,023) |
| Changes to cumulative translation adjustments | | | | (7,343) | | (7,343) |
| | | | | (7,343) | (5,023) | (12,366) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Comprehensive income for the period | | | | (7,343) | 30,793 | 23,450 |
| Balance as of December 31, 2014 | 60,435,826 | 357,840 | 24,493 | (8,113) | (146,720) | 227,500 |

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

**Intertape Polymer Group Inc.**

**Consolidated Changes in Shareholders Equity**

Year ended December 31, 2015

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

| | Capital stock | | | Accumulated other comprehensive loss | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number | Amount $ | Contributed surplus $ | Cumulative translation adjustment account $ | Reserve for cash flow hedge $ | Total $ | Deficit $ | Total shareholders equity $ |
| Balance as of December 31, 2014 | 60,435,826 | 357,840 | 24,493 | (8,113) | | (8,113) | (146,720) | 227,500 |
| Transactions with owners | | | | | | | | |
| Exercise of stock options (Note 15) | 712,500 | 1,559 | | | | | | 1,559 |
| Excess tax benefit on exercised stock options (Note 5) | | 2,088 | (2,088) | | | | | |
| Excess tax benefit on outstanding stock awards (Note 5) | | | (1,502) | | | | | (1,502) |
| Stock-based compensation expense (Note 15) | | | 3,359 | | | | | 3,359 |
| Stock-based compensation expense credited to capital on options exercised (Note 15) | | 746 | (746) | | | | | |
| Deferred Share Units ( DSUs ) settlement, net of required minimum tax withholding (Note 15) | 6,397 | 65 | (218) | | | | | (153) |
| Repurchases of common shares (Note 15) | (2,487,188) | (14,973) | | | | | (15,011) | (29,984) |
| Dividends on common shares (Note 15) | | | | | | | (29,743) | (29,743) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | (1,768,291) | (10,515) | (1,195) | | | | (44,754) | (56,464) |
| Net earnings | | | | | | | 56,672 | 56,672 |
| Other comprehensive loss | | | | | | | | |
| Change in fair value of interest rate swap agreement designated as a cash flow hedge (net of deferred income tax benefit of $166) (Note 21) | | | | | (272) | (272) | | (272) |
| Remeasurement of defined benefit liability (net of income tax expense of $964) (Note 17) | | | | | | | 1,586 | 1,586 |
| Change in cumulative translation adjustments | | | | (12,294) | | (12,294) | | (12,294) |
| | | | | (12,294) | (272) | (12,566) | 1,586 | (10,980) |
| Comprehensive income for the period | | | | (12,294) | (272) | (12,566) | 58,258 | 45,692 |
| **Balance as of December 31, 2015** | **58,667,535** | **347,325** | **23,298** | **(20,407)** | **(272)** | **(20,679)** | **(133,216)** | **216,728** |

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

**Intertape Polymer Group Inc.**

**Consolidated Cash Flows**

Years ended December 31, 2015, 2014 and 2013

(In thousands of US dollars)

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| | **$** | $ | $ |
| *OPERATING ACTIVITIES* | | | |
| Net earnings | **56,672** | 35,816 | 67,357 |
| Adjustments to net earnings | | | |
| Depreciation and amortization | **30,880** | 26,169 | 27,746 |
| Income tax expense (benefit) | **10,983** | 22,903 | (35,804) |
| Interest expense | **3,553** | 4,631 | 5,707 |
| Non-cash charges in connection with manufacturing facility closures, restructuring and other related charges | **4,620** | 284 | 23,863 |
| Stock-based compensation expense | **3,249** | 6,185 | 4,937 |
| Pension and other post-retirement benefits expense | **2,654** | 4,495 | 3,077 |
| (Gain) loss on foreign exchange | **(1,308)** | 548 | (100) |
| Impairment (reversals of impairment) of assets | **(5,796)** | 139 | 161 |
| Other adjustments for non cash items | **(488)** | 85 | (547) |
| Income taxes paid, net | **(5,209)** | (4,329) | (1,371) |
| Contributions to defined benefit plans | **(1,877)** | (2,196) | (4,222) |
| Cash flows from operating activities before changes in working capital items | **97,933** | 94,730 | 90,804 |
| Changes in working capital items | | | |
| Trade receivables | **4,605** | (4,258) | (2,778) |
| Inventories | **(5,345)** | (4,686) | (3,492) |
| Parts and supplies | **(1,747)** | (490) | (570) |
| Other current assets | **5,700** | (919) | (2,402) |
| Accounts payable and accrued liabilities | **3,090** | 1,746 | (1,865) |
| Provisions | **(1,968)** | 787 | 2,463 |
| | **4,335** | (7,820) | (8,644) |
| Cash flows from operating activities | **102,268** | 86,910 | 82,160 |
| *INVESTING ACTIVITIES* | | | |
| Acquisition of subsidiaries, net of cash acquired | **(26,383)** | | |
| Purchases of property, plant and equipment | **(34,301)** | (40,616) | (46,818) |
| Proceeds from disposals of property, plant and equipment | **1,355** | 4,178 | 1,849 |
| Other assets | **273** | 296 | 416 |
| Purchases of intangible assets | **(174)** | (672) | (339) |
| Cash flows from investing activities | **(59,230)** | (36,814) | (44,892) |

