

INTERTAPE POLYMER GROUP INC

Form 6-K

March 09, 2017

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

of the Securities Exchange Act of 1934

For the month of March, 2017

Commission File Number 1-10928

INTERTAPE POLYMER GROUP INC.

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

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

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

Form 20-F

Form 40-F

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

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

Table of Contents

SIGNATURES

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

INTERTAPE POLYMER GROUP INC.

Date: March 9, 2017

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

Table of Contents

Intertape Polymer Group Inc.
Consolidated Financial Statements
December 31, 2016, 2015 and 2014

<u>Management's Responsibility for Consolidated Financial Statements</u>	2
<u>Management's Report on Internal Control over Financial Reporting</u>	3
<u>Independent Auditor's Report of Registered Public Accounting Firm</u>	4 to 5
<u>Independent Auditor's Report of Registered Public Accounting Firm on Internal Control over Financial Reporting</u>	6 to 7
Consolidated Financial Statements	
<u>Consolidated Earnings</u>	8
<u>Consolidated Comprehensive Income</u>	9
<u>Consolidated Changes in Equity</u>	10 to 12
<u>Consolidated Cash Flows</u>	13
<u>Consolidated Balance Sheets</u>	14
<u>Notes to Consolidated Financial Statements</u>	15 to 77

Table of Contents

Management's Responsibility for Financial Statements

The consolidated financial statements of Intertape Polymer Group Inc. (the Company) and other financial information are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board 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 9 2016, 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 8, 2017

Table of Contents

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting as well as the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards (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, 2016 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, 2016 based on those criteria.

The Company's internal control over financial reporting as of December 31, 2016 has been audited by Raymond Chabot Grant Thornton LLP, the Company's external independent registered public accounting firm, as stated in its 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 8, 2017

Table of Contents

**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, 2016 and 2015 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2016, 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.

Table of Contents

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, 2016 and 2015, and its financial performance and its cash flows for each of the years in the three-year period ended December 31, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matters

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, 2016, 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 8, 2017, expressed an unqualified opinion on Intertape Polymer Group Inc.'s internal control over financial reporting.

Montreal, Canada

March 8, 2017

¹ CPA auditor, CA, public accountancy permit No. A121855

Table of Contents

**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, 2016, 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

Table of Contents

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.

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, 2016 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, 2016 and 2015 and for each of the years in the three-year period ended December 31, 2016 and our report dated March 8, 2017 expressed an unqualified opinion thereon.

Montreal, Canada

March 8, 2017

¹ CPA auditor, CA, public accountancy permit No. A121855

Table of Contents**Intertape Polymer Group Inc.****Consolidated Earnings**

Years ended December 31, 2016, 2015 and 2014

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

	2016	2015	2014
	\$	\$	\$
Revenue	808,801	781,907	812,732
Cost of sales	617,314	613,895	649,099
Gross profit	191,487	168,012	163,633
Selling, general and administrative expenses	102,580	84,072	85,955
Research expenses	10,790	9,459	7,873
	113,370	93,531	93,828
Operating profit before manufacturing facility closures, restructuring and other related charges	78,117	74,481	69,805
Manufacturing facility closures, restructuring and other related charges (Note 4)	2,408	3,666	4,927
Operating profit	75,709	70,815	64,878
Finance costs (income) (Note 3)			
Interest	4,398	3,553	4,631
Other expense (income), net	605	(393)	1,528
	5,003	3,160	6,159
Earnings before income tax expense	70,706	67,655	58,719
Income tax expense (Note 5)			
Current	8,757	8,185	3,665
Deferred	10,812	2,798	19,238
	19,569	10,983	22,903
Net earnings	51,137	56,672	35,816
Net earnings attributable to:			
Company shareholders	51,120	56,672	35,816
Non-controlling interest	17		
	51,137	56,672	35,816
Earnings per share attributable to Company shareholders (Note 6)			
Basic	0.87	0.95	0.59

Diluted	0.85	0.93	0.58
---------	-------------	------	------

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

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

Years ended December 31, 2016, 2015 and 2014

(In thousands of US dollars)

