Interim Condensed Consolidated Financial Statements

ABC Group Holdings Parent Inc.

For the three and six months ended December 31, 2019

(unaudited)

ABC Group Holdings Parent Inc.

Interim Condensed Consolidated Statements of Financial Position

(Expressed in thousands of United States dollars)

	Notes	December 31, 2019	June 30, 2019
Assets		(Unaudited)	
Current assets			
Cash		**$ 40,686**	$ 64,594
Trade and other receivables	*4, 18*	**75,680**	101,828
Inventories	*5*	**76,736**	79,146
Prepaid expenses and other		**15,045**	13,592
Total current assets		**208,147**	259,160
Property, plant and equipment	*6*	**343,812**	327,116
Right-of-use assets	*7*	**158,019**	—
Intangible assets	*8*	**69,947**	66,683
Deferred income taxes		**1,742**	1,161
Investment in joint ventures		**51,184**	46,635
Derivative financial assets	*18*	**4,797**	2,850
Goodwill	*8*	**18,944**	18,944
Deferred financing costs for revolving credit facility		**1,801**	2,065
Other long-term assets		**4,855**	—
Total non-current assets		**655,101**	465,454
Total assets		**$ 863,248**	$ 724,614
Liabilities and equity			
Current liabilities			
Trade payables		**$ 97,116**	$ 125,610
Accrued liabilities and other payables		**56,278**	65,442
Provisions	*9*	**15,076**	13,019
Current portion of lease liabilities	*11*	**8,165**	—
Current portion of long-term debt	*10*	**7,141**	—
Total current liabilities		**183,776**	204,071
Long-term debt	*10*	**285,165**	296,632
Lease liabilities	*11*	**154,362**	—
Deferred income taxes		**23,942**	29,740
Derivative financial liabilities	*18*	**3,804**	4,487
Other long-term liabilities		**1,918**	—
Total non-current liabilities		**469,191**	330,859
Total liabilities		**652,967**	534,930
Equity			
Capital stock	*12*	**2,991**	2,991
Retained earnings		**208,357**	190,406
Foreign currency translation reserve		**(1,873)**	(732)
Cash flow hedge reserve, including cost of hedging	*18*	**806**	(2,981)
Total equity		**210,281**	189,684
Total liabilities and equity		**$ 863,248**	$ 724,614

Subsequent event (*note 19*)

Approved on behalf of the Board of Directors:
Dev B. Kapadia
Director

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

ABC Group Holdings Parent Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

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

		For the three months ended December 31,		For the six months ended December 31,	
		2019	2018	2019	2018
(Unaudited)	Notes				
Sales		$ 250,035	$ 249,599	$ 501,551	$ 488,144
Cost of sales		209,480	200,057	426,536	402,392
Gross profit		40,555	49,542	75,015	85,752
Selling, general and administrative	*13*	25,309	21,663	48,358	46,491
Gain on disposal of Polybottle Group	*3*	—	(14,980)	—	(14,980)
Loss (gain) on disposal of property, plant and equipment		277	(27)	553	(389)
Loss (gain) on derivative financial instruments	*18*	(18)	207	36	(2)
Share of income of joint ventures		(4,828)	(2,139)	(7,249)	(3,569)
Operating income		19,815	44,818	33,317	58,201
Interest expense (net)	*14*	9,612	4,234	12,543	8,607
Earnings before income tax		10,203	40,584	20,774	49,594
Income tax expense (recovery)					
Current		3,971	6,542	9,404	12,718
Deferred		(3,776)	303	(6,581)	(1,944)
Total income tax expense		195	6,845	2,823	10,774
Net earnings		$ 10,008	$ 33,739	$ 17,951	$ 38,820
Other comprehensive income (loss)					
Items that may be recycled subsequently to net earnings:					
Foreign currency translation of foreign operations		(1,375)	218	(1,141)	789
Cash flow hedges, net of taxes	*18*	7,308	(17,851)	3,438	(10,680)
Cash flow hedges recycled to net earnings, net of taxes	*18*	138	(316)	(152)	(692)
Other comprehensive income (loss)		$ 6,071	$ (17,949)	$ 2,145	$ (10,583)
Total comprehensive income for the period		$ 16,079	$ 15,790	$ 20,096	$ 28,237
Earnings per share - basic and diluted	*17*	$ 100.08	$ 337.39	$ 179.51	$ 388.20

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

ABC Group Holdings Parent Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(Expressed in thousands of United States dollars)