| | | | |
|---|---|---|---|
| *FINANCING ACTIVITIES* | | | |
| Proceeds from long-term debt | **191,279** | 294,022 | 111,799 |
| Repayment of long-term debt | **(160,473)** | (300,643) | (134,671) |
| Other financing activities | **(150)** | (2,113) | (139) |
| Interest paid | **(3,740)** | (3,755) | (6,692) |
| Proceeds from exercise of stock options | **1,559** | 843 | 3,760 |
| Repurchases of common shares | **(30,018)** | (7,826) | |
| Dividends paid | **(29,695)** | (24,249) | (14,520) |
| Cash flows from financing activities | **(31,238)** | (43,721) | (40,463) |
| Net increase (decrease) in cash | **11,800** | 6,375 | (3,195) |
| Effect of foreign exchange differences on cash | **(2,527)** | (533) | (196) |
| Cash, beginning of period | **8,342** | 2,500 | 5,891 |
| Cash, end of period | **17,615** | 8,342 | 2,500 |

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

**Intertape Polymer Group Inc.**

**Consolidated Balance Sheets**

As of

(In thousands of US dollars)

| | **December 31, 2015 $** | December 31, 2014 $ |
|---|---|---|
| *ASSETS* | | |
| Current assets | | |
| Cash | **17,615** | 8,342 |
| Trade receivables | **78,517** | 81,239 |
| Inventories (Note 7) | **100,551** | 96,782 |
| Parts and supplies | **15,265** | 13,788 |
| Other current assets (Note 8) | **8,699** | 13,562 |
| | **220,647** | 213,713 |
| Property, plant and equipment (Note 9) | **198,085** | 188,146 |
| Goodwill (Note 12) | **7,476** | |
| Intangible assets (Note 11) | **12,568** | 1,581 |
| Deferred tax assets (Note 5) | **45,308** | 60,078 |
| Other assets (Note 10) | **3,178** | 3,158 |
| Total assets | **487,262** | 466,676 |
| *LIABILITIES* | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **82,226** | 77,049 |
| Provisions (Note 14) | **2,209** | 2,770 |
| Installments on long-term debt (Note 13) | **5,702** | 5,669 |
| | **90,137** | 85,488 |
| Long-term debt (Note 13) | **147,134** | 117,590 |
| Pension and other post-retirement benefits (Note 17) | **29,292** | 31,713 |
| Other liabilities | **1,029** | 845 |
| Provisions (Note 14) | **2,942** | 3,540 |
| | **270,534** | 239,176 |
| *SHAREHOLDERS EQUITY* | | |
| Capital stock (Note 15) | **347,325** | 357,840 |
| Contributed surplus (Note 15) | **23,298** | 24,493 |
| Deficit | **(133,216)** | (146,720) |
| Accumulated other comprehensive loss | **(20,679)** | (8,113) |

| | | |
|---|---|---|
| | **216,728** | 227,500 |
| Total liabilities and shareholders equity | **487,262** | 466,676 |

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

**Intertape Polymer Group Inc.**

**Notes to Consolidated Financial Statements**

December 31, 2015

(In US dollars, tabular amounts in thousands, except shares, per share data and as otherwise noted)

**1 - *GENERAL BUSINESS DESCRIPTION***

Intertape Polymer Group Inc. (the Parent Company ), incorporated under the *Canada Business Corporations Act*, has its principal administrative offices in Montreal, Québec, Canada and in Sarasota, Florida, U.S.A. The address of the Parent Company s registered office is 800 Place Victoria, Suite 3700, Montreal, Québec H4Z 1E9, c/o Fasken Martineau DuMoulin LLP. The Parent Company s common shares are listed on the Toronto Stock Exchange ( TSX ) in Canada.

The Parent Company and its subsidiaries (together referred to as the Company ), develop, manufacture and sell a variety of paper and film based pressure sensitive and water activated tapes, polyethylene and specialized polyolefin films, woven coated fabrics and complementary packaging systems for industrial and retail use.

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

**2 - *ACCOUNTING POLICIES***

**Basis of Presentation and Statement of Compliance**

The consolidated financial statements present the Company s consolidated balance sheets as of December 31, 2015 and 2014, as well as its consolidated earnings, consolidated comprehensive income, consolidated cash flows, and consolidated changes in shareholders equity for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ( IFRS ) issued by the International Accounting Standards Board ( IASB ) and are expressed in United States ( US ) dollars.

The consolidated financial statements were authorized for issuance by the Company s Board of Directors on March 9, 2016.

**Basis of Measurement**

The consolidated financial statements have been prepared on the historical cost basis, except for the defined benefit liability of the Company s pension plans, other post-retirement benefit plans and derivative financial instruments in the balance sheets, for which the measurement basis is detailed in the respective accounting policy.

**Critical Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are

revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are summarized below:

**Significant Management Judgment**

*Deferred income taxes*

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

**Estimation Uncertainty**

*Impairments*

At the end of each reporting period the Company performs a test of impairment on assets subject to amortization if there are indicators of impairment. Goodwill allocated to cash generating units ( CGU ) and intangible assets with indefinite useful lives are tested annually. An impairment loss is recognized when the carrying value of an asset or CGU exceeds its recoverable amount, which in turn is the higher of its fair value less costs to sell and its value in use. The value in use is based on discounted estimated future cash flows. The cash flows are derived from the budget or forecasts for the estimated remaining useful lives of the CGUs and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the asset or CGU being tested. The value in use will vary depending on the discount rate applied to the discounted cash flows, the estimated future cash inflows, and the growth rate used for extrapolation purposes.

Refer to Note 12 for more information regarding impairment testing.