	2016	2015	2014
	\$	\$	\$
Net earnings	51,137	56,672	35,816
Other comprehensive income (loss)			
Change in fair value of interest rate swap agreements designated as cash flow hedges (net of the deferred tax expense (benefit) of \$83 in 2016, (\$166) in 2015 and nil 2014) (Note 22)	136	(272)	
Change in cumulative translation adjustments	789	(12,294)	(7,343)
Items that will be reclassified subsequently to net earnings	925	(12,566)	(7,343)
Remeasurement of defined benefit liability (net of income tax (expense) benefit of \$(66), (\$964) in 2015 and \$3,183 in 2014) (Note 18)	201	1,586	(5,023)
Items that will not be reclassified subsequently to net earnings	201	1,586	(5,023)
Other comprehensive income (loss)	1,126	(10,980)	(12,366)
Comprehensive income for the period	52,263	45,692	23,450
Comprehensive income (loss) for the period attributable to:			
Company shareholders	52,353	45,692	23,450
Non-controlling interest	(90)		
	52,263	45,692	23,450

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

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

Year ended December 31, 2014

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

	Capital stock		Contributed surplus	Accumulated other comprehensive loss	Deficit	Equity attributable to Company shareholders and total equity
	Number	Amount \$	Amount \$	Cumulative translation adjustment account \$	Amount \$	Amount \$
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 16)	256,677	843				843
Change in excess tax benefit on exercised stock awards (Note 5)		732	(732)			
Change in excess tax benefit on outstanding stock awards (Note 5)			2,535			2,535
Share-based compensation expense (Note 16)			2,482			2,482
Share-based compensation expense credited to capital on options exercised (Note 16)		289	(289)			
Repurchases of common stock (Note 16)	(597,500)	(3,225)			(4,597)	(7,822)
Dividends on common shares (Note 16)					(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 18)					(5,023)	(5,023)
				(7,343)		(7,343)

Changes to cumulative translation
adjustments

				(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.

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

Year ended December 31, 2015

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

	Capital stock		Accumulated other comprehensive loss				Equity attributable to Company shareholders and total equity	
	Number	Amount	Contributed surplus	Cumulative translation adjustment	Reserve for cash flow hedge	Total		
		\$	\$	\$	\$	\$	\$	
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 16)	712,500	1,559						1,559
Change in excess tax benefit on exercised stock awards (Note 5)		2,088	(2,088)					
Change in excess tax benefit on outstanding stock awards (Note 5)			(1,502)					(1,502)
Share-based compensation expense (Note 16)			3,359					3,359
Share-based compensation expense credited to capital on options exercised (Note 16)		746	(746)					
Deferred Share Units settlement, net of required minimum tax withholding (Note 16)	6,397	65	(218)					(153)

Repurchases of common shares (Note 16)	(2,487,188)	(14,973)			(15,011)	(29,984)		
Dividends on common shares (Note 16)					(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 agreements designated as a cash flow hedges (net of deferred income tax benefit of \$166) (Note 22)				(272)	(272)		(272)	
Remeasurement of defined benefit liability (net of income tax expense of \$964) (Note 18)						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.

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

Year ended December 31, 2016

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

	Capital stock		Accumulated other comprehensive loss				Total deficit	Total equity attributable to Company shareholders	Non-controlling interest	Total equity
	Number	Amount \$	Contributed surplus \$	Cumulative translation adjustment \$	Reserve for cash flow hedge \$	Total \$				
Balance as of December 31, 2015	58,667,535	347,325	23,298	(20,407)	(272)	(20,679)	(133,216)	216,728		216,728
Transactions with owners										
Exercise of stock options (Note 16)	540,000	1,452						1,452		1,452
Change in excess tax benefit on exercised stock awards (Note 5)		2,693	(2,693)							
Change in excess tax benefit on outstanding stock awards (Note 5)			4,302					4,302		4,302
Share-based compensation expense (Note 16)			5,273					5,273		5,273
Share-based compensation expense credited to capital on options		595	(595)							

exercised (Note 16)							
Repurchases of common shares (Note 16)	(147,200)	(862)		(835)	(1,697)		(1,697)
Dividends on common shares (Note 16)				(31,694)	(31,694)		(31,694)
	392,800	3,878	6,287	(32,529)	(22,364)		(22,364)
Net earnings				51,120	51,120	17	51,137
Other comprehensive income							
Change in fair value of interest rate swap agreements designated as cash flow hedges (net of the deferred income tax expense of \$83) (Note 22)				136	136		136
Remeasurement of defined benefit liability (net of income tax expense of \$66) (Note 18)				201	201		201
Change in cumulative translation adjustments	896		896		896	(107)	789
	896	136	1,032	201	1,233	(107)	1,126
Comprehensive income for the period	896	136	1,032	51,321	52,353	(90)	52,263
Recognition of non-controlling interest put option liability (Note 15)				(10,181)	(10,181)		(10,181)
Non-controlling interest arising from the						6,497	6,497