(Unaudited)	Notes	Capital stock	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve[1]	Total
Balance, June 30, 2018		**$ 2,991**	**$ 125,250**	**$ (1,116)**	**$ (1,840)**	**$ 125,285**
Net earnings		—	38,820	—	—	38,820
Other comprehensive income (loss):						
Foreign currency translation of foreign operations		—	—	789	—	789
Cash flow hedges, net of reclassification to net earnings, net of taxes	*18*	—	—	—	(11,372)	(11,372)
Total comprehensive income (loss)		**$ —**	**$ 38,820**	**$ 789**	**$ (11,372)**	**$ 28,237**
Cash flow hedges recycled to assets, net of taxes	*18*	—	—	—	313	313
Balance, December 31, 2018		**$ 2,991**	**$ 164,070**	**$ (327)**	**$ (12,899)**	**$ 153,835**
Balance, June 30, 2019		**$ 2,991**	**$ 190,406**	**$ (732)**	**$ (2,981)**	**$ 189,684**
Net earnings		—	17,951	—	—	17,951
Other comprehensive income (loss):						
Foreign currency translation of foreign operations		—	—	(1,141)	—	(1,141)
Cash flow hedges, net of reclassification to net earnings, net of taxes	*18*	—	—	—	3,286	3,286
Total comprehensive income (loss)		**$ —**	**$ 17,951**	**$ (1,141)**	**$ 3,286**	**$ 20,096**
Cash flow hedges recycled to assets, net of taxes	*18*	—	—	—	501	501
Balance, December 31, 2019		**$ 2,991**	**$ 208,357**	**$ (1,873)**	**$ 806**	**$ 210,281**

1. Cash flow hedge reserve includes cost of hedging.

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

ABC Group Holdings Parent Inc.
Interim Condensed Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)

(Unaudited)	Notes	For the three months ended December 31, 2019	For the three months ended December 31, 2018	For the six months ended December 31, 2019	For the six months ended December 31, 2018
Cash flows from (used in) operating activities					
Net earnings		**$ 10,008**	$ 33,739	**$ 17,951**	$ 38,820
Adjustments for:					
Depreciation of property, plant and equipment	*6*	**9,519**	8,192	**19,291**	16,368
Amortization of intangible assets	*8*	**2,396**	1,470	**4,779**	3,211
Depreciation of right-of-use assets	*7*	**3,322**	—	**6,593**	—
Loss (gain) on disposal of property, plant and equipment		**277**	(27)	**553**	(389)
Unrealized loss on derivative financial instruments	*18*	**540**	709	**1,159**	1,008
Interest expense	*14*	**9,612**	4,234	**12,543**	8,607
Share of (income) of joint ventures		**(4,828)**	(2,139)	**(7,249)**	(3,569)
Income tax expense		**195**	6,845	**2,823**	10,774
Gain on disposal of Polybottle Group	*3*	**—**	(14,980)	**—**	(14,980)
Reversal of non-tooling onerous contract provision	*9*	**—**	(8,606)	**—**	(8,606)
Changes in:					
Trade and other receivables and prepaid expenses and other		**20,037**	39,121	**18,740**	46,167
Inventories		**23,422**	(3,063)	**2,237**	(23,908)
Trade payables, accrued liabilities and other payables, and provisions		**(37,246)**	(27,819)	**(24,210)**	(15,120)
Cash generated from operating activities		**37,254**	37,676	**55,210**	58,383
Interest received		**333**	227	**691**	618
Income taxes paid		**(1,035)**	(1,748)	**(2,805)**	(3,710)
Interest paid on leases		**(3,674)**	—	**(7,360)**	—
Interest paid on long-term debt and other		**(3,870)**	(4,661)	**(7,069)**	(9,309)
Net cash flows from operating activities		**29,008**	31,494	**38,667**	45,982
Cash flows from (used in) investing activities					
Purchases of property, plant and equipment		**(16,342)**	(15,094)	**(48,409)**	(32,303)
Proceeds from disposal of Polybottle Group, net of transaction costs	*3*	**—**	22,731	**—**	22,731
Payment of acquisition-related payable		**(5,455)**	—	**(5,455)**	—
Dividends received from joint ventures		**36**	2,500	**2,854**	2,500
Proceeds from disposals of property, plant and equipment		**—**	142	**—**	1,124
Additions to intangible assets		**(4,226)**	(5,014)	**(8,043)**	(10,677)
Net cash flows from (used in) investing activities		**(25,987)**	5,265	**(59,053)**	(16,625)
Cash flows used in financing activities					
Principal payments of lease liabilities		**(1,928)**	—	**(3,432)**	—
Net cash flows used in financing activities		**(1,928)**	—	**(3,432)**	—
Net increase (decrease) in cash		**1,093**	36,759	**(23,818)**	29,357
Net foreign exchange difference		**201**	(218)	**(90)**	(44)
Cash, beginning of period		**39,392**	29,557	**64,594**	36,785
Cash, end of period		**$ 40,686**	$ 66,098	**$ 40,686**	$ 66,098

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

1. Corporate information

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 is incorporated and domiciled in Canada. The registered office is located at 2 Norelco Drive, Toronto, Ontario, Canada, M9L 2X6.

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, 2019, except for new standards adopted during the period as described in note 2.5. 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, 2019.

2.2. Basis of measurement

The interim condensed consolidated financial statements have been measured on a historical cost basis, except as detailed in the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended June 30, 2019.

2.3. Presentation currency

The interim condensed consolidated financial statements are presented in United States dollars, 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, assumptions 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 judgment 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, 2019, as well as below.

