ABC TECHNOLOGIES
INNOVATION IN PLASTICS & LIGHTWEIGHTING

Interim Condensed Consolidated Financial Statements

ABC Technologies Holdings Inc.

(previously ABC Group Holdings Parent Inc.)
For the three months ended September 30, 2021
(unaudited)

ABC Technologies Holdings Inc. (previously ABC Group Holdings Parent Inc.)

Interim Condensed Consolidated Statement of Financial Position

(Expressed in thousands of United States dollars)

	Notes	September 30, 2021	June 30, 2021
Assets		(unaudited)	
Current assets			
Cash		**$ 10,362**	$ 14,912
Trade and other receivables	*3,14*	**52,843**	76,653
Inventories	*4*	**100,854**	82,170
Prepaid expenses and other		**36,846**	34,472
Total current assets		**200,905**	208,207
Property, plant and equipment		**328,869**	334,775
Right-of-use assets		**150,008**	153,628
Intangible assets		**73,535**	73,346
Deferred income taxes		**7,790**	5,237
Investment in joint ventures		**45,803**	47,412
Derivative financial assets	*14*	**4,914**	10,053
Goodwill		**18,944**	18,944
Other long-term assets		**5,012**	4,027
Total non-current assets		**634,875**	647,422
Total assets		**$ 835,780**	$ 855,629
Liabilities and equity			
Current liabilities			
Trade payables		**$ 89,300**	$ 118,723
Accrued liabilities and other payables		**67,256**	71,339
Provisions	*5*	**17,890**	16,063
Current portion of lease liabilities		**10,370**	10,351
Total current liabilities		**184,816**	216,476
Long-term debt	*6*	**336,837**	280,000
Lease liabilities		**153,747**	156,400
Deferred income taxes		**24,252**	32,673
Derivative financial liabilities	*14*	**1,762**	2,483
Other long-term liabilities		**2,050**	2,393
Total non-current liabilities		**518,648**	473,949
Total liabilities		**703,464**	690,425
Equity			
Capital stock	*7*	**3,107**	2,991
Other reserves	*7*	**1,534**	972
Retained earnings		**123,750**	151,936
Foreign currency translation reserve and other		**(317)**	276
Cash flow hedge reserve, including cost of hedging	*14*	**4,242**	9,029
Total equity		**132,316**	165,204
Total liabilities and equity		**$ 835,780**	$ 855,629

Subsequent events (Note 2.6)

Approved on behalf of the Board of Directors:

(signed)
Todd Sheppelman
Director
President and Chief Executive Officer

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

ABC Technologies Holdings Inc. (previously ABC Group Holdings Parent Inc.)

Interim Condensed Consolidated Statement of Comprehensive Income (Loss)

(Expressed in thousands of United States dollars, except per share figures)

		For the three months ended September 30,	
		2021	**2020**
(Unaudited)	**Notes**		
Sales		**$ 163,415**	$ 258,403
Cost of sales	*8*	**162,410**	209,131
Gross profit		**1,005**	49,272
Selling, general and administrative	*8,9*	**28,281**	29,447
Loss (gain) on disposal and write-down of assets		**(24)**	593
Loss (gain) on derivative financial instruments	*14*	**461**	(918)
Share of loss (income) of joint ventures		**1,574**	(2,712)
Operating income (loss)		**(29,287)**	22,862
Interest expense, net	*10*	**7,366**	9,840
Income (loss) before income tax		**(36,653)**	13,022
Income tax expense (recovery)			
Current		**1,103**	3,445
Deferred		**(9,570)**	256
Total income tax expense (recovery)		**(8,467)**	3,701
Net income (loss)		**$ (28,186)**	$ 9,321
Other comprehensive income (loss)			
Items that may be recycled subsequently to net earnings (loss):			
Foreign currency translation of foreign operations and other		**(593)**	1,024
Cash flow hedges, net of taxes	*14*	**(4,474)**	6,564
Cash flow hedges recycled to net earnings, net of taxes	*14*	**447**	931
Other comprehensive income (loss)		**$ (4,620)**	$ 8,519
Total comprehensive income (loss) for the period		**$ (32,806)**	$ 17,840
Earnings (loss) per share - basic and diluted	*13*	**$ (0.54)**	$ 0.18

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

ABC Technologies Holdings Inc. (previously ABC Group Holdings Parent Inc.)
Interim Condensed Consolidated Statement of Changes in Equity
(Expressed in thousands of United States dollars)

(Unaudited)	Notes	Capital stock	Other reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve[1]	Total
June 30, 2020		**$ 2,991**	**$ —**	**$ 164,286**	**$ (2,323)**	**$ (20,115)**	**$ 144,839**
Net income		—	—	9,321	—	—	9,321
Other comprehensive income:							
Foreign currency translation of foreign operations and other		—	—	—	1,024	—	1,024
Cash flow hedges, net of reclassification to net earnings, net of taxes	*14*	—	—	—	—	7,495	7,495
Cash flow hedges recycled to assets, net of taxes	*14*	—	—	—	—	1,101	1,101
September 30, 2020		**$ 2,991**	**$ —**	**$ 173,607**	**$ (1,299)**	**$ (11,519)**	**$ 163,780**
June 30, 2021		**$ 2,991**	**$ 972**	**$ 151,936**	**$ 276**	**$ 9,029**	**$ 165,204**
Net loss		—	—	(28,186)	—	—	(28,186)
Share-based compensation expense	*7*	—	678	—	—	—	678
Other comprehensive income (loss):							
Foreign currency translation of foreign operations and other		—	—	—	(593)	—	(593)
Cash flow hedges, net of reclassification to net earnings, net of taxes	*14*	—	—	—	—	(4,027)	(4,027)
Cash flow hedges recycled to assets, net of taxes	*14*	—	—	—	—	(760)	(760)
Common shares issued for redemption of restricted share units ("RSUs")		116	(116)	—	—	—	—
September 30, 2021		**$ 3,107**	**$ 1,534**	**$ 123,750**	**$ (317)**	**$ 4,242**	**$ 132,316**

1. Cash flow reserve includes cost of hedging.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

ABC Technologies Holdings Inc. (previously ABC Group Holdings Parent Inc.)