Powerband
Acquisition
(Note 17)

Balance as of December 31, 2016	59,060,335	351,203	29,585	(19,511)	(136)	(19,647)	(124,605)	236,536	6,407	242,943
--	-------------------	----------------	---------------	-----------------	--------------	-----------------	------------------	----------------	--------------	----------------

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

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

Years ended December 31, 2016, 2015 and 2014

(In thousands of US dollars)

	2016	2015	2014
	\$	\$	\$
<i>OPERATING ACTIVITIES</i>			
Net earnings	51,137	56,672	35,816
Adjustments to net earnings			
Depreciation and amortization	30,978	30,880	26,169
Income tax expense	19,569	10,983	22,903
Interest expense	4,398	3,553	4,631
Non-cash charges in connection with manufacturing facility closures, restructuring and other related charges	5,204	4,620	284
Impairment of inventories	1,997	760	465
Share-based compensation expense	8,201	3,249	6,185
Pension, post-retirement and other long-term employee benefits	2,913	2,654	4,495
(Gain) loss on foreign exchange	(510)	(1,308)	548
Impairment (reversals of impairment) of assets	226	(5,796)	139
Other adjustments for non cash items	50	(488)	85
Income taxes paid, net	(7,193)	(5,209)	(4,329)
Contributions to defined benefit plans	(1,268)	(1,877)	(2,196)
Cash flows from operating activities before changes in working capital items	115,702	98,693	95,195
Changes in working capital items			
Trade receivables	(8,920)	4,605	(4,258)
Inventories	(4,074)	(6,105)	(5,151)
Parts and supplies	(1,053)	(1,747)	(490)
Other current assets	451	5,700	(919)
Accounts payable and accrued liabilities	5,304	3,090	1,746
Provisions	725	(1,968)	787
	(7,567)	3,575	(8,285)
Cash flows from operating activities	108,135	102,268	86,910
<i>INVESTING ACTIVITIES</i>			
Acquisition of subsidiaries, net of cash acquired	(41,855)	(26,234)	
Purchases of property, plant and equipment	(49,972)	(34,301)	(40,616)
Proceeds from disposals of property, plant and equipment	70	1,355	4,178
Other investing activities	(92)	(50)	(376)

Cash flows from investing activities	(91,849)	(59,230)	(36,814)
<i>FINANCING ACTIVITIES</i>			
Proceeds from borrowings	180,604	191,279	294,022
Repayment of borrowings	(155,630)	(160,473)	(300,643)
Interest paid	(4,739)	(3,740)	(3,755)
Proceeds from exercise of stock options	1,452	1,559	843
Repurchases of common shares	(1,697)	(30,018)	(7,826)
Dividends paid	(31,365)	(29,695)	(24,249)
Other financing activities	(160)	(150)	(2,113)
Cash flows from financing activities	(11,535)	(31,238)	(43,721)
Net increase in cash	4,751	11,800	6,375
Effect of foreign exchange differences on cash	(1,410)	(2,527)	(533)
Cash, beginning of year	17,615	8,342	2,500
Cash, end of year	20,956	17,615	8,342

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

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

As of

(In thousands of US dollars)

	December 31, 2016	December 31, 2015
	\$	\$
ASSETS		
Current assets		
Cash	20,956	17,615
Trade receivables	90,122	78,517
Inventories (Note 7)	103,470	100,551
Parts and supplies	16,368	15,265
Other current assets (Note 8)	11,321	8,699
	242,237	220,647
Property, plant and equipment (Note 9)	233,478	198,085
Goodwill (Note 17)	30,841	7,476
Intangible assets (Note 11)	34,050	12,568
Deferred tax assets (Note 5)	36,611	45,308
Other assets (Note 10)	3,380	3,178
Total assets	580,597	487,262
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	100,216	82,226
Provisions, current (Note 15)	3,851	2,209
Borrowings, current (Note 13)	7,604	5,702
	111,671	90,137
Borrowings, non-current (Note 13)	172,221	147,134
Pension, post-retirement and other long-term employee benefits (Note 18)	30,832	29,292
Deferred tax liabilities (Note 5)	9,332	
Provisions, non-current (Note 14)	2,040	2,942
Other liabilities (Note 15)	11,558	1,029
	337,654	270,534
EQUITY		