*Pension and other post-retirement benefits*

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

*Uncertain tax positions*

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, liabilities in excess of the Company s provisions could result from audits by, or litigation with, the relevant taxing authorities. Refer to Note 5 for more information regarding income taxes.

*Useful lives of depreciable assets*

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

*Net realizable value of inventories and parts and supplies*

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

*Allowance for doubtful accounts and revenue adjustments*

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

*Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, when the effect of the time value of money is material.

Provisions of the Company include environmental and restoration obligations, termination benefits and other provisions. Refer to Note 14 for more information regarding provisions.

*Stock-based payments*

The estimation of stock-based payment fair value and expense requires the selection of an appropriate pricing model.

The model used by the Company for the Executive Stock Option Plan ( ESOP ) and Stock Appreciation Rights Plan ( SAR Plan ) is the Black-Scholes pricing model. The Black-Scholes pricing model requires the Company to make significant judgments regarding the assumptions used within the model, the most significant of which are the expected volatility of the Company s own stock, the probable life of awards granted, the time of exercise, the risk-free interest rate commensurate with the term of the awards, and the expected dividend yield.

The model used by the Company for the Performance Share Unit Plan ( PSU Plan ) is the Monte Carlo simulation model. The Monte Carlo model requires the Company to make significant judgements regarding the assumptions used within the model, the most significant of which are the volatility of the Company s own stock as well as a peer group, the performance measurement period, and the risk-free interest rate commensurate with the term of the awards.

Refer to Note 15 for more information regarding stock-based payments.

*Business acquisitions*

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees future profitability. Refer to Note 16 for more information regarding business acquisitions.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries. The Parent Company controls a subsidiary if it is exposed, or has rights, to variable return, from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. At the reporting date, the subsidiaries are all, directly or indirectly, 100% owned by the Parent Company.

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

All intercompany balances and transactions have been eliminated on consolidation, including unrealized gains and losses on transactions between the consolidated entities.

Details of the Parent Company s operating subsidiaries as of December 31, 2015 are as follows:

| Name of Subsidiary | Principal Activity | Country of Incorporation and Residence | Proportion of Ownership Interest and Voting Power Held |
|---|---|---|---|
| Intertape Polymer Corp. | Manufacturing | United States | 100% |
| IPG (US) Holdings Inc. | Holding | United States | 100% |
| IPG (US) Inc. | Holding | United States | 100% |
| Intertape Polymer Inc. | Manufacturing | Canada | 100% |
| FIBOPE Portuguesa-Filmes Biorientados, S.A. | Manufacturing | Portugal | 100% |
| Intertape Polymer Europe GmbH | Distribution | Germany | 100% |
| IPG Luxembourg Finance S.à r.l | Financing | Luxembourg | 100% |
| Intertape Woven Products, S.A. de C.V. | Distribution | Mexico | 100% |
| Intertape Woven Products Services, S.A. de C.V. | Services | Mexico | 100% |
| Spuntech Fabrics, Inc. | Holding | Canada | 100% |
| Better Packages, Inc. | Manufacturing | United States | 100% |
| BP Acquisition Corporation | Holding | United States | 100% |
| RJM Manufacturing, Inc. | | | 100% |
| (d/b/a TaraTape) | Manufacturing | United States | 100% |

**Business Acquisitions**

The Company applies the acquisition method of accounting for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

**Financial Instruments**

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

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

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

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

| **Category** | **Financial instruments** |
|---|---|
| Financial assets measured at amortized cost | Cash<br>Trade receivables<br>Other current assets [(1)] |
| Financial liabilities measured at amortized cost | Accounts payable and accrued liabilities [(2)]<br>Long-term debt [(3)] |
| Derivatives used for hedging | Derivative financial instruments |

(1) Excluding prepaids and income, sales and other taxes
(2) Excluding employee benefits
(3) Excluded finance lease liabilities

Financial assets are measured at amortized cost if the purpose of the Company s business model is to hold the financial assets for collecting cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Discounting is omitted where the effect of discounting is immaterial. The expense relating to the allowance for doubtful accounts is recognized in earnings in selling, general and administrative expenses.

Financial liabilities are measured at amortized cost using the effective interest method. All interest related charges are recognized in earnings in finance costs. Discounting is omitted where the effect of discounting is immaterial.

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

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

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganization.

Evidence of impairment of trade receivables and other receivables is considered at both specific asset and collective levels. Individually significant receivables are considered for impairment when they are past due or when other

objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment by grouping together receivables with similar risk categories.

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

**Derivative Financial Instruments and Hedging**

When the requirements for hedge accounting are met at inception, the Company s policy is to designate each derivative financial instrument as a hedging instrument in a cash flow hedge relationship. Upon designation, the Company documents the relationships between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, and the methods that will be used to assess the effectiveness of the hedging relationship.

At inception of a hedge relationship and at each subsequent reporting date, the Company evaluates if the hedging relationship qualifies for hedge accounting under IFRS 9 (2013), which includes the following conditions to be met:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedge accounting is discontinued prospectively when a derivative instrument ceases to satisfy the conditions for hedge accounting, or is sold or liquidated. If the hedged item ceases to exist, unrealized gains or losses recognized in OCI ( other comprehensive income ) are reclassified to earnings.