Interim Condensed Consolidated Statement of Cash Flows

(Expressed in thousands of United States dollars)

(Unaudited)	Notes	For the three months ended September 30, 2021	2020
Cash flows from (used in) operating activities			
Net income (loss)		**$ (28,186)**	$ 9,321
Adjustments for:			
Depreciation of property, plant and equipment		**11,967**	11,395
Depreciation of right-of-use assets		**3,626**	3,478
Amortization of intangible assets		**5,186**	4,455
Loss (gain) on disposal and write-down of assets		**(24)**	593
Unrealized loss (gain) on derivative financial instruments	*14*	**417**	(426)
Interest expense	*10*	**7,366**	9,840
Share of loss (income) of joint ventures		**1,574**	(2,712)
Income tax expense (recovery)		**(8,467)**	3,701
Share-based compensation expense	*7,9*	**713**	—
Changes in:			
Trade and other receivables and prepaid expenses and other		**18,199**	(28,706)
Inventories		**(18,909)**	(3,696)
Trade payables, accrued liabilities and other payables, and provisions		**(26,680)**	64,168
Cash generated from (used in) operating activities		**(33,218)**	71,411
Interest received		**129**	47
Income taxes recovered (paid)		**(275)**	6,540
Interest paid on leases		**(3,387)**	(3,643)
Interest paid on long-term debt and other		**(4,896)**	(3,978)
Net cash flows from (used in) operating activities		**(41,647)**	70,377
Cash flows from (used in) investing activities			
Purchases of property, plant and equipment		**(11,015)**	(8,633)
Dividends received from joint ventures		**—**	722
Additions to intangible assets		**(5,375)**	(3,943)
Net cash flows used in investing activities		**(16,390)**	(11,854)
Cash flows from (used in) financing activities			
Change in revolving credit facilities	*6*	**56,837**	(85,000)
Principal payments of lease liabilities		**(2,597)**	(2,047)
Financing costs		**(580)**	(648)
Net cash flows from (used in) financing activities		**53,660**	(87,695)
Net decrease in cash		**(4,377)**	(29,172)
Net foreign exchange difference		**(173)**	121
Cash, beginning of period		**14,912**	74,058
Cash, end of period		**10,362**	45,007

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Corporate information

ABC Technologies Holdings Inc. (previously ABC Group Holdings Parent Inc.) and its subsidiaries (collectively, “ABC” or the “Company”) is a tier one global automotive parts supplier that designs, engineers, manufactures and sells functional and decorative parts, as well as assemblies from injection, blow and polyurethane compression molding processes. The Company also offers interior painting services, and high-quality finish exterior painting through its 50% owned joint ventures. The Company is incorporated and domiciled in Canada. The head office is located at 2 Norelco Drive, Toronto, Ontario, Canada, M9L 2X6. The Company changed its name from ABC Group Holdings Parent Inc. to ABC Technologies Holdings Inc. on January 22, 2021.

2. Basis of preparation

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34 — Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements have been prepared using the same accounting policies and standards as were used for ABC's annual audited consolidated financial statements for the year ended June 30, 2021, except for new standards adopted during the period as described in note 2.7. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended June 30, 2021.

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on November 11, 2021.

2.2 Basis of measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which have been measured at fair value, investment in joint ventures and share-based payments.

2.3. Presentation currency

The interim condensed consolidated financial statements are presented in United States dollars ("USD"), which is the Company’s presentation currency. All financial information has been rounded to the nearest thousand ($000), except per share amounts or when otherwise indicated.

2.4. Use of estimates and judgments

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments used in the preparation of the interim condensed consolidated financial statements are described in the Company’s annual audited consolidated financial statements for the year ended June 30, 2021.

2.5. COVID-19 outbreak

On March 11, 2020, the Coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization. Since then, various extraordinary containment and mitigation measures have been recommended and put in place by public health and governmental authorities across the globe. These measures have caused, and may continue to cause, significant disruption to our business. As a result of the COVID-19 global pandemic, in the middle of March 2020, the Company’s original equipment manufacturer ("OEM") customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January 2020 and February 2020, but resumed in March 2020. The Company, along with the rest of the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations in March 2020 and April 2020. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company’s financial results during the second half of March 2020 and continued into the fourth quarter of fiscal 2020. In May 2020, the Company gradually restarted its manufacturing facilities under extensive safety measures aligned with the ramp-up in demands from OEM customers as they also resumed their operations. More recently, in the quarter ended September 30, 2021, COVID-19 outbreaks have severely impacted the manufacturing of semiconductors, vital components required in vehicle production. This shortage of semiconductors has resulted in frequent shutdowns and production delays by nearly all OEMs and the cascading effect of significantly reduced sales by the Company.