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

Capital stock (Note 16)	351,203	347,325
Contributed surplus (Note 16)	29,585	23,298
Deficit	(124,605)	(133,216)
Accumulated other comprehensive loss	(19,647)	(20,679)
Total equity attributable to Company shareholders	236,536	216,728
Non-controlling interest (Note 17)	6,407	
Total equity	242,943	216,728
Total liabilities and equity	580,597	487,262

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

Table of Contents

Intertape Polymer Group Inc.

Notes to Consolidated Financial Statements

December 31, 2016

(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, 2016 and 2015, as well as its consolidated earnings, consolidated comprehensive income, consolidated cash flows, and consolidated changes in equity for each of the years in the three-year period ended December 31, 2016. 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 8, 2017.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period and the *Company*'s pension plans, post-retirement plans and other long-term employee benefit plans, as explained in the accounting policies below.

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. With the exception of

Powerband Industries Private Limited (Powerband), at the reporting date, the subsidiaries are all, directly or indirectly, 100% owned by the Parent Company.

Powerband has a fiscal year end of March 31 due to local legislation. However, for consolidation purposes, the financial information for Powerband is presented as of the same date as the Parent Company. All other 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.

Table of Contents

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 subsidiaries as of December 31, 2016 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. FIBOPE	Manufacturing	Canada	100%
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.	Non-operating	Mexico	100%
Intertape Woven Products Services, S.A. de C.V.	Non-operating	Mexico	100%
Spuntech Fabrics, Inc.	Holding	Canada	100%
Better Packages, Inc. BP Acquisition Corporation	Manufacturing Holding	United States United States	100% 100%
RJM Manufacturing, LLC (d/b/a TaraTape)	Manufacturing	United States	100%
IPG Mauritius Ltd	Holding	Mauritius	100%
IPG Mauritius II Ltd	Holding	Mauritius	100%
IPG Mauritius Holding Company Ltd	Holding	Mauritius	100%
Powerband Industries Private Limited	Manufacturing	India	74%

Business Acquisitions

The Company applies the acquisition method of accounting for business acquisitions. 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. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Refer to Note 17 for more information regarding business acquisitions.

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, Canadian dollar, Indian rupee and Euro.

Table of Contents

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 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.

Segment Reporting

The Company operates as a single segment.

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.

Table of Contents

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, post-retirement and other long-term employee 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 18 for more information regarding the assumptions related to the pension, post-retirement and other long-term employee 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.

Provisions for slow-moving and obsolete inventories are made based on the age and estimated net realizable value of inventories. The assessment of the provision involves management judgment and estimates associated with expected disposition of the inventory. Refer to Note 7 for information regarding inventories and write-downs of inventories.

Table of Contents

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, practices and current economic trends. If future collections and trends differ from estimates, future earnings will be affected. Refer to Note 22 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, litigation and termination benefits and other provisions. Refer to Note 14 for more information regarding provisions.

Share-based payments

The estimation of share-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 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 common shares, 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 judgments regarding the assumptions used within the model, the most significant of which are the volatility of the Company's own common shares as well as those of a peer group, the performance measurement period, and the risk-free interest rate commensurate with the term of the awards.

Refer to Note 16 for more information regarding share-based payments.

Business acquisitions

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. Refer to Note 17 for more information regarding business acquisitions.

Financial Instruments

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

Table of Contents

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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through earnings) are added or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through earnings are recognized immediately in earnings.

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 Trade receivables Supplier rebates and other receivables ⁽¹⁾
Financial liabilities measured at amortized cost	Accounts payable and accrued liabilities ⁽²⁾ Borrowings ⁽³⁾
Financial liabilities measured at fair value through earnings	Non-controlling interest put options
Derivative instruments in designated hedge accounting relationships	Interest rate swap agreements

⁽¹⁾ Included in other current assets in the consolidated balance sheets

⁽²⁾ Excluding employee benefits

⁽³⁾ Excluding finance lease liabilities

Financial assets

Financial assets are classified and measured at amortized cost, less any impairment, 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.