**Foreign Currency Translation**

*Functional and presentation currency*

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

*Transactions and balances*

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

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

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

*Group companies*

Assets and liabilities of entities with a functional currency other than the US dollar are translated to the presentation currency using the closing exchange rate in effect at the balance sheet date, and revenues and expenses are translated at each month end s average exchange rate. The resulting translation adjustments are charged or credited to OCI and recognized in the cumulative translation adjustment account within accumulated other comprehensive income (loss) in shareholders equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in earnings as part of the gain or loss on sale.

Foreign exchange gains or losses recognized in earnings are presented in cost of sales and finance costs.

**Revenue Recognition**

Revenues are generated from the sale of goods.

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

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

**Research**

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

**Stock-Based Compensation Expense**

The Company has adopted an ESOP Plan, a SAR Plan, a PSU Plan and a Deferred Share Unit Plan ( DSU Plan ).

For the ESOP, the expense is based on the grant date fair value of the awards expected to vest over the vesting period. Forfeitures are estimated at the time of the grant and are included in the measurement of the expense and are subsequently adjusted to reflect actual events.

For awards with graded vesting, the fair value of each tranche is recognized on a straight-line basis over its vesting period.

Any consideration paid by management and directors on exercise of stock options is credited to capital stock together with any related stock-based compensation expense originally recorded in contributed surplus. If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense for stock options, this indicates that the tax deduction relates not only to remuneration expense but also to a shareholders equity item. In this situation, the Company recognizes the excess of the associated current or deferred tax to contributed surplus prior to an award being exercised, and any such amounts are transferred to capital stock upon exercise of the award.

For the SAR Plan, the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled. The expense is recognized over the vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated earnings statement.

For the PSU Plan, the expense is based on the grant date fair value of the awards expected to vest over the vesting period. The expense is recorded on a straight-line basis over the vesting period.

For the DSU Plan, the expense of Deferred Share Units ( DSUs ) received as a result of a grant is based on the closing price for the common shares of the Company on the TSX on the date of the grant. The expense is recognized immediately. The expense of DSUs received in lieu of cash for directors fees is based on the fair value of services rendered. The expense is recognized as earned over the service period.

Refer to Note 15 for more information regarding stock-based payments.

**Earnings Per Share**

Basic earnings per share is calculated by dividing the net earnings attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period including the effect of the common shares repurchased under the normal course issuer bid ( NCIB ) and DSUs outstanding.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for the effect of the common shares repurchased under the NCIB and for the effects of all dilutive potential outstanding stock options and contingently issuable shares.

Dilutive potential of outstanding stock options includes the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options with exercise prices below the average market price for the year and decreased by the number of shares that the Company could have repurchased if it had used the assumed proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period.

DSUs are not contingently issuable shares since the shares are issuable solely after the passage of time. As such, DSUs are treated as outstanding and included in the calculation of weighted average basic common shares.

Performance share units ( PSUs ) are contingently issuable shares since the shares are issuable only after certain service and market-based performance conditions are satisfied. PSUs are treated as outstanding and included in the calculation of weighted average basic common shares only after the date when these conditions are satisfied at the end of the vesting period.

PSUs are treated as outstanding and included in the calculation of weighted average diluted common shares, to the extent they are dilutive, when the applicable performance conditions have been satisfied as of the reporting period end date.

**Inventories and Parts and Supplies**

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

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

Parts and supplies are valued at the lower of cost which is equivalent to its purchase price or net realizable value based on replacement cost.

**Property, Plant and Equipment**

Property, plant and equipment are carried at cost less accumulated depreciation, accumulated impairment losses and the applicable investment tax credits earned. The cost of an item of property, plant and equipment comprises its

purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, where applicable, borrowing costs and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

| | **Years** |
|---|---|
| Land | Indefinite |
| Buildings and related major components | 5 to 40 |
| Manufacturing equipment and related major components | 5 to 30 |
| Computer equipment and software | 3 to 15 |
| Furniture, office equipment and other | 3 to 7 |
| Assets related to restoration provisions | Expected remaining term of the lease |

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

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

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

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in earnings in the category consistent with the function of the property, plant and equipment.

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

**Intangible Assets**

The Company has a trademark and goodwill which are identifiable intangible assets for which the expected useful life is indefinite. The trademark represents the value of a brand name acquired in a business acquisition which management expects will provide benefit to the Company for an indefinite period. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. Intangible assets with indefinite useful lives that are acquired separately are carried at cost.

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

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

| | Years |
|---|---|
| Distribution rights and customer contracts | 6 |
| Customer lists, license agreements and software | 5 |
| Patents/Trademarks | 5 - indefinite |
| Non-compete agreements | 3 |

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

**Borrowing Costs**

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

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

The Company assesses, at least at each reporting date, whether or not there is an indication that a CGU may be impaired. If such an indication exists, or when annual impairment testing is required for intangible assets, such as applications software not yet available for use, the Company estimates the recoverable amount of the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of other assets or groups of assets. In the latter case, the recoverable amount is determined for a CGU which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is allocated to CGU that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

The recoverable amount is the higher of its value in use and its fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. Fair value less costs to sell is the price that would be received to sell an asset or CGU in an orderly transaction between market participants, less the cost of disposal. The Company determines the recoverable amount and compares it with the carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized for the difference. Impairment losses are recognized in earnings in the expense category consistent with the function of the corresponding property, plant and equipment or intangible asset. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets of the unit or group of units on a pro rata basis of the carrying amount of each asset in the unit or group of units.

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

loss been recognized for the asset in prior years.