In connection with the adoption of IFRS 16 (note 2.5) effective July 1, 2019, the Company was required to measure the present value of lease liabilities using its weighted-average incremental borrowing rate. The estimation of weighted-average incremental borrowing rate is an inherently complex process and involves the exercise of professional judgment. Changes to the estimates and assumptions used to derive the weighted-average incremental borrowing rate could materially affect the balance of lease liabilities, right-of-use assets, depreciation of right-of-use assets, and interest expense.

2.5. Recently adopted accounting standards and policies

IFRS 16 - Leases

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases ("IAS 17") and IFRIC 4, Determining Whether an Arrangement Contains a Lease ("IFRIC 4"). The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases.

On July 1, 2019, the Company adopted IFRS 16 under the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which arrangements are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine if there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after July 1, 2019.

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

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. The Company decided to apply recognition exemptions to short-term leases and low value leases.

Upon initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted at 9.09%, which was the Company’s weighted-average incremental borrowing rate as at July 1, 2019.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use assets and the lease liabilities at July 1, 2019 are determined as the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

On adoption of IFRS 16, the Company recognized $162,191 of right-of-use assets and $163,495 of lease liabilities. The difference between right-of-use assets and lease liabilities relates to deferred rent expense from existing leases on transition.

The following table reconciles the Company's operating lease commitments as at June 30, 2019 to the lease obligation recognized upon initial adoption of IFRS 16 on July 1, 2019.

		July 1, 2019
Operating lease commitment at June 30, 2019	$	301,291
Recognition exemption for:		
Short-term leases and low value assets		(985)
Lease commitment to be capitalized	**$**	**300,306**
Discounted using the incremental borrowing rate at July 1, 2019		9.09%
Lease liabilities recognized at July 1, 2019	**$**	**163,495**

New Lease Accounting Policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after July 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets outside of property, plant and equipment in its own category and lease liabilities as a separate category in the interim condensed consolidated statement of financial position.

Short-term leases and leases of low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases with a term of 12 months or less and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.6. Standards issued but not yet effective

Amendments to hedge accounting requirements - phase 1

In September 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, as well as the related standard on disclosures, IFRS 7 Financial Instruments: Disclosures in relation to Phase 1 of interbank offered rates ("IBOR") reform and its effects on financial reporting project. The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform in the following areas:

- the 'highly probable' requirement;
- prospective assessments;
- retrospective assessments; and,
- eligibility of risk components.

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

3. Disposal of Polybottle Group

On November 1, 2018, the Company completed a transaction to sell all of its shares in its packaging manufacturing facilities ("Polybottle Group") included as part of its North American segment, for $22,731, including working capital adjustments. During the three and six months ended December 31, 2018, the Company realized a gain of $14,980 from this transaction.

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

4. Trade and other receivables

	Notes		December 31, 2019		June 30, 2019
Trade receivables		**$**	**73,579**	$	99,646
Receivables from joint ventures	*16*		**2,101**		2,182
Total trade and other receivables		**$**	**75,680**	$	101,828

5. Inventories

		December 31, 2019		June 30, 2019
Raw materials and components	**$**	**32,076**	$	32,883
Finished goods and work in progress		**23,831**		20,601
Tooling		**20,829**		25,662
Total inventories	**$**	**76,736**	$	79,146

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

6. Property, plant and equipment

	Land and Building	Machinery and equipment	Construction in Progress	Production tooling	Returnable containers	Leasehold improvements	Total
Cost							
As at June 30, 2018	$ 8,112	$ 267,605	$ 35,609	$ 13,109	$ 5,542	$ 3,476	$ 333,453
Additions / transfers	231	60,365	15,882	7,961	1,369	2,735	88,543
Disposals	(612)	(4,825)	—	(2,790)	—	(517)	(8,744)
Foreign exchange	(86)	(385)	(141)	(16)	(2)	(9)	(639)
As at June 30, 2019	**$ 7,645**	**$ 322,760**	**$ 51,350**	**$ 18,264**	**$ 6,909**	**$ 5,685**	**$ 412,613**
Additions	220	1,052	35,820	431	7	230	37,760
Transfers	70	24,698	(28,507)	3,129	255	355	—
Disposals	—	(1,396)	—	—	(13)	—	(1,409)
Foreign exchange	(87)	(1,276)	(97)	(10)	(5)	—	(1,475)
As at December 31, 2019	**$ 7,848**	**$ 345,838**	**$ 58,566**	**$ 21,814**	**$ 7,153**	**$ 6,270**	**$ 447,489**
Accumulated depreciation							
As at June 30, 2018	$ 317	$ 46,838	$ —	$ 6,456	$ 2,870	$ 176	$ 56,657
Depreciation	234	28,443	—	3,111	1,111	280	33,179
Disposals	(1)	(1,376)	—	(2,732)	—	(11)	(4,120)
Foreign exchange	(9)	(196)	—	(9)	(5)	—	(219)
As at June 30, 2019	**$ 541**	**$ 73,709**	$ —	**$ 6,826**	**$ 3,976**	**$ 445**	**$ 85,497**
Depreciation	111	17,021	—	1,337	604	218	19,291
Disposals	—	(849)	—	—	(7)	—	(856)
Foreign exchange	(11)	(230)	—	(8)	(7)	1	(255)
As at December 31, 2019	**$ 641**	**$ 89,651**	$ —	**$ 8,155**	**$ 4,566**	**$ 664**	**$ 103,677**
Net book value							
As at December 31, 2019	**$ 7,207**	**$ 256,187**	**$ 58,566**	**$ 13,659**	**$ 2,587**	**$ 5,606**	**$ 343,812**
As at June 30, 2019	$ 7,104	$ 249,051	$ 51,350	$ 11,438	$ 2,933	$ 5,240	$ 327,116