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;

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

the disappearance of an active market for that financial asset because of financial difficulties.

Evidence of impairment of trade receivables and other receivables is considered at both specific asset and collective levels taking into consideration customer creditworthiness, current economic trends, past

Table of Contents

experience and credit insurance coverage. 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.

Financial liabilities

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

Non-controlling interest put options that are associated with the acquisition of Powerband are measured at fair value through earnings. Changes in the fair value of the non-controlling interest put options are recognized in earnings in finance costs.

Refer to Note 22 for more information regarding the fair value measurement and classification of these non-controlling interest put options.

Derivative instruments and hedging

The Company applies hedge accounting to arrangements that qualify and are designated for hedge accounting treatment. All derivative financial instruments used for hedge accounting are recognized initially at fair value and reported subsequently at fair value in the consolidated balance sheets. To the extent that the hedge is effective, changes in the fair value of the derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and are included within the reserve for cash flow hedge in equity. Any ineffectiveness in the hedge relationship is recognized immediately in earnings.

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 are reclassified to earnings.

Table of Contents

The Company entered into interest rate swap agreements designated as cash flow hedges. Refer to Note 22 for more information regarding interest rate swap agreements.

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.

Share-Based Compensation Expense

The Company has adopted an ESOP, 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 participants on exercise of stock options is credited to capital stock together with any related share-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 an 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. 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. 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 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.

Table of Contents

Refer to Note 16 for more information regarding share-based payments.

Earnings Per Share

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

Diluted earnings per share is calculated by dividing the net earnings attributable to Company shareholders by the weighted average number of common shares outstanding during the period, including the effect of stock options exercised, common shares repurchased under the NICB and DSUs outstanding and for the effects of all dilutive potential outstanding stock options and contingently issuable shares.

Dilutive potential outstanding stock options includes the total number of additional common shares that would have been issued by the Company assuming stock options with exercise prices below the average market price for the year were exercised and reduced 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 purchases. 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.

Table of Contents

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	3 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 10
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 at each reporting date and adjusted if necessary.

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 on which 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 on which 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 business acquisitions. 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.

Table of Contents

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 to 15
Customer lists, license agreements and software	5
Patents and trademarks	5 to indefinite
Non-compete agreements	3 to 10

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 in which 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 and the trademark with an indefinite useful life, 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 those CGUs that are expected to benefit from synergies of related business acquisitions 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 pro rata based on 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 CGU or group of CGUs to which the goodwill has been allocated exceeds its fair value. An impairment loss, if any, would be recognized in the statement of earnings.

Table of Contents**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 in earnings as a finance cost.

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 under the captions provisions, and property, plant and equipment (machinery and equipment), respectively. 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 a discounted basis, if the effects of discounting are material, 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, they are presented on a discounted basis.

Pension, Post-Retirement and Other Long-term Employee Benefits

The Company has defined contribution plans, defined benefit pension plans, other post-retirement benefit plans, and other long-term employee 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, other post-retirement benefit plans and other long-term employee 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 when the effects of discounting are significant. Past service costs are recognized as an expense in earnings immediately following the introduction of, or changes to, a pension plan. Remeasurements, comprising 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.

Table of Contents

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 equity. When it relates to the latter items, the income tax is recognized in OCI or directly in 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 in which 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.

Table of Contents

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.

Equity

Capital stock represents the amount received on issuance of shares (less any issuance costs and net of taxes), share-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 if not vested. 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).

Non-controlling interest

Non-controlling interest represents the equity in subsidiaries that are not attributable, directly or indirectly, to the Parent Company. A non-controlling interest is initially recognized as the proportionate share of the identifiable net assets of the subsidiary on the date of its acquisition and is subsequently adjusted for the non-controlling interest's share in changes of the acquired subsidiary's earnings and capital, as well as changes in foreign currency exchange rates where applicable. Effects of transactions with the non-controlling interest are recorded in equity if there is no change in control. The Company attributes total comprehensive income or loss of subsidiaries between the shareholders of the Parent Company and the non-controlling interest based on their respective ownership interests.

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 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 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.

Standards Issued and Not Yet Effective but Adopted Early

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.

Table of Contents

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 performed a preliminary review of the new guidance as compared to its current accounting policies, and began a review of its sales contracts. Based on its initial evaluation, Management does not expect the new guidance to materially impact the Company's consolidated financial statements. In 2017, Management plans to finalize its review and determine the method of adoption.