Goodwill is subject to impairment testing at least once a year, or more frequently if events or changes in circumstances indicate the carrying amount may be impaired. Goodwill is considered to be impaired when the carrying amount of the cash generating unit or group of cash generating units to which the goodwill has been allocated exceeds its fair value. An impairment loss, if any, would be recognized in the statement of earnings.

**Provisions**

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

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

A provision is recorded in connection with environmental expenditures relating to existing conditions caused by past operations that do not contribute to current or future revenues. Provisions for liabilities related to anticipated remediation costs are recorded on an undiscounted basis when they are probable and reasonably estimable, and when a present obligation exists as a result of a past event. Environmental expenditures for capital projects that contribute to current or future operations generally are capitalized and depreciated over their estimated useful lives.

A provision is recorded in connection with termination benefits at the earlier of the date on which the Company can no longer withdraw the offer of those benefits and the date on which the Company recognizes costs related to restructuring activities. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are presented on a discounted basis.

**Pension and Other Post-Retirement Benefits**

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

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

A defined benefit plan is a post-retirement benefit plan other than a defined contribution plan. For defined benefit pension plans and other post-retirement benefit plans, the benefits expense and the related obligations are actuarially determined on an annual basis by independent qualified actuaries using the projected unit credit method. Past service costs are recognized as an expense in earnings immediately

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following the introduction of, or changes to, a pension plan. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, the effect of minimum funding requirements and the return on plan assets (excluding amounts included in net interest expense) are recognized immediately in OCI, net of income taxes, and in deficit.

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

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

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

**Leases**

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

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

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

**Income Taxes**

Income tax expense (benefit) comprises both current and deferred tax. Current and deferred tax is recognized in earnings except to the extent it relates to items recognized in OCI or directly in shareholders equity. When it relates to the latter items, the income tax is recognized in OCI or directly in shareholders equity, respectively.

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

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

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

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

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

**Shareholders Equity**

Capital stock represents the amount received on issuance of shares (less any issuance costs and net of taxes), stock-based compensation expense credited to capital on stock options exercised and common shares repurchased equal to the carrying value. Contributed surplus includes amounts related to stock options, PSUs and DSUs until such equity instruments are exercised or settled, in which case the amounts are transferred to capital stock or reversed upon forfeiture. Foreign currency translation differences arising on the translation of the consolidated entities that use a functional currency different from the presentation currency are included in the cumulative translation adjustment account. Gains and losses on certain derivative financial instruments designated as hedging instruments are included in reserves for cash flow hedges until such time as the hedged forecasted cash flows affect earnings. Deficit includes all current and prior period earnings or losses, the excess of the purchase price paid over the carrying value of common share repurchases, dividends on common shares and remeasurement of defined benefit liability net of income tax expense (benefit).

**Share Repurchases**

The purchase price of the common shares repurchased equal to its carrying value is recorded in capital stock in the consolidated balance sheet and in the statement of consolidated changes in shareholders equity. The excess of the purchase price paid over the carrying value of the common shares repurchased is recorded in deficit in the consolidated balance sheet and in the statement of consolidated changes in shareholders equity as a share repurchase premium.

**Dividends**

Dividend distributions to the Company s shareholders are recognized as a liability in the consolidated balance sheets if not paid in the period in which dividends are approved by the Company s Board of Directors.

**Segment Reporting**

The Company operates as a single segment.

**Changes in Accounting Policies**

On January 1, 2015, the Company adopted and implemented IFRS 9 (2013) *Financial Instruments*. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and previous versions of IFRS 9. IFRS 9 (2013) includes revised guidance on the classification and measurement of financial assets and liabilities and introduces a new general hedge accounting model which aims to better align a company s hedge accounting with risk management.

Previously, the Company classified financial assets when they were first recognized as fair value through profit or loss, available for sale, held to maturity investments or loans and receivables. Under IFRS 9 (2013), the Company classifies financial assets under the same two measurement categories as financial liabilities: amortized cost or fair value through profit and loss. Financial assets are classified as amortized cost if the purpose of the Company s business model is to hold the financial assets for collecting cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. All other financial assets are classified as fair value through profit or loss. The adoption of this standard has not resulted in any changes to comparative figures.

The Company has not yet adopted IFRS 9 (2014) *Financial Instruments* that incorporates the new impairment model that assesses financial assets based on expected losses rather than incurred losses as applied in IAS 39. This final standard will replace IFRS 9 (2013) and is effective for annual periods on or after January 1, 2018.

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

Certain new standards, amendments and interpretations, and improvements to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the first reporting period following the date of application. Information on new standards, amendments and interpretations, and improvements to existing standards, which could potentially impact the Company s consolidated financial statements, are detailed as follows:

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. Management has yet to assess the impact of this new standard on the Company s consolidated financial statements.

IFRS 9 (2014) Financial Instruments was issued in July 2014 and differs in some regards from IFRS 9 (2013) which the Company adopted effective January 1, 2015. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. Management has yet to assess the impact of this new standard on the Company s consolidated financial statements.

In January 2016, the IASB published IFRS 16 Leases which will replace IAS 17 Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17 s approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. Management has yet to assess the impact of this new standard on its consolidated financial statements.