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

7. Right-of-use assets

	Land and Building	Machinery and equipment	Total
Cost			
As at June 30, 2019	$ —	$ —	$ —
Initial recognition on transition to IFRS 16	161,277	914	162,191
Additions	699	1,762	2,461
Exchange differences	(42)	(6)	(48)
As at December 31, 2019	**$ 161,934**	**$ 2,670**	**$ 164,604**
Accumulated depreciation			
As at June 30, 2019	$ —	$ —	$ —
Depreciation	6,242	351	6,593
Exchange differences	(6)	(2)	(8)
As at December 31, 2019	**$ 6,236**	**$ 349**	**$ 6,585**
Net book value			
As at December 31, 2019	**$ 155,698**	**$ 2,321**	**$ 158,019**
As at June 30, 2019	$ —	$ —	$ —

8. Intangible assets and goodwill

	Customer contracts	Customer relationships	Development intangibles	Total Intangible Assets	Goodwill
Cost					
As at June 30, 2018	$ 24,795	$ 14,495	$ 34,363	$ 73,653	$ 18,944
Additions	—	—	15,865	15,865	—
As at June 30, 2019	**$ 24,795**	**$ 14,495**	**$ 50,228**	**$ 89,518**	**$ 18,944**
Additions	—	—	8,043	8,043	—
As at December 31, 2019	**$ 24,795**	**$ 14,495**	**$ 58,271**	**$ 97,561**	**$ 18,944**
Accumulated amortization					
As at June 30, 2018	$ 7,084	$ 2,230	$ 5,330	$ 14,644	$ —
Amortization	3,542	1,115	3,534	8,191	—
As at June 30, 2019	**$ 10,626**	**$ 3,345**	**$ 8,864**	**$ 22,835**	**$ —**
Amortization	1,771	558	2,450	4,779	—
As at December 31, 2019	**$ 12,397**	**$ 3,903**	**$ 11,314**	**$ 27,614**	**$ —**
Net book value					
As at December 31, 2019	**$ 12,398**	**$ 10,592**	**$ 46,957**	**$ 69,947**	**$ 18,944**
As at June 30, 2019	$ 14,169	$ 11,150	$ 41,364	$ 66,683	$ 18,944

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

9. Provisions

The following table provides a continuity of the provision balances for the six months ended December 31, 2019 and the year ended June 30, 2019:

	Onerous contracts	Other provisions	Total
As at June 30, 2018	$ 9,994	$ 14,793	$ 24,787
Additions during the year	1,459	17,295	18,754
Utilized	(272)	(11,522)	(11,794)
Reversals	(10,581)	(8,188)	(18,769)
Accretion expense	41	—	41
As at June 30, 2019	**$ 641**	**$ 12,378**	**$ 13,019**
Additions during the period	90	9,200	9,290
Utilized	(133)	(4,088)	(4,221)
Reversals	—	(3,012)	(3,012)
As at December 31, 2019	**$ 598**	**$ 14,478**	**$ 15,076**

During the three months ended December 31, 2018, the Company reversed $8,606 of provision related to the production of an automotive part since the cost to fulfill the contract no longer exceeded the expected economic benefit due to manufacturing process improvements. This reversal was included in cost of sales in the interim condensed consolidated statements of comprehensive income. As at December 31, 2019 and June 30, 2019, the remaining onerous contract provision relates to certain tooling contracts.

Included in other provisions are estimated amounts owed as a result of modifications to contractual terms of customer contracts and warranties.

10. Long-term debt

	Maturity	December 31, 2019	June 30, 2019
Interest-bearing loans and borrowings			
Term facility	May 9, 2023	**$ 305,000**	$ 305,000
Less: Unamortized deferred financing costs on term facility		**12,694**	8,368
		$ 292,306	$ 296,632
Less: Current portion		**$ 7,141**	$ —
Non-current portion		**$ 285,165**	$ 296,632

The Company has a credit facility that consists of a $305,000 term facility (June 30, 2019: $305,000) and a $150,000 (June 30,2019: $150,000) revolving credit facility.

As at December 31, 2019, the average interest rate on the credit facility was 4.88% (June 30, 2019: 5.25%). As at December 31, 2019, $2,463 (June 30, 2019: $2,130) of letters of credit were issued against the credit facility.

The credit facility is collateralized by a security agreement over all the property and assets of ABC Technologies Inc. (Ontario), a wholly-owned subsidiary of the Company, and a majority of its subsidiaries.