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. Based on its initial evaluation, management does not expect the new guidance to materially impact the Company's consolidated financial statements. In 2017, management plans to finalize its review and determine the method of adoption.

IFRS 16 - Leases which will replace IAS 17 - Leases was issued in January 2016. IFRS 16 eliminates the classification of 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 option 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 is currently assessing but has not yet determined the impact of this new standard on the Company's 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.

Table of Contents**3 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS**

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, 2016:

	2016	2015	2014
	\$	\$	\$
Employee benefit expense			
Wages, salaries and other short-term benefits	161,661	149,472	140,098
Termination benefits (Note 15)	1,733	987	2,297
Stock-based compensation expense	8,201	3,249	6,185
Pension, post-retirement and other long-term employee benefit plans (Note 18):			
Defined benefit plans	3,002	2,750	4,597
Defined contributions plans	4,631	4,016	3,606
	179,228	160,474	156,783
Finance costs - Interest			
Interest on borrowings	4,770	3,737	3,763
Amortization of debt issue costs on borrowings	445	473	1,993
Interest capitalized to property, plant and equipment	(817)	(657)	(1,125)
	4,398	3,553	4,631
Finance costs - Other expense (income) , net Foreign exchange (gain) loss			
	(518)	(1,287)	541
Other costs, net	1,123	894	987
	605	(393)	1,528
Additional information			
Depreciation of property, plant and equipment (Note 9)	29,402	29,857	25,498
Amortization of intangible assets (Note 11)	1,890	1,023	671
Impairment (reversal of impairment) of assets (Note 12)	7,062	(380)	525

Table of Contents**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, 2016 under the caption manufacturing facility closures, restructuring and other related charges:

	2016			2015			2014			
	TaraTape Closure \$	South Carolina Flood \$	Other projects \$	Total \$	South Carolina Flood \$	Other projects \$	Total \$	South Carolina Project \$	Other projects \$	Total \$
Impairment (reversal of impairment) of property, plant and equipment	2,528	620	(130)	3,018	923	64	987	(481)	226	(255)
Impairment of intangibles	379			379	11	(56)	(45)		77	77
Equipment relocation			711	711		190	190	2,062	462	2,524
Revaluation and impairment of inventories	725	695		1,420	3,614	110	3,724	42	54	96
Termination benefits and other labor related costs	1,071	64	630	1,765	88	1,294	1,382	1,559	271	1,830
Restoration and idle facility costs	1,008	2,656	123	3,787	1,465	218	1,683		632	632
Insurance proceeds		(9,793)		(9,793)	(5,000)		(5,000)			
Professional fees	67	875		942	273		273	18	3	21
Other costs	179			179	157	315	472		2	2
	5,957	(4,883)	1,334	2,408	1,531	2,135	3,666	3,200	1,727	4,927

As part of its plan to realize operational synergies from the TaraTape acquisition completed in November 2015, the Company set out a plan to close its Fairless Hills, Pennsylvania manufacturing facility and ceased production as of December 31, 2016 (TaraTape Closure). In order to accommodate the related production volume, the Company has leveraged production capacity, and will continue to do so, in both its Carbondale, Illinois and Danville, Virginia manufacturing facilities.

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 being shut down permanently. Losses incurred as a result of the South Carolina Flood include real and personal property damage, business interruption losses (including, but not limited to, lost sales 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. On October 19, 2016, the Company and its insurers reached a settlement for the outstanding property

Table of Contents

and business interruption claims in the amount of \$30.0 million, subject to a \$0.5 million deductible, covering substantially all of the claimed losses. As of December 31, 2016, the Company received a total of \$29.5 million in insurance claim settlement proceeds of which \$5.0 million was recorded in manufacturing facility closures, restructuring and other related charges (presented in the table above under insurance proceeds) in 2015 and \$12.6 million and \$9.8 million were recorded in cost of sales and manufacturing facility closures, restructuring and other related charges, respectively, in 2016. The remaining \$2.1 million is included in accounts payable and accrued liabilities in the consolidated balance sheet as of December 31, 2016 and will be recognized as a benefit to gross profit in the first quarter of 2017.

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). The incremental costs of relocating the Columbia, South Carolina manufacturing facility are included in the table above under Other projects for 2016 and 2015.