Impacts of COVID-19 and/or its resurgence, including significant worsening of economic conditions or reduction in production volumes, could deteriorate the financial condition of our supply base, our Company or of our customers, which could lead to, among other things: increased credit risk for us; elevated absenteeism or potential shortages of employees to staff our facilities or the facilities of our customers or suppliers; disruptions or shortages in the supply of critical components and materials (including semiconductors and resin) to us or our customers; higher prices for nearly everything as a result of supply constraints; temporary shut-downs or slowdowns of one of our production lines or the production lines of one or more of our customers; prolonged disruptions of critical components, including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; and/or result in governmental regulation adversely impacting our business; all of which could have a material adverse effect on financial condition, and results of operations. In addition, certain events may prevent us from supplying products to our customers or prevent our customers from being supplied with products necessary for production of vehicles for which our products are built, which could result in a range of potential adverse consequences, including business interruption, loss of business and reputational damage. Previous production stoppages related to COVID-19 have resulted in, and new or continuing production stoppages and slowdowns, may in the future result in, supply disruptions and shortages globally. A prolonged supply disruption or supply shortage could have a material adverse effect on our business, financial condition, and results of operations.

The COVID-19 pandemic is an evolving situation and may continue to have widespread adverse implications on our business environment, operations, cash flows and financial position. The extent of the impact will depend on various factors, including the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders or lock-downs due to COVID-19, or any future wave, and the potential for a recession in key markets due to the effect of the pandemic.

2.6. Oaktree acquires a minority share in the Company

On September 13, 2021, funds affiliated with Oaktree Capital Management, L.P. ("Oaktree") and ABC Group Canada LP ("ABC LP"), an affiliate of funds managed by Cerberus Capital Management, L.P. ("Cerberus"), announced that Oaktree has entered into a share purchase agreement with ABC LP to purchase its remaining equity interest in the Company.

Under the terms of the agreement, Oaktree purchased 13,854,412 common shares of the Company from ABC LP at a price of $9.00 Canadian dollars ("CAD") per common share, representing aggregate consideration of approximately CAD $124.7 million.

The transaction between Oaktree and ABC LP closed on November 10, 2021.

2.7. Recently adopted accounting standards and policies

Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Company adopted IBOR reform - Phase 2 - Amendments to IFRS 9, Financial Instruments ("IFRS 9"), IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") and IFRS 7, Financial Instruments: Disclosures ("IFRS 7") (the "Phase 2 amendments") from July 1, 2021.

The Company has applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Company has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

The Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Company applies the following reliefs as and when uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Company amends the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship;

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

While uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, the Company continues to apply the existing accounting policies.

These amendments did not have a material impact on the interim condensed consolidated financial statements.

2.8. Standards issued but not yet effective

The International Accounting Standards Board ("IASB") has issued the following new standards and amendments to existing standards that will become effective in future years:

- Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*, specifying costs an entity should include in determining the "cost of fulfilling" a potential onerous contract. The amendments are effective for annual periods beginning on or after January 1, 2022, and apply to contracts existing at the date when the amendments are first applied.
- Amendments to IFRS 3, *Business Combinations - Updating a Reference to the Conceptual Framework*, updating a reference to the Conceptual Framework. The amendments are effective for annual periods beginning on or after January 1, 2022.
- Amendments to IAS 1, *Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023.
- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates". The amendments are effective for annual periods beginning on or after January 1, 2023.
- Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent*, clarifying requirements for the classification of liabilities as non-current. The amendments are effective for annual periods beginning on or after January 1, 2023.
- Amendments to IAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrowing the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023.

The Company is currently assessing the impact, if any, of these amendments on its consolidated financial statements.

3. Trade and other receivables

	September 30, 2021	**June 30, 2021**
Trade receivables	**$ 45,916**	$ 73,662
Receivables from joint ventures	**6,927**	2,991
Total trade and other receivables	**$ 52,843**	$ 76,653

Refer to note 14 for the aging analysis of trade receivables.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

4. Inventories

	September 30, 2021	June 30, 2021
Raw materials and components	**$ 35,802**	$ 32,053
Finished goods and work in progress	**28,797**	23,735
Tooling	**36,255**	26,382
Total inventories	**$ 100,854**	$ 82,170

5. Provisions

The following table provides a continuity of the provision balances for the three months ended September 30, 2021 and the year ended June 30, 2021:

	Provisions
June 30, 2020	$ 14,539
Additions during the year	20,837
Utilized	(12,287)
Reversals	(7,026)
June 30, 2021	**$ 16,063**
Additions during the period	3,620
Utilized	(568)
Reversals	(1,225)
September 30, 2021	**$ 17,890**

As at September 30, 2021 and June 30, 2021, provisions include estimated amounts owed as a result of modifications to contractual terms of customer contracts, warranties, and onerous contract provisions relating to certain tooling contracts.

6. Long-term debt

	Maturity	September 30, 2021	June 30, 2021
Revolving credit facilities	February 22, 2025	336,837	280,000
Total long-term debt		**$ 336,837**	$ 280,000

On February 22, 2021, immediately after the closing of the initial public offering (the "IPO"), the Company amended its credit agreement with a syndicate of lenders (the "Credit Agreement") to increase the size of Credit Facilities to $450,000, inclusive of two swingline facilities in the aggregate amount of $20,000.

On September 29, 2021, the Company amended its Credit Agreement to provide greater flexibility in the calculation of its Total Net Debt to EBITDA covenant over the next five fiscal quarters due to the conditions caused by the ongoing supply chain challenges driven by COVID-19. The amendment waives the former requirement to maintain a minimum Total Net Debt to EBITDA ratio for the period from July 1, 2021 to March 30, 2022. Furthermore, EBITDA for financial covenant purposes is now excluded for the fiscal quarters ending September 30, 2021 and December 31, 2021, and is to be annualized accordingly for the remaining quarters in relevant periods. The amendment also requires the Company to maintain liquidity of no less than $50,000 until delivery of the compliance certificate for the quarter ending March 31, 2022.