The credit facility requires the Company to maintain certain financial covenants and contains certain 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 their assets. At December 31, 2019 and June 30, 2019, the Company was in compliance with all of its covenants.

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

The credit facility is repayable in quarterly installments in accordance with the terms of the credit agreement. Principal repayments per the credit agreement as at December 31, 2019 are as follows:

Payments:		
Within one year	$	11,000
2 - 3 years		54,000
4 - 5 years		240,000
	$	**305,000**

Under the terms of the credit agreement, the Company is entitled to make voluntary repayments which may reduce the scheduled principal repayments.

The following table provides a continuity of the term facility balances:

		Long-Term Debt
As at June 30, 2018	**$**	**296,423**
Impact of changes in expected cash flow on deferred financing costs		(3,747)
Amortization of deferred financing costs		3,956
As at June 30, 2019	**$**	**296,632**
Increase in deferred financing costs		(328)
Impact of changes in expected cash flow on deferred financing costs		(5,921)
Amortization of deferred financing costs		1,923
As at December 31, 2019	**$**	**292,306**

11. Lease liabilities

The Company enters into lease arrangements for certain premises and machinery and equipment. The following table provides a continuity of the lease liability balances:

		Lease liabilities
As at June 30, 2019	**$**	**—**
Initial recognition on transition to IFRS 16		163,495
Additions		2,461
Payments		(10,792)
Accretion		7,360
Exchange differences		3
As at December 31, 2019	**$**	**162,527**
Less: Current portion	$	8,165
Non-current portion	$	154,362

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

Principal repayments of lease liabilities as at December 31, 2019 are as follows:

Payments:		
Within one year	$	22,030
2 - 3 years		42,598
4 - 5 years		40,523
Thereafter		188,706

12. Capital stock

		December 31, 2019		**June 30, 2019**
100,000 common shares	**$**	**2,991**	$	2,991

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

13. Selling, general and administrative expense

	For the three months ended December 31,				**For the six months ended December 31,**			
		2019		**2018**		**2019**		**2018**
Wages and benefits	**$**	**13,022**	$	11,022	**$**	**25,359**	$	22,551
Professional fees		**2,505**		2,183		**6,580**		4,134
Depreciation and amortization		**3,002**		1,998		**5,977**		4,335
Business transformation related consulting fees		**2,334**		1,779		**3,179**		3,837
Information technology		**1,217**		1,190		**2,334**		2,119
Foreign exchange loss (gain)		**(11)**		95		**1,943**		3,130
Travel expense		**659**		514		**1,284**		938
Freight and duty		**572**		542		**1,034**		1,091
Bank and payroll service charges		**243**		229		**498**		525
Adjustment to acquisition-related payable		**30**		—		**(3,343)**		—
Other		**1,736**		2,111		**3,513**		3,831
Total selling, general, and administrative expense	**$**	**25,309**	$	21,663	**$**	**48,358**	$	46,491

14. Interest expense

	For the three months ended December 31,				**For the six months ended December 31,**			
		2019		**2018**		**2019**		**2018**
Interest on long-term debt	**$**	**4,113**	$	3,881	**$**	**7,476**	$	7,642
Impact of changes in expected cash flow on deferred financing costs		**—**		(1,288)		**(5,921)**		(1,991)
Amortization of deferred financing costs		**924**		1,013		**1,923**		1,995
Interest on lease liability		**3,674**		—		**7,360**		—
Other		**901**		628		**1,705**		961
Total interest expense	**$**	**9,612**	$	4,234	**$**	**12,543**	$	8,607

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

15. Segmented information

The Company's sales depend primarily upon light vehicle production in the North American market and the rest of the world. Original equipment manufacturer ("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, 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. The Rest of World segment includes operating segments that are not individually reportable. In addition, given that the chief operating decision maker ("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. The joint ventures have been aggregated into one reportable segment given that they hold similar economic characteristics, customers and products. The accounting policies of the segments are the same as those described in the significant accounting policies of the consolidated financial statements.

The Company measures segment performance based on Adjusted EBITDA, as this is the basis for the CODM to evaluate the performance of each of the Company's segments. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, and other reconciling items described in a table below. 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, except for Adjusted EBITDA, a non-IFRS measure, which is reconciled to net earnings below.

For the three months ended December 31, 2019	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 233,689	$ 16,346	$ 30,879	$ 280,914	$ (30,879)	$ 250,035
Inter-segment revenues	2,230	1,225	2,528	5,983	(5,983)	—
Total revenue	**$ 235,919**	**$ 17,571**	**$ 33,407**	**$ 286,897**	**$ (36,862)**	**$ 250,035**
Capital additions	$ 15,058	$ 139	$ 2,321	$ 17,518	$ (2,321)	$ 15,197
Adjusted EBITDA[4]	39,945	1,979	6,166	48,090	—	48,090

For the six months ended December 31, 2019	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 473,297	$ 28,254	$ 64,978	$ 566,529	$ (64,978)	$ 501,551
Inter-segment revenues	4,072	1,225	5,309	10,606	(10,606)	—
Total revenue	**$ 477,369**	**$ 29,479**	**$ 70,287**	**$ 577,135**	**$ (75,584)**	**$ 501,551**
Capital additions	$ 35,396	$ 2,364	$ 3,547	$ 41,307	$ (3,547)	$ 37,760
Adjusted EBITDA[4]	78,526	1,384	9,777	89,687	—	89,687

As at December 31, 2019	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 834,186	$ 57,084	$ 102,808	$ 994,078	$ (130,830)	$ 863,248
Total liabilities	630,295	50,694	47,239	728,228	(75,261)	652,967

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%, with the exception of Adjusted EBITDA.
3. For three and six months ended December 31, 2019, external customer revenues include tooling revenues of $28,812 and $35,762, respectively.
4. Adjusted EBITDA is a non-IFRS measure.