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 were 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 set out in the table above under Other projects.

As of December 31, 2016, \$3.7 million is included in provisions (\$3.0 million in 2015) and \$0.5 million in accounts payable and accrued liabilities (\$1.6 million in 2015) for restructuring provisions. See Note 14 for more information on 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 for each of the years in the three-year period ended December 31, 2016:

	2016	2015	2014
	<i>%</i>	<i>%</i>	<i>%</i>
Combined Canadian federal and provincial income tax rate	29.5	29.5	28.5
Foreign earnings/losses taxed at higher income tax rates	6.6	5.8	9.7
Foreign earnings/losses taxed at lower income tax rates	(0.7)	(1.0)	(0.1)
Legal entity reorganization		(0.0)	5.6
Change in statutory rates	0.4	(1.6)	(0.2)
Prior period adjustments	0.0	(3.1)	0.1
Nondeductible expenses	0.7	0.7	1.7
Impact of other differences	(2.7)	(1.1)	(0.0)
Nontaxable dividend	(6.9)	(7.6)	(1.6)
Change in derecognition of deferred tax assets	0.8	(5.4)	(4.7)
Effective income tax rate	27.7	16.2	39.0

Table of Contents

The major components of income tax expense (benefit) are outlined below for each of the years in the three-year period ended December 31, 2016:

	2016	2015	2014
	\$	\$	\$
Current income tax expense	8,757	8,185	3,665
Deferred tax expense (benefit)			
Derecognition (recognition) of US deferred tax assets	175	(113)	114
US temporary differences	10,818	7,794	19,411
Derecognition (recognition) of Canadian deferred tax assets	330	(3,847)	(2,872)
Canadian temporary differences	(352)	(1,095)	2,579
Temporary differences in other jurisdictions	(159)	59	6
Total deferred income tax expense	10,812	2,798	19,238
Total tax expense for the year	19,569	10,983	22,903

The amount of income taxes relating to components of other comprehensive income (loss) for each of the years in the three-year period ended December 31, 2016 are outlined below:

	Amount before income tax \$	Deferred income taxes \$	Amount net of income taxes \$
For the year ended December 31, 2016			
Deferred tax expense on remeasurement of defined benefit liability	267	(66)	201
Deferred tax expense on change in fair value of interest rate swap agreements designated as cash flow hedges	219	(83)	136
	486	(149)	337
For the year ended December 31, 2015			
Deferred tax expense on remeasurement of defined benefit liability	2,550	(964)	1,586
Deferred tax benefit on change in fair value of interest rate swap agreements designated as cash flow hedges	(438)	166	(272)
	2,112	(798)	1,314
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)

Table of Contents

The amount of recognized deferred tax assets and liabilities are outlined below:

	Deferred tax assets \$	Deferred tax liabilities \$	Net \$
As of December 31, 2016			
Tax credits, losses, carryforwards and other tax deductions	15,689		15,689
Property, plant and equipment	18,125	(30,078)	(11,953)
Pension and other post-retirement benefits	11,467		11,467
Stock-based payments	8,749		8,749
Accounts payable and accrued liabilities	6,893		6,893
Goodwill and other intangibles	3,658	(9,885)	(6,227)
Trade and other receivables	353		353
Inventories	2,871		2,871
Other	539	(1,102)	(563)
Deferred tax assets and liabilities	68,344	(41,065)	27,279

Presented in the consolidated balance sheets as:

	December 31, 2016 \$
Deferred tax assets	36,611
Deferred tax liabilities	(9,332)
	27,279

	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

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, 2016, 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 and Canadian operating entities will be realized. Accordingly, the Company continues to recognize the majority of its deferred tax assets in the US and Canadian operating entities. With respect to the deferred tax assets at the Canadian corporate holding entity (the Entity), management determined it is appropriate to maintain the same position for the year ended December 31, 2016 as taken for the year ended December 31, 2015 in that the majority of the Entity's deferred tax assets should continue to be derecognized as of December 31, 2016. The Canadian deferred tax assets remain available to the Company in order to reduce its taxable income in future periods.

Table of Contents

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 was previously derecognized. With respect to the Entity, management determined it appropriate to maintain the same position 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.