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

**3 -** ***INFORMATION INCLUDED IN CONSOLIDATED EARNINGS***

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| | **$** | $ | $ |
| Employee benefit expense | | | |
| Wages, salaries and other short-term benefits | **148,887** | 139,682 | 135,269 |
| Termination benefits (Note 14) | **(27)** | 740 | 905 |
| Stock-based compensation expense | **3,249** | 6,185 | 4,937 |
| Pensions and other post-retirement benefits defined benefit plans (Note 17) | **2,750** | 4,597 | 3,186 |
| Pensions and other post-retirement benefits defined contribution plans (Note 17) | **4,016** | 3,606 | 3,641 |
| | **158,875** | 154,810 | 147,938 |
| Finance costs - Interest | | | |
| Interest on long-term debt | **3,737** | 3,763 | 5,255 |
| Amortization of debt issue costs on long-term debt | **473** | 1,993 | 1,034 |
| Interest capitalized to property, plant and equipment | **(657)** | (1,125) | (582) |
| | **3,553** | 4,631 | 5,707 |
| Finance costs - Other (income) expense, net | | | |
| Foreign exchange (gain) loss | **(1,287)** | 541 | (102) |
| Other costs, net | **894** | 987 | 1,048 |
| | **(393)** | 1,528 | 946 |
| Additional information | | | |
| Depreciation of property, plant and equipment (Note 9) | **29,857** | 25,498 | 27,062 |
| Amortization of intangible assets (Note 11) | **1,023** | 671 | 684 |
| Impairment (reversal of impairment) of assets (Note 12) | **(1,240)** | 54 | 22,497 |

**4 -** ***MANUFACTURING FACILITY CLOSURES, RESTRUCTURING AND OTHER RELATED CHARGES***

The following table describes the charges incurred by the Company, which are included in the Company s consolidated earnings for each of the years in the three-year period ended December 31, 2015 under the caption manufacturing facility closures, restructuring and other related charges:

| | **2015** | | | |
|---|---|---|---|---|
| | **South Carolina Project** | **South Carolina Flood** | **Other projects** | **Total** |
| | **$** | **$** | **$** | **$** |
| Impairment (reversal of impairment) of property, plant and equipment | **(494)** | **923** | **558** | **987** |
| | **(60)** | **11** | **4** | **(45)** |

| | | | | |
|---|---|---|---|---|
| Impairment (reversal of impairment) of parts and supplies | | | | |
| Equipment relocation | **186** | | **4** | **190** |
| Revaluation and impairment of inventories | **110** | **3,614** | | **3,724** |
| Termination benefits and other labor related costs | **988** | **88** | **26** | **1,102** |
| Idle facility costs | **822** | **1,465** | | **2,287** |
| Insurance proceeds | | **(5,000)** | | **(5,000)** |
| Professional fees | | **273** | | **273** |
| Other costs (recoveries) | **(9)** | **157** | | **148** |
| | **1,543** | **1,531** | **592** | **3,666** |

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| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | South Carolina Project $ | Other projects $ | Total $ | South Carolina Project $ | Other projects $ | Total $ |
| Impairment (reversal of impairment) of property, plant and equipment | (481) | 226 | (255) | 22,215 | 121 | 22,336 |
| Impairment (reversal of impairment) of parts and supplies | | 77 | 77 | 1,312 | (7) | 1,305 |
| Equipment relocation | 2,062 | 462 | 2,524 | 767 | 1,791 | 2,558 |
| Revaluation and impairment (reversal of impairment) of inventories | 42 | 54 | 96 | 22 | (121) | (99) |
| Termination benefits and other labor related costs | 1,559 | 271 | 1,830 | 1,012 | 129 | 1,141 |
| Environmental costs | | | | 2,518 | | 2,518 |
| Idle facility costs | | 632 | 632 | | 812 | 812 |
| Professional fees | 18 | 3 | 21 | 86 | 137 | 223 |
| Other costs (recoveries) | | 2 | 2 | 5 | (93) | (88) |
| | 3,200 | 1,727 | 4,927 | 27,937 | 2,769 | 30,706 |

On February 26, 2013, the Company announced its intention to relocate its Columbia, South Carolina manufacturing facility within the region in order to modernize facility operations and acquire state-of-the-art manufacturing equipment ( South Carolina Project ).

On October 4, 2015, the Columbia, South Carolina manufacturing facility was damaged by significant rainfall and subsequent severe flooding ( South Carolina Flood ). The damages sustained were considerable and resulted in the facility, which was previously scheduled to close by the end of the second quarter of 2016, being shut down permanently.

Going forward, the Company expects, but is currently unable to provide a reliable estimate for the amount and timing of future amounts related to: insurance recoveries, business interruption losses (including, but not limited to, lost revenue and temporary alternative sourcing of the Company s products), site clean-up and environmental remediation costs, and professional fee costs related to the insurance claim process. The Company believes that it has sufficient property and business interruption insurance coverage, and expects that the losses exceeding the $0.5 million deductible will be substantially covered by those insurance policies. During the year ended December 31, 2015, the Company recognized insurance recoveries for an amount of $5.0 million in insurance settlement claim proceeds.

On June 26, 2012, the Company announced its intention to close its Richmond, Kentucky manufacturing facility (which was sold in December 2015), and consolidate its shrink film production from Truro, Nova Scotia to Tremonton, Utah, as well as other small restructuring initiatives. The majority of products produced in the Richmond, Kentucky facility have been transferred to the Company s Carbondale, Illinois facility.

The incremental costs of the Richmond, Kentucky manufacturing facility closure, consolidation of the shrink film production from Truro, Nova Scotia to Tremonton, Utah and other small restructuring initiatives are in the table above under Other projects.

As of December 31, 2015, $3.0 million is included in provisions ($5.0 million in 2014) and $1.6 million in accounts payable and accrued liabilities (nil in 2014) for restructuring provisions.