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

For the three months ended December 31, 2018	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 237,740	$ 11,859	$ 30,960	$ 280,559	$ (30,960)	$ 249,599
Inter-segment revenues	2,975	206	1,136	4,317	(4,317)	—
Total revenue	**$ 240,715**	**$ 12,065**	**$ 32,096**	**$ 284,876**	**$ (35,277)**	**$ 249,599**
Capital additions	$ 15,538	$ 888	$ 867	$ 17,293	$ (867)	$ 16,426
Adjusted EBITDA[4]	40,922	3,143	3,402	47,467	—	47,467

For the six months ended December 31, 2018	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 463,793	$ 24,351	$ 61,080	$ 549,224	$ (61,080)	$ 488,144
Inter-segment revenues	4,802	493	1,983	7,278	(7,278)	—
Total revenue	**$ 468,595**	**$ 24,844**	**$ 63,063**	**$ 556,502**	**$ (68,358)**	**$ 488,144**
Capital additions	$ 25,895	$ 1,326	$ 1,285	$ 28,506	$ (1,285)	$ 27,221
Adjusted EBITDA[4]	71,367	2,410	6,300	80,077	—	80,077

As at June 30, 2019	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 703,474	$ 55,544	$ 96,059	$ 855,077	$ (130,463)	$ 724,614
Total liabilities	522,849	48,563	49,427	620,839	(85,909)	534,930

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%, with the exception of Adjusted EBITDA.
3. For three and six months ended December 31, 2018, external customer revenues include tooling revenues of $15,967 and $22,243, respectively.
4. Adjusted EBITDA is a non-IFRS measure.

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

The following table provides a reconciliation of net earnings to Adjusted EBITDA[1]:

	Notes	For the three months ended December 31, 2019	For the three months ended December 31, 2018	For the six months ended December 31, 2019	For the six months ended December 31, 2018
Adjusted EBITDA[1]		**$ 48,090**	**$ 47,467**	**$ 89,687**	**$ 80,077**
Adjustments:					
Depreciation of property, plant and equipment	*6*	(9,519)	(8,192)	(19,291)	(16,368)
Depreciation of right-of-use assets	*7*	(3,322)	—	(6,593)	—
Interest expense	*14*	(9,612)	(4,234)	(12,543)	(8,607)
Adjustment to acquisition-related payable	*13*	(30)	—	3,343	—
Business transformation related consulting fees[2]	*13*	(2,334)	(1,779)	(3,179)	(3,837)
Impact of GM strike[3]		(9,986)	—	(14,239)	—
Gain on disposal of assets held for sale	*3*	—	14,980	—	14,980
Additional launch and related costs[4]		(6,816)	(12,849)	(20,865)	(18,269)
Lease payments		5,602	—	10,792	—
Changes to non-tooling onerous contracts	*9*	—	8,606	—	8,179
Income tax expense		(195)	(6,845)	(2,823)	(10,774)
Amortization of intangible assets	*8*	(2,396)	(1,470)	(4,779)	(3,211)
Unrealized loss on derivative financial instruments	*18*	(540)	(709)	(1,159)	(1,008)
Gain (loss) on disposal of property, plant and equipment		(277)	27	(553)	389
EBITDA from joint ventures[5]		(3,485)	(3,402)	(7,096)	(6,300)
Share of income of joint ventures		4,828	2,139	7,249	3,569
Net earnings		**$ 10,008**	**$ 33,739**	**$ 17,951**	**$ 38,820**

1. Adjusted EBITDA is a non-IFRS measure.
2. Represents costs including consulting fees associated with enhancing business operations, organizational capability and related processes. These costs also include services provided by Cerberus Operations and Advisory LLC in the amount of $652 (2018: $442) for the three months ended December 31, 2019, and $1,025 (2018: $1,131) for the six months ended December 31, 2019.
3. Represents lost revenues and costs associated with the General Motors strike which began on September 16, 2019 and ended on October 25, 2019.
4. Represents additional launch costs associated with large programs included in cost of sales and selling, general and administrative expense.
5. EBITDA from joint ventures represents earnings before interest, taxes, and depreciation for the joint venture segment. This excludes any adjustment for the impact of the General Motors strike.