Table of Contents

The following tables outline the changes in the deferred tax assets and liabilities 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		173		
Total recognized		(2,798)	(3,590)	(798)		

Table of Contents

	Balance January 1, 2016 \$	Recognized in earnings (with translation adjustments) \$	Recognized in contributed surplus \$	Recognized in other comprehensive income \$	Business acquisitions \$	Balance December 31, 2016 \$
Deferred tax assets						
Tax credits, losses, carryforwards and other tax deductions	20,319	(4,630)				15,689
Property, plant and equipment	16,801	1,324				18,125
Pension and other post-retirement benefits	10,838	707		(78)		11,467
Stock-based payments	6,409	731	1,609			8,749
Accounts payable and accrued liabilities	4,453	2,420			20	6,893
Goodwill and other intangibles	3,464	194				3,658
Trade and other receivables	1,698	(1,345)				353
Inventories	1,682	1,189				2,871
Other	583	39		(83)		539
	66,247	629	1,609	(161)	20	68,344
Deferred tax liabilities						
Property, plant and equipment	(17,851)	(10,791)			(1,436)	(30,078)
Other	(970)	(132)				(1,102)
Goodwill and other intangibles	(2,118)	551			(8,318)	(9,885)
	(20,939)	(10,372)			(9,754)	(41,065)
Deferred tax assets and liabilities	45,308	(9,743)	1,609	(161)	(9,734)	27,279
Impact due to foreign exchange rates		(1,069)		12		
Total recognized		(10,812)	1,609	(149)		

Table of Contents

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, 2016	December 31, 2015
	\$	\$
Tax losses, carryforwards and other tax deductions	22,015	22,002

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

	2016	2015
	\$	\$
2018	633	612
2019	1,191	1,152
2020	526	508
2021	199	192
2022	453	438
2023	224	217
2024	211	204
2025	357	345
2026	273	264
2027	249	241
2028	290	280
2029	231	223
2030	210	203
2031	308	297
2032	185	179
2033	226	219
2034	200	194
2035	533	180
2036	257	
Total tax credits derecognized	6,756	5,948

The following table presents the year of expiration of the Company's operating losses carried forward in Canada as of December 31, 2016:

DTA is recognized		DTA is not recognized	
Federal	Provincial	Federal	Provincial
\$	\$	\$	\$

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

2029			880	880
2030			2,423	2,423
2031	2,792	2,791	1,527	1,527
2032	2,932	2,932		
	5,724	5,723	4,830	4,830

In addition, the Company has (i) state losses of \$118.6 million (with expiration dates ranging from 2018 to 2032) for which a tax benefit of \$3.3 million has been recognized; (ii) state losses of \$77.1 million (with expiration dates ranging from 2017 to 2028) for which a tax benefit of \$2.7 million has not been recognized; and (iii) \$15.0 million of capital loss carryforwards with indefinite lives available to offset future capital gains in Canada for which no tax benefit has been recognized.

Table of Contents**6 - EARNINGS PER SHARE**

The weighted average number of common shares outstanding is as follows for the years ended:

	December 31, 2016	December 31, 2015	December 31, 2014
Basic	58,727,751	59,690,968	60,718,776
Effect of stock options	473,446	808,928	1,214,925
Effect of PSUs	1,168,030	610,737	127,222
Diluted	60,369,227	61,110,633	62,060,923

Additional items included or excluded in the diluted earnings per share calculations for the years ended:

	December 31, 2016	December 31, 2015	December 31, 2014
Stock options that were anti-dilutive and not included in diluted earnings per share calculations			32,500
The effect of PSUs included in diluted earnings per share calculations	892,077	498,040	152,500

7 - INVENTORIES

Inventory is composed of the following for the years ended:

	December 31, 2016	December 31, 2015
	\$	\$
Raw materials	28,099	27,570
Work in process	18,635	18,640
Finished goods	56,736	54,341
	103,470	100,551

The Company recorded impairments of inventories to net realizable value in the Company's consolidated earnings during the years ended December 31, 2016 and 2015 as follows:

	2016	2015
	\$	\$
	1,420	3,724

Recorded in manufacturing facility closures, restructuring and other related charges		
Recorded in cost of sales	2,019	750
	3,439	4,474

There were no reversals of impairments of inventories to net realizable value in the Company's consolidated earnings during the years ended December 31, 2016 and 2015. Refer to Note 12 for information regarding impairments of inventories.

December 31,	December 31,	December 31,
2016	2015	2014
\$		