The Company incurred $580 of financing fees related to this amendment during the three months ended September 30, 2021, which has been capitalized as deferred financing costs and is included in other long-term assets.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

At September 30, 2021, the Company had aggregate amounts outstanding under the Credit Facilities of $336,837, maturing February 22, 2025. As at September 30, 2021, the Company had $111,161 available on its Credit Facilities.

Borrowings under the Credit Facilities bear interest at short-term floating rates plus a fixed spread, which varies in accordance with the Company's Total Net Debt to EBITDA Ratio (as defined in the Credit Agreement). The Company has hedged a portion of this interest rate position (refer to note 14). As at September 30, 2021, the average interest rate on the Credit Facilities was 3.35% (June 30, 2021: 3.38%) and $2,002 (June 30, 2021: $863) of letters of credit were issued against the Credit Facilities.

The Credit Facilities require the Company to maintain certain financial covenants and contain other covenants that, subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create security interests, incur additional indebtedness or dispose of all or substantially all of its assets. For the quarter ending September 30, 2021, the requirement to maintain a minimum Total Net Debt to EBITDA was waived as a part of the Credit Agreement amendment on September 29, 2021. As at September 30, 2021, the Company was in compliance with all of its covenants.

The Credit Facilities are collateralized by a security agreement over the property and assets of a majority of the wholly-owned subsidiaries of the Company.

The unamortized deferred financing costs related to the revolving credit facilities are being amortized straight-line over the term of the underlying Credit Agreement.

The following table provides a continuity of the long-term debt balances:

		Long-term debt
June 30, 2020	**$**	**379,200**
Repayment of long-term debt		(305,000)
Increase in deferred financing costs		(648)
Impact of changes in expected cash flow on deferred financing costs[1]		9,035
Amortization of deferred financing costs		2,413
Change in revolving credit facilities		195,000
June 30, 2021	**$**	**280,000**
Change in revolving credit facilities		56,837
September 30, 2021	**$**	**336,837**

1. Includes the write-off of deferred financing costs as a result of amendments made to the Credit Agreement upon IPO. $9,279 of unamortized deferred financing cost related to the former term facility was written off during the year ended June 30, 2021. Additionally, $1,339 of unamortized deferred financing cost related to the former revolving credit facilities previously classified as a non-current asset was also written off during the year ended June 30, 2021.

7. Capital stock

7.1. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without nominal or par value.

As of February 22, 2021, 100,000 of common shares were outstanding. Prior to the IPO closing, the Company effected a stock split on a one-to-525.22392 basis (the "Pre-Closing Capital Change"), such that immediately prior to the IPO, there were 52,522,392 common shares outstanding.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

	Common Shares	
	Number of shares	$
As at June 30, 2020	100,000	$ 2,991
Pre-Closing Capital Change	52,422,392	—
As at June 30, 2021	52,522,392	$ 2,991
Shares issued upon redemption of RSUs	14,030	116
As at September 30, 2021	**52,536,422**	**$ 3,107**

During the three months ended September 30, 2021, 14,030 RSUs were redeemed as share capital for the amount of $116.

7.2. Stock Options and RSUs

Subsequent to the closing of IPO, the Company established the Omnibus Plan to attract, retain and motivate key employees and consultants, align the interest of such individuals with Company's shareholders and encourage ownership of the Company's common shares by such individuals. The total number of common shares that can be issued in the form of awards is 6,040,075.

Stock Options

The number and the timing of the stock options granted to employees is determined by the Board of Directors. The exercise price per share with respect to each stock option is also determined by the Board of Directors but cannot be less than the closing price on the day immediately preceding the day on which the stock option is granted. Stock options vest over a period of three years. Stock options granted under the plan may be exercised during a period not exceeding ten years from the grant date subject to earlier termination due to employment termination, death or disability.

During the year ended June 30, 2021, 1,110,769 options were granted to eligible participants and 16,071 options were forfeited. There were no options exercised, expired, or cancelled.

During the three months ended September 30, 2021, there were no options exercised, cancelled, expired or forfeited. As at September 30, 2021, 1,094,698 options remain outstanding.

Changes in the number of share options with their average exercise price per options are summarized below:

	Options	Weighted Average exercise price (CAD$)
Share options outstanding June 30, 2020	—	—
Granted	1,110,769	10.00
Forfeited	16,071	10.00
Share options outstanding June 30, 2021	1,094,698	$ 10.00
Share options outstanding September 30, 2021	**1,094,698**	**$ 10.00**
Vested share options, September 30, 2021	—	

The Company uses the Black-Scholes-Merton option pricing model to calculate the fair value of options at the date of grant. Following are the weighted-average assumptions used in the model to determine the fair value of the share options granted:

Risk-free interest rate	1.23%
Expected life of options	10 years
Expected dividend yield	1.50%
Expected volatility	35.12%
Share price (USD - $7.87 per option)	CAD $10.00
Exercise price (USD - $7.87 per option)	CAD $10.00

Expected volatility was determined based upon the historical average volatility of comparable public companies. The fair value of the options is recognized as share-based compensation expense over the vesting period. For the three months ended September 30, 2021, share-based compensation expense amounted to $342 (2020: $nil) and was recorded within selling, general and administrative expenses.

Restricted share units ("RSUs")

RSUs are issued by the Board of Directors pursuant to the Omnibus Plan and are equity-settled. RSUs vest over a three year period subject to participants' continued employment. The initial fair value of the RSUs is measured as the number of units granted multiplied by the share price on grant date and is subsequently recognized as share-based compensation expense over the vesting period.