The Company operates in the following main geographical areas:

Revenue[1] for the three months ended December 31,	Canada	United States	Mexico	Rest of World	Consolidated financial statements
2019	$ 73,829	$ 88,131	$ 71,729	$ 16,346	$ 250,035
2018	81,189	88,238	68,313	11,859	249,599

Revenue[1] for the six months ended December 31,	Canada	United States	Mexico	Rest of World	Consolidated financial statements
2019	$ 153,555	$ 170,212	$ 149,530	$ 28,254	$ 501,551
2018	156,544	165,754	141,495	24,351	488,144

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

Non-current assets[2] as at	Canada	United States	Mexico	Rest of World	Consolidated financial statements
December 31, 2019	$ 244,302	$ 163,878	$ 150,723	$ 31,819	$ 590,722
June 30, 2019	136,612	129,064	119,660	27,407	412,743

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.

16. Related party transactions

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

	For the three months ended December 31, 2019		For the six months ended December 31, 2019		As at December 31, 2019	
	Purchases from JVs	Sales to JVs	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.	$ 3,717	$ 1,733	$ 7,642	$ 3,253	$ 671	$ 1,512
ABC INOAC Exterior Systems LLC	—	8	—	20	—	1
ABCOR Filters	1,338	34	2,975	34	832	148
INOAC Huaxiang	—	58	—	111	—	440

	For the three months ended December 31, 2018		For the six months ended December 31, 2018		As at June 30, 2019	
	Purchases from JVs	Sales to JVs	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.	$ 803	$ 1,744	$ 912	$ 3,142	$ 988	$ 1,683
ABC INOAC Exterior Systems LLC	—	10	—	51	—	—
ABCOR Filters	1,468	4	3,053	6	758	117
INOAC Huaxiang	—	28	—	64	—	382

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

During the three and six months ended December 31, 2019, the Company received dividends from its joint ventures in the amount of $36 (2018: $2,500) and $2,854 (2018: $2,500), respectively.

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

17. Earnings per share

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

	For the three months ended December 31,		For the six months ended December 31,	
	2019	**2018**	**2019**	**2018**
Net earnings	**$ 10,008**	$ 33,739	**$ 17,951**	$ 38,820
Weighted average number of ordinary shares	**100,000**	100,000	**100,000**	100,000
Earnings per share - basic and diluted	**$ 100.08**	$ 337.39	**$ 179.51**	$ 388.20

18. Financial assets and financial liabilities

18.1 Financial assets

Cash, 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.

18.2 Financial liabilities

Financial liabilities at amortized cost are initially measured at fair value less transaction costs. The difference between the initial carrying amount and the redemption value is recognized in profit or loss over the duration of the contract using the effective interest rate ("EIR") method. Term loan issuance costs relate to the duration of the loan, and as a result are amortized over the expected life of the loan using the EIR method.

18.3 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 December 31, 2019 and June 30, 2019, and fair value measurement hierarchy of these derivative financial instruments:

	December 31, 2019	June 30, 2019	Fair value hierarchy
Derivative assets (liabilities)			
Derivatives designated as cash flow hedging instruments:			
Interest-rate swaps – United States Dollar ("USD") LIBOR	**$ (2,217)**	$ (1,759)	Level 2
Foreign exchange forward contracts – Canadian Dollar ("CAD")	**(1,740)**	(2,711)	Level 2
Foreign exchange forward contracts and collars – Mexican Peso ("MXN")	**7,830**	4,838	Level 2
Total derivative assets, net	**$ 3,873**	$ 368	
Total current[1]	**$ 2,880**	$ 2,005	
Total non-current	**$ 993**	$ (1,637)	

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

The Company enters into derivative financial instruments with Canadian Schedule 1 banks that have investment grade credit ratings. Interest rate swaps, foreign exchange forward contracts and collars are valued using valuation techniques, which 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.

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

18.4 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:

18.4.1 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, generally from one to 42 months.

The notional amounts of the derivative financial instruments as at December 31, 2019 are detailed below.

	Maturity			
	Less than 3 months	**3–12 months**	**1–5 years**	**Total**
Designated as hedging instruments:				
Foreign currency forwards				
CAD	$ 27,687	$ 80,021	$ 140,096	**$ 247,804**
Average USD-CAD exchange rate	1.30	1.30	1.28	
Foreign currency collars				
MXN	$ 2,521	$ 7,252	$ 4,730	**$ 14,503**
Floor: average USD-MXN exchange rate	23.00	23.65	24.00	
Cap: average USD-MXN exchange rate	26.26	27.13	27.59	
Foreign currency forwards				
MXN	$ 4,329	$ 12,037	$ 51,122	**$ 67,488**
Average USD-MXN exchange rate	20.79	21.10	22.67	

On July 1, 2017, the Company began to designate its USD-CAD foreign currency forwards as cash flow hedges. During the three and six months ended December 31, 2019, these hedges were assessed to be effective. The Company recorded the following gains or losses relating to these hedges:

	For the three months ended December 31,		**For the six months ended December 31,**	
	2019	**2018**	**2019**	**2018**
Unrealized gain (loss) in OCI	**$ 4,148**	$ (17,326)	**$ 74**	$ (12,202)
Realized loss recognized in profit or loss	**(496)**	(227)	**(928)**	(361)
Loss recycled from OCI to profit or loss	**(205)**	(91)	**(390)**	(161)
Loss recycled from OCI to inventories	**(611)**	(379)	**(1,163)**	(669)