**5 - *INCOME TAXES***

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| | **%** | % | % |
| Combined Canadian federal and provincial income tax rate | **29.5** | 28.5 | 28.3 |
| Foreign earnings/losses taxed at higher income tax rates | **5.8** | 9.7 | 9.5 |
| Foreign earnings/losses taxed at lower income tax rates | **(1.0)** | (0.1) | (0.1) |
| Legal entity reorganization | **(0.0)** | 5.6 | |
| Change in statutory rates | **(1.6)** | (0.2) | (6.8) |
| Prior period adjustments | **(3.1)** | 0.1 | (13.9) |
| Nondeductible expenses | **0.7** | 1.7 | 1.9 |
| Impact of other differences | **(1.1)** | (0.0) | 0.6 |
| Nontaxable dividend | **(7.6)** | (1.6) | |
| Change in derecognition of deferred tax assets | **(5.4)** | (4.7) | (133.0) |
| Effective income tax rate | **16.2** | 39.0 | (113.5) |

**Major Components of Income Tax Expense (Benefit)**

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| | **$** | $ | $ |
| Current income tax expense | **8,185** | 3,665 | 3,622 |
| Deferred tax expense (benefit) | | | |
| (Recognition) derecognition of US deferred tax assets | **(113)** | 114 | (46,049) |
| US temporary differences | **7,794** | 19,411 | 3,011 |
| (Recognition) derecognition of Canadian deferred tax assets | **(3,847)** | (2,872) | 4,067 |
| Canadian temporary differences | **(1,095)** | 2,579 | (316) |
| Temporary differences and derecognition of deferred tax assets in other jurisdictions | **59** | 6 | (139) |
| Total deferred income tax expense (benefit) | **2,798** | 19,238 | (39,426) |
| Total tax expense (benefit) for the year | **10,983** | 22,903 | (35,804) |

*Income taxes related to components of other comprehensive income (loss)*

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

| | Amount before income tax $ | Deferred income taxes $ | Amount net of income taxes $ |
|---|---|---|---|
| **For the year ended December 31, 2015** | | | |
| Deferred tax benefit on remeasurement of defined benefit liability | **2,550** | **(964)** | **1,586** |
| | **2,550** | **(964)** | **1,586** |
| For the year ended December 31, 2014 | | | |
| Deferred tax benefit on remeasurement of defined benefit liability | (10,703) | 3,894 | (6,809) |
| Deferred tax expense on funding requirement changes of defined benefit plans | 2,497 | (711) | 1,786 |
| | (8,206) | 3,183 | (5,023) |
| For the year ended December 31, 2013 | | | |
| Deferred tax expense on remeasurement of defined benefit liability | 18,588 | (6,416) | 12,172 |
| Deferred tax benefit on funding requirement changes of defined benefit plans | (927) | 256 | (671) |
| | 17,661 | (6,160) | 11,501 |
| Deferred tax benefit due to the recognition of US deferred tax assets | | | 4,671 |

**Recognized Deferred Tax Assets and Liabilities**

| | Deferred tax assets $ | Deferred tax liabilities $ | Net $ |
|---|---|---|---|
| **As of December 31, 2015** | | | |
| Tax credits, losses, carryforwards and other tax deductions | **20,319** | | **20,319** |
| Property, plant and equipment | **16,801** | **(17,851)** | **(1,050)** |
| Pension and other post-retirement benefits | **10,838** | | **10,838** |
| Stock-based payments | **6,409** | | **6,409** |
| Accounts payable and accrued liabilities | **4,453** | | **4,453** |
| Goodwill and other intangibles | **3,464** | **(2,118)** | **1,346** |
| Trade and other receivables | **1,698** | | **1,698** |

| | | | |
|---|---|---|---|
| Inventories | **1,682** | | **1,682** |
| Other | **583** | **(970)** | **(387)** |
| Deferred tax assets and liabilities | **66,247** | **(20,939)** | **45,308** |

| | Deferred tax assets $ | Deferred tax liabilities $ | Net $ |
|---|---|---|---|
| As of December 31, 2014 | | | |
| Tax credits, losses, carryforwards and other tax deductions | 30,442 | | 30,442 |
| Property, plant and equipment | 17,969 | (19,792) | (1,823) |
| Pension and other post-retirement benefits | 11,641 | | 11,641 |
| Stock-based payments | 9,560 | | 9,560 |
| Accounts payable and accrued liabilities | 3,937 | | 3,937 |
| Goodwill and other intangibles | 4,896 | | 4,896 |
| Inventories | 1,501 | | 1,501 |
| Other | 898 | (974) | (76) |
| Deferred tax assets and liabilities | 80,844 | (20,766) | 60,078 |

*Nature of evidence supporting recognition of deferred tax assets*

In assessing the recoverability of deferred tax assets, management determines, at each balance sheet date, whether it is more likely than not that a portion or all of its deferred tax assets will be realized. This determination is based on quantitative and qualitative assessments by management and the weighing of all available evidence, both positive and negative. Such evidence includes the scheduled reversal of deferred tax liabilities, projected future taxable income and the implementation of tax planning strategies.