During the year ended June 30, 2021, 617,781 RSUs were granted to eligible participants, 6,805 units were redeemed, and 5,954 units were forfeited. As at June 30, 2021, 605,022 RSUs were outstanding.

During the three months ended September 30, 2021, 23,615 RSUs were forfeited and 14,030 RSUs were redeemed as share capital. As at September 30, 2021, 567,377 RSUs were outstanding. During the three months ended September 30, 2021, the Company recorded an expense of $336 (2020: $nil) related to RSUs as share-based compensation within selling, general and administrative expenses.

7.3. Deferred share units ("DSUs")

Effective February 22, 2021, a directors' deferred share unit plan was adopted by the Board of Directors, allowing non-employee directors to receive a portion of their remuneration in the form of DSUs. The DSUs vest immediately at the time of the grant and are entitled to be paid in cash upon the director's departure from service.

During the year ended June 30, 2021, 124,254 DSUs were granted to non-employee directors under the deferred share unit plan.

During the three months ended September 30, 2021, 17,228 DSUs were granted and 49,190 DSUs were redeemed. As at September 30, 2021, 92,292 DSUs were outstanding. During the three months ended September 30, 2021, the Company recorded an expense of $35 (2020: $nil) related to DSUs as share-based compensation expense within selling, general and administrative expenses.

7.4. Value Creation Plan

The Company has a Value Creation Plan ("VCP") to motivate and retain certain individuals to contribute to the attainment of the long-term performance goals of the Company and ABC LP. Pursuant to the terms of the VCP, eligible participants may be issued units ("Participant Units") to receive certain cash distributions from a designated pool (the "VCP Pool") based on net cash distributions over an established threshold amount. The Participant Units are non-voting and are not convertible into any equity or voting securities. During the three months ended September 30, 2021, no distributions were made from the VCP Pool. As of September 30, 2021, the VCP Pool has a balance of $nil to be paid.

7.5. ABC Group Canada LP Equity Incentive Plan

ABC LP has an equity structure comprised of Class A interests, owned by an investment fund managed by Cerberus Capital Management LP, and Class P interests, held by certain directors and officers of the Company and others. The Class P interests are entitled to receive a proportionate share of distributable profits of ABC LP after the Class A interest holders have received distributions ("ABC LP Equity Incentive Plan"), in aggregate, equal to (a) the capital contributions represented by the Class A interests and (b) 10% per annum compounded rate of return in respect of (a). Although the ABC LP Equity Incentive Plan is considered a group-based payment plan, the Company does not have obligations to either participants or to ABC LP under the plan. Therefore, no amounts related to the ABC LP Plan have been recorded in the Company's interim condensed consolidated financial statements as at September 30, 2021.

8. Government grants

In response to COVID-19 many governments around the world have provided various subsidy programs to assist companies during the pandemic. The Company has received government assistance in regions where such assistance is available and where the Company is eligible for the subsidy programs.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

The Company participates in the Canada Emergency Wage Subsidy ("CEWS") program in Canada, which was announced in March 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. Through the CEWS program, the Company has recovered $nil for the three months ended September 30, 2021 (2020: $5,785), of which $nil remains receivable as at September 30, 2021 (June 2021: $nil). This benefit is recorded in the interim condensed consolidated statement of comprehensive income as a deduction to the related expenses. Of the amount recorded in the three months ended September 30, 2020, $4,786 was applied to cost of sales and the remainder was applied to selling general and administrative expenses.

9. Selling, general and administrative expense

	For the three months ended September 30, 2021	2020
Wages and benefits	**$ 14,179**	$ 11,872
Professional fees	**1,661**	1,732
Depreciation and amortization	**5,909**	5,169
Business transformation related costs	**1,164**	1,983
Information technology	**1,575**	1,165
Foreign exchange loss	**176**	3,557
Travel expense	**279**	120
Freight and duty	**512**	272
Bank and payroll service charges	**328**	232
Transactional, recruitment, and other bonuses	**11**	1,083
Share-based compensation expense	**713**	—
Other	**1,774**	2,262
Total selling, general, and administrative expense	**$ 28,281**	$ 29,447

10. Interest expense

	For the three months ended September 30, 2021	2020
Interest on long-term debt	**$ 3,705**	$ 4,882
Impact of changes in expected cash flow on deferred financing costs	**—**	(338)
Amortization of deferred financing costs	**—**	1,040
Interest on lease liability	**3,387**	3,643
Other	**274**	613
Total interest expense	**$ 7,366**	$ 9,840

11. Segmented information

The Company's sales depend primarily upon light vehicle production in the North American market and the rest of the world. OEM production volumes in each of these regions may be impacted by a number of geographic factors, including general economic conditions, interest rates, consumer credit availability, fuel prices and availability, supply of component parts and assemblies, infrastructure, legislative changes, environmental emission and safety issues, and labour and/or trade relations.

Given the differences between the regions in which the Company operates, the Company's segments are segregated on a geographic basis between North America and Rest of World, which is how the Chief Executive Officer, who is the Company's chief operating decision maker ("CODM"), reviews results to assess performance and make decisions about resource allocation. The Rest of World segment includes operating segments that are not individually reportable. In addition, given that the CODM regularly reviews the operating results and performance of the equity-accounted joint ventures and is responsible for making resource allocation decisions to the joint ventures, the Company has also identified its joint ventures as a segment.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

Beginning in the third quarter of Fiscal 2021, the CODM measures segment performance based on operating income (loss) as shown in the interim condensed consolidated statement of comprehensive income, which is defined as net earnings (loss) before interest and taxes. Presentation of comparative periods has been adjusted to reflect this change. For the joint venture segment, information is presented on a proportionate consolidation basis, as this is the basis upon which the CODM makes strategic decisions.
The following financial information is presented by segment and comes from the interim condensed consolidated financial statements.