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

On July 1, 2018, the Company began to designate its USD-MXN foreign currency forwards and collars as cash flow hedges. During the three and six months ended December 31, 2019, these hedges were assessed to be effective. The Company recorded the following gains or losses relating to these hedges:

	For the three months ended December 31,		For the six months ended December 31,	
	2019	**2018**	**2019**	**2018**
Unrealized gain (loss) in OCI	**$ 4,618**	$ (5,965)	**$ 4,455**	$ (2,089)
Realized gain recognized in profit or loss	**793**	214	**1,459**	814
Gain (loss) recycled from OCI to profit or loss	**49**	(7)	**84**	43
Gain (loss) recycled from OCI to inventories	**507**	(37)	**877**	231

Interest rate swaps

The Company uses interest rate swaps to hedge the exposure to variable interest payments on the interest-bearing liability that the Company pays USD LIBOR plus an applicable margin. To maximize hedge effectiveness, the Company's policy is to only hedge the risk in respect of benchmark interest rates and the credit risk spread on the hedged item is excluded.

At December 31, 2019, the Company had interest rate swap agreements with a total notional amount of $150,000 (June 30, 2019: $154,688) whereby the Company pays a fixed rate of interest of 1.998% (June 30, 2019: 0.924%) 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 December 31,		For the six months ended December 31,	
	2019	**2018**	**2019**	**2018**
Unrealized gain (loss) in OCI	**$ 933**	$ (775)	**$ 11**	$ (1,173)
Gain (loss) recycled from OCI to profit or loss	**(24)**	592	**513**	1,086

18.4.2 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 analysis in the following sections relate to the financial position as at December 31, 2019 and June 30, 2019.

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 December 31, 2019, after taking into account the effect of interest rate swaps, approximately 49% (June 30, 2019: 51%) of the Company's borrowings are at a fixed rate of interest.

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

With all other variables held constant, an increase in interest rate of 50 basis points would have a negative impact on pre-tax earnings for the three months ended December 31, 2019 of $382 (2018: $382), and $763 (2018: 763) for the six months ended December 31, 2019 on an unhedged basis, and vice versa.

Foreign currency risk and sensitivity

The non-USD functional currency operations of the Company's foreign operations are primarily CAD, Euros, Chinese renminbi, Brazilian real and Japanese yen. Generally, purchases and borrowings are denominated in the functional currencies of the underlying operations of the Company.

The Company also manages its foreign currency risk by using foreign currency derivatives to cover forecasted purchase transactions that are expected to occur. When a foreign currency derivative is entered into for this purpose, the Company negotiates the terms of the foreign currency derivative to 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 $1.0 million for the three months ended December 31, 2019 (2018: $0.9 million) and $1.6 million for the six months ended December 31, 2019 (2018: $1.6 million). A 5% strengthening of the MXN against the USD would have decreased earnings before income tax by approximately $0.8 million for the three months ended December 31, 2019 (2018: $0.8 million) and $1.6 million for the six months ended December 31, 2019 (2018: $1.8 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 for the three months ended December 31, 2019 of $2,141 (2018: $2,029), and $4,404 (2018: $4,086) for the six months ended December 31, 2019, 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.

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 December 31, 2019	**$ 75,680**	**$ 74,277**	**$ 220**	**$ 469**	**$ 714**
As at June 30, 2019	101,828	100,318	845	324	341

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 disclosed in note 18.1. The Company does not hold collateral as security. The Company is exposed to concentration of risk with respect to trade receivables.

Deposits with banks and financial institutions

Credit risk from balances with banks and financial institutions is managed in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

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

Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Audit and Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. 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. The Company does not hold collateral as security.

Liquidity risk

The Company monitors its risk of a shortage of funds by maintaining a balance between continuity of funding and flexibility through the use of its revolving credit facilities. The Company manages the liquidity risk of forecasted cash flows from operations by ensuring that there are cash resources available to meet these needs.

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 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 statements 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.

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

As at December 31, 2019	**Current assets**	**Non-current assets**	**Current liabilities**	**Long-term liabilities**
Interest-rate swaps – USD LIBOR	$ —	$ —	$ 524	$ 1,693
Foreign exchange forward contracts and collars – MXN	3,362	4,468	—	—
Foreign exchange forward contracts – CAD	576	329	534	2,111

As at June 30, 2019	**Current assets**	**Non-current assets**	**Current liabilities**	**Long-term liabilities**
Interest-rate swaps – USD LIBOR	$ 495	$ —	$ 241	$ 2,013
Foreign exchange forward contracts and collars – MXN	2,388	2,469	—	19
Foreign exchange forward contracts – CAD	144	381	781	2,455

18.4.3 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 facility, and to minimize finance costs while taking into consideration current and future industry, market, and economic risks and conditions.

The Company monitors forecasted 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 facility. As at December 31, 2019 and June 30, 2019, ABC was in compliance with its covenants.

19. Subsequent event

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our business is not known at this time.