As of December 31, 2015, management analyzed all available evidence and determined it is more likely than not that substantially all of the Company s deferred tax assets in the US will be realized and, accordingly, continues to recognize the majority of its US deferred tax assets. Management also determined it is more likely than not that substantially all of the Company s deferred tax assets in the Canadian operating entity will be realized based on available evidence such as the cumulative positive financial results for the prior three years, consistent utilization of deferred tax assets, consistent generation of taxable income, and positive financial projections. Accordingly, the Company recognized the majority of its Canadian operating entity s deferred tax assets, including $3.8 million that were previously derecognized. With respect to the deferred tax assets at the Canadian corporate holding entity (the Entity ), management determined it appropriate to maintain the same positions for the year ended December 31, 2015 as taken for the year ended December 31, 2014 in that the majority of the Entity s deferred tax assets should continue to be derecognized as of December 31, 2015. The Canadian deferred tax assets remain available to the Company in order to reduce its taxable income in future periods.

As of December 31, 2014, management analyzed all available evidence and determined it was more likely than not that substantially all of the Company s deferred tax assets in the US will be realized and, accordingly, continued to recognize the majority of its US deferred tax assets. With respect to the Canadian deferred tax assets, management determined it appropriate to maintain the same positions for the year ended December 31, 2014 as taken for the year ended December 31, 2013. Specifically, management determined that the majority of the deferred tax assets related to the Entity should continue to be derecognized as of December 31, 2014. In addition, Management determined that no additional deferred tax assets should be recorded at the Canadian operating entity. The Canadian deferred tax assets remain available to the Company in order to reduce its taxable income in future periods.

**Variations During the Period**

| | Balance January 1, 2015 $ | Recognized in earnings (with translation adjustments) $ | Recognized in contributed surplus $ | Recognized in other comprehensive income $ | Business acquisitions $ | **Balance December 31, 2015 $** |
|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | |
| Tax credits, losses, carryforwards and other tax deductions | 30,442 | (10,123) | | | | **20,319** |
| Property, plant and equipment | 17,969 | (1,168) | | | | **16,801** |
| Pension and other post-retirement benefits | 11,641 | 334 | | (1,137) | | **10,838** |
| Stock-based payments | 9,560 | 439 | (3,590) | | | **6,409** |
| Accounts payable and accrued liabilities | 3,937 | 472 | | | 44 | **4,453** |
| Goodwill and other intangibles | 4,896 | (1,432) | | | | **3,464** |
| Trade and other receivables | | 1,695 | | | 3 | **1,698** |
| Inventories | 1,501 | 157 | | | 24 | **1,682** |
| Other | 898 | (485) | | 166 | 4 | **583** |
| | 80,844 | (10,111) | (3,590) | (971) | 75 | **66,247** |
| Deferred tax liabilities | | | | | | |
| Property, plant and equipment | (19,792) | 2,455 | | | (514) | **(17,851)** |
| Other | (974) | 4 | | | | **(970)** |
| Goodwill and other intangibles | | 645 | | | (2,763) | **(2,118)** |
| | (20,766) | 3,104 | | | (3,277) | **(20,939)** |
| Deferred tax assets and liabilities | 60,078 | (7,007) | (3,590) | (971) | (3,202) | **45,308** |
| Impact due to foreign exchange rates | | 4,209 | | 172 | | |
| Total recognized in earnings | | (2,798) | (3,590) | (799) | | |

| | Balance January 1, 2014 $ | Recognized in earnings (with translation adjustments) $ | Recognized in contributed surplus $ | Recognized in other comprehensive income $ | Balance December 31, 2014 $ |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Tax credits, losses, carryforwards and other tax deductions | 45,365 | (15,310) | | 387 | 30,442 |
| Property, plant and equipment | 19,012 | (1,043) | | | 17,969 |
| Pension and other post-retirement benefits | 7,914 | 654 | | 3,073 | 11,641 |
| Stock-based payments | 7,084 | 673 | 1,803 | | 9,560 |
| Accounts payable and accrued liabilities | 6,591 | (2,654) | | | 3,937 |
| Goodwill and other intangibles | 6,196 | (1,300) | | | 4,896 |
| Inventories | 1,826 | (325) | | | 1,501 |
| Other | 702 | 196 | | | 898 |
| | 94,690 | (19,109) | 1,803 | 3,460 | 80,844 |
| Deferred tax liabilities | | | | | |
| Property, plant and equipment | (18,371) | (1,421) | | | (19,792) |
| Other | | (974) | | | (974) |
| | (18,371) | (2,395) | | | (20,766) |
| Deferred tax assets and liabilities | 76,319 | (21,504) | 1,803 | 3,460 | 60,078 |
| Impact due to foreign exchange rates | | 2,266 | | 110 | |
| Total recognized in earnings | | (19,238) | 1,803 | 3,570 | |

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Deductible temporary differences and unused tax losses for which no deferred tax asset is recognized in the consolidated balance sheets are as follows:

| | **December 31, 2015** | December 31, 2014 |
|---|---|---|
| | **$** | $ |
| Tax losses, carryforwards and other tax deductions | **22,002** | 40,389 |
| Accounts payable and accrued liabilities | | 110 |
| Property, plant and equipment | | 2,124 |
| Other | | 433 |
| | **22,002** | 43,056 |

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

| | **2015** | | **2014** | |
|---|---|---|---|---|
| | United States | Canada | United States | Canada |
| | $ | $ | $ | $ |
| 2018 | | **612** | | 733 |
| 2019 | | **1,152** | | 1,378 |
| 2020 | | **508** | | 609 |
| 2021 | | **192** | | 230 |
| 2022 | | **438** | | 524 |
| 2023 | | **217** | | 259 |
| 2024 | | **204** | | 244 |
| 2025 | | **345** | | 413 |
| 2026 | | | | |