For the three months ended September 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 152,925	$ 10,490	$ 25,382	$ 188,797	$ (25,382)	$ 163,415
Inter-segment revenues	2,682	208	1,171	4,061	(4,061)	—
Total revenue	**$ 155,607**	**$ 10,698**	**$ 26,553**	**$ 192,858**	**$ (29,443)**	**$ 163,415**
Capital additions	$ 6,453	$ 485	$ 2,341	$ 9,279	$ (2,341)	$ 6,938
Operating income (loss)	(25,780)	(1,933)	(1,652)	(29,365)	78	(29,287)

As at September 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 787,044	$ 43,649	$ 91,105	$ 921,798	$ (86,018)	$ 835,780
Total liabilities	694,972	49,208	45,302	789,482	(86,018)	703,464

1. The joint venture segment is presented on a 50% basis, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. For the three months ended September 30, 2021, external customer revenues include tooling revenues of $3,223 for the Company, excluding the joint ventures.

For the three months ended September 30, 2020	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	245,880	12,523	32,916	291,319	(32,916)	258,403
Inter-segment revenues	3,031	217	1,541	4,789	(4,789)	—
Total revenue	**$ 248,911**	**$ 12,740**	**$ 34,457**	**$ 296,108**	**$ (37,705)**	**$ 258,403**
Capital additions	$ 6,076	$ 119	$ 2,427	$ 8,622	$ (2,427)	$ 6,195
Operating income (loss)	20,814	(664)	3,229	23,379	(517)	22,862

As at June 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 797,298	$ 46,729	$ 93,727	$ 937,754	$ (82,125)	$ 855,629
Total liabilities	675,584	50,651	46,315	772,550	(82,125)	690,425

1. The joint venture segment is presented on a 50% basis, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. For the three months ended September 30, 2020, external customer revenues include tooling revenues of $12,602 for the Company, excluding the joint ventures.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

The Company operates in the following main geographical areas:

Revenue[1] for the three months ended	Canada	United States	Mexico	Rest of World	Consolidated
September 30, 2021	$ 45,439	$ 65,040	$ 42,446	$ 10,490	$ 163,415
September 30, 2020	69,776	100,015	76,089	12,523	258,403

Non-current assets[2] as at	Canada	United States	Mexico	Rest of World	Consolidated
September 30, 2021	$ 230,761	$ 177,683	$ 134,024	$ 28,888	$ 571,356
June 30, 2021	233,404	181,881	135,112	30,296	580,693

1. Revenue is allocated based on the country in which the order is received.
2. Non-current assets include property, plant, and equipment, right-of-use assets, intangible assets, and goodwill.

12. Related party transactions

12.1. Joint Ventures

The following table provides the total amount of transactions that have been entered into with the joint ventures:

	For the three months ended September 30, 2021		As at September 30, 2021	
	Purchases from JVs	Sales to JVs	Trade payables to JVs	Trade receivables from JVs
Joint venture in which the Company is a venturer:				
ABC INOAC Exterior Systems Inc.	$ 497	$ 2,832	$ 1,129	$ 3,156
ABC INOAC Exterior Systems, LLC	—	2,527	15	3,593
ABCOR Filters	1,844	4	825	73
INOAC Huaxiang	—	53	—	105

	For the three months ended September 30, 2020		As at June 30, 2021	
	Purchases from JVs	Sales to JVs	Trade payables to JVs	Trade receivables from JVs
Joint venture in which the Company is a venturer:				
ABC INOAC Exterior Systems Inc.	$ 1,161	$ 5,361	$ 1,019	$ 1,833
ABC INOAC Exterior Systems, LLC	—	911	84	996
ABCOR Filters	1,921	6	1,114	107
INOAC Huaxiang	—	34	—	55

Receivables from joint ventures are non-interest bearing and are normally settled in 30–90 day terms.

During the three months ended September 30, 2021, the Company received dividends from its joint ventures in the amount of $nil (2020: $722).

12.2. Cerberus Operations and Advisory LLC

Cerberus Operations and Advisory LLC, a company under common control with ABC up to June 23, 2021, and some of ABC's current and former directors provided consulting services to the Company during the period within their capacity as a director. An amount of $nil (2020: $174) for the three months ended September 30, 2021 was charged to profit or loss related to these services. As at September 30, 2021, an amount due to related parties of $nil (June 30, 2021: $nil) was included in trade payables and accrued liabilities and other payables.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

13. Earnings (loss) per share

Basic and diluted earnings (loss) per share are calculated by dividing the net earnings (loss) attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	For the three months ended September 30, 2021	2020
Net income (loss)	**$ (28,186)**	$ 9,321
Weighted average number of ordinary shares[1,2]	**52,536,422**	52,522,392
Shares deemed to be issued in respect to options[3]	**—**	—
Shares deemed to be issued in respect to RSUs[3]	**—**	—
Weighted average number of shares used in diluted earnings (loss) per share	**52,536,422**	52,522,392
Earnings (loss) per share - basic and diluted	**$ (0.54)**	$ 0.18

1. As of February 22, 2021, 100,000 of common shares were outstanding. Prior to the IPO closing, there was a stock split on a one-to-525.22392 basis, such that immediately prior to the IPO, there were 52,522,392 common shares outstanding.
2. Weighted average number of ordinary shares for the three months ended September 30, 2020 has been adjusted for stock split completed in conjunction with the Pre-Closing Capital Change implemented as part of the IPO.
3. As at September 30, 2021, the impact of the options and RSUs outstanding were not considered in the calculation as they were anti-dilutive.

14. Financial instruments

14.1 Financial assets

Cash and trade and other receivables are non-derivative financial assets carried at amortized cost. The fair value may be affected by changes in the credit risk of the counterparties.

14.2 Fair values

Management assessed that the fair values of cash, trade and other receivables, trade payables, and other payables approximate their carrying values largely due to the short-term maturities of these instruments.

The Company measures its derivative financial instruments at fair value. The following table provides the fair value, determined as at September 30, 2021 and June 30, 2021, and fair value measurement hierarchy of these derivative financial instruments as defined in the Company's annual consolidated financial statements:

	September 30, 2021	June 30, 2021	Fair value hierarchy
Derivative assets (liabilities)			
Derivatives designated as cash flow hedging instruments:			
Interest rate swaps – USD LIBOR	**$ (4,748)**	$ (5,455)	Level 2
Foreign exchange forward contracts – Canadian Dollar ("CAD")	**5,834**	11,485	Level 2
Foreign exchange forward contracts and collars – Mexican Peso ("MXN")	**2,311**	4,092	Level 2
Total derivative assets (liabilities), net	**$ 3,397**	$ 10,122	
Total current[1]	**$ 245**	$ 2,552	
Total non-current	**$ 3,152**	$ 7,570	

1. Current derivative assets are included in prepaid expenses and other. Current derivative liabilities are included in accrued liabilities and other payables.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

The Company enters into derivative financial instruments with large Canadian financial institutions that have investment grade credit ratings. Interest rate swaps, foreign exchange forward contracts and collars are valued using techniques that employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves. Changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and the fair value recognized on derivative financial instruments.

14.3 Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise long-term debt, trade payables, and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash that derive directly from its operations. The Company also enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management manages the financial risks and develops the appropriate financial risk governance framework for the Company. The Company's senior management reports to the Board of Directors that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by a specialist team that has the appropriate skills and experience, under the supervision of senior management with final approval from the Board of Directors. It is the Company's policy that it does not trade in derivatives for speculative purposes.

The policies for managing each of these risks are summarized below:

14.3.1 Hedging activities and derivatives

Foreign currency contracts

The Company uses revenue denominated in foreign currency and foreign exchange forward contracts and collars to manage some of its exposure on foreign currency denominated transactions. The foreign exchange forward contracts and collars are entered into for periods consistent with foreign currency exposure of the underlying transactions. The Company applies a hedge ratio of 1:1.

The notional amounts and maturities of the derivative financial instruments as at September 30, 2021 are detailed below.

	Maturity			
	Less than 3 months	**3–12 months**	**1–5 years**	**Total**
Designated as hedging instruments:				
Foreign currency forwards				
CAD	$ 16,205	$ 79,318	$ 119,077	**$ 214,600**
Average USD-CAD exchange rate	1.28	1.29	1.32	
Foreign currency forwards				
MXN	$ 5,511	$ 16,334	$ 24,181	**$ 46,026**
Average USD-MXN exchange rate	22.55	22.84	23.39	

The Company designates certain of its USD-CAD foreign currency forwards as cash flow hedges. During the period ended September 30, 2021, these hedges were assessed to be effective. The Company recorded the following gains and losses relating to these hedges:

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

	For the three months ended September 30, 2021	2020
Unrealized gain (loss) in OCI	**$ (4,814)**	$ 5,246
Realized gain recognized in profit or loss	**465**	—
Gain (loss) recycled from OCI to profit or loss	**246**	(681)
Gain (loss) recycled from OCI to inventories	**310**	(1,018)

The Company designates certain of its USD-MXN foreign currency forwards and collars as cash flow hedges. During the period ended September 30, 2021, these hedges were assessed to be effective. The Company recorded the following gains and losses relating to these hedges:

	For the three months ended September 30, 2021	2020
Unrealized gain (loss) in OCI	**$ (1,027)**	$ 3,392
Realized gain recognized in profit or loss	**667**	30
Gain recycled from OCI to profit or loss	**—**	244
Gain (loss) recycled from OCI to inventories	**703**	(450)

Interest rate swaps

The Company uses interest rate swaps to hedge some of its exposure to floating interest rates. To maximize hedge effectiveness, the Company's only hedges the risk in respect of benchmark interest rates and the credit risk spread on the hedged item is excluded. The Company applies a hedge ratio of 1:1.

At September 30, 2021, the Company had interest rate swap agreements with a total notional amount of $225,000 (June 30, 2021: $225,000) whereby the Company pays a weighted average fixed interest rate of 1.56% (June 30, 2021: 1.56%) and receives interest at a floating rate equal to 1-month USD LIBOR on the total notional amount. The interest rate swap agreements mature in May 2023.

The Company's interest rate swaps were designated as cash flow hedges and assessed to be effective. The following gains or losses were recorded in the Company's interim condensed consolidated financial statements related to these swaps:

	For the three months ended September 30, 2021	2020
Unrealized gain (loss) in OCI	**$ (123)**	$ 113
Loss recycled from OCI to profit or loss	**(842)**	(805)

14.3.2 Other risks

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or an asset will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as commodity risk. Financial instruments and assets affected by market risk include cash, trade and other receivables, inventories, trade payables, accrued liabilities and other payables, long-term debt, and derivative financial instruments.

The sensitivity analyses in the following sections relate to the financial position as at September 30, 2021 and June 30, 2021.

Interest rate risk and sensitivity

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligation with floating interest rates. The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

The Company manages its interest rate risk by having a balanced portfolio of fixed and floating rate loans and borrowings. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. At September 30, 2021, after taking into account the effect of interest rate swaps, approximately 67% (June 30, 2021: 80%) of the Company's borrowings were at a fixed rate of interest.

With all other variables held constant, an increase in interest rate of 50 basis points would have a negative impact on pre-tax earnings of $94 for the three months ended September 30, 2021 on a hedged basis (2020: $158).

Foreign currency risk and sensitivity

ABC's functional currency is the USD. The Company also has transactions denominated in CAD and MXN because it sells into the Canadian and Mexican markets and purchases goods and services from Canada and Mexico. To a lesser extent the Company has transactions denominated in Brazilian real, euros, Japanese yen and Chinese renminbi. As a result, changes in those currencies to USD exchange rates can impact ABC's business and results of operations, and result in foreign currency gains or losses.

The Company manages its foreign currency risk by using foreign currency derivatives to cover forecast purchase transactions that are expected to occur. When a foreign currency derivative is entered into for this purpose, the Company ensures the terms of the foreign currency derivative closely match the maturity dates of the hedged exposure.

Excluding the impact of hedge accounting, a 5% strengthening of the CAD against the USD would have decreased earnings before income tax by approximately $0.5 million for the three months ended September 30, 2021 (2020: $0.8 million). A 5% strengthening of the MXN against the USD would have decreased earnings before income tax by approximately $0.7 million for the three months ended September 30, 2021 (2020: $0.5 million). A weakening would have had the equal but opposite effect, on the basis that all other variables remain constant. The Company's exposure to foreign currency changes for all other currencies is not material.

Commodity price risk and sensitivity

The Company's Board of Directors has developed and enacted a risk management strategy for commodity price risk and its mitigation. The Company's operations require the ongoing purchase and manufacture of resin and are affected by the price volatility of resin and its inputs.

A 5% increase in the price of resin (all other variables held constant) would have a negative impact on pre-tax earnings of $1,986 for the three months ended September 30, 2021 (2020: $2,005), and vice versa.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables), from its deposits with banks and financial institutions and derivative financial instruments.

Trade receivables

Customer credit risk is subject to the Company's established policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored for collectability.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

The aging analysis of trade receivables, based on days past due, is as follows:

	Total	Current and <30 days	30–60 days	61–90 days	>90 days
As at September 30, 2021	**$ 52,843**	**$ 52,075**	**$ 356**	**$ 191**	**$ 221**
As at June 30, 2021	76,653	75,659	709	173	112

An impairment analysis is performed at each reporting date on an individual basis for each customer. The calculation is based on actual incurred historical data and forward-looking information available. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company is exposed to concentration of risk with respect to trade receivables. As at September 30, 2021, the Company's three largest customers accounted for 11.5%, 9.8% and 1.6%, respectively, of all receivables owing (June 30, 2021: 30.1%, 5.9% and 2.0%, respectively).

Deposits with banks and financial institutions

Cash and derivative financial instruments are primarily held with large financial institutions with investment-grade credit ratings. The Company's maximum exposure to credit risk for deposits with banks and financial institutions and derivative financial instruments is their carrying amounts.

Liquidity risk

The Company is exposed to liquidity risk related to its ability to fund its operating expenses, working capital and capital expenditures, including its obligations as they become due. The Company has access to cash and the Credit Facilities and has the ability to sell a portion of its receivables. The Company monitors its cash balances daily. The Company's objective is to ensure that sufficient liquidity is on hand to fund its operations, including its obligations as they fall due, while minimizing interest expense.

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified product portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Master netting and similar agreements

The Company enters into derivative transactions under International Swap and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the interim condensed consolidated statement of financial position. This is because the Company does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as a default or other credit events.

(Expressed in thousands of United States dollars, except per share figures or when otherwise indicated) (unaudited)

The carrying amounts of recognized financial instruments that are subject to the above agreements have been measured in the interim condensed consolidated statement of financial position at fair value, as follows:

September 30, 2021	**Current assets**	**Non-current assets**	**Current liabilities**	**Long-term liabilities**
Interest rate swaps – USD LIBOR	$ —	$ —	$ 2,994	$ 1,754
Foreign exchange forward contracts and collars – MXN	1,628	683	—	—
Foreign exchange forward contracts – CAD	1,611	4,231	—	8

June 30, 2021	**Current assets**	**Non-current assets**	**Current liabilities**	**Long-term liabilities**
Interest rate swaps – USD LIBOR	$ —	$ —	$ 2,972	$ 2,483
Foreign exchange forward contracts and collars – MXN	2,399	1,693	—	—
Foreign exchange forward contracts – CAD	3,125	8,360	—	—

14.3.3 Capital management

The Company's objectives in managing capital are to ensure sufficient liquidity is available to meet the Company's operational needs, to ensure compliance with covenants related to its Credit Facilities, and to minimize finance costs while taking into consideration current and future industry, market, and economic risks and conditions.

Management monitors forecast cash flows, capital expenditures, debt repayment and key credit metrics on an ongoing basis to manage its capital. The Company defines capital that it manages as the aggregate of its equity and long-term debt. In order to maintain a flexible capital structure, the Company, upon approval from its Board of Directors, may issue, repay, or modify long-term debt, issue shares, repurchase shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

The Company is subject to certain covenants on its Credit Facilities. Refer to note 6 for discussion on covenants as at September 30, 2021.