Interim Condensed Consolidated Financial Statements

ABC Technologies Holdings Inc.

(previously ABC Group Holdings Parent Inc.)
For the three and six months ended December 31, 2020
(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	December 31, 2020	June 30, 2020
Assets		(Unaudited)	
Current assets			
Cash		**$ 63,389**	$ 74,058
Trade and other receivables	*3, 18*	**53,917**	44,958
Inventories	*4*	**68,226**	71,364
Prepaid expenses and other		**27,362**	30,748
Total current assets		**212,894**	221,128
Property, plant and equipment	*5*	**337,017**	343,135
Right-of-use assets	*6*	**156,900**	155,745
Intangible assets	*7*	**73,169**	75,701
Deferred income taxes		**—**	1,785
Investment in joint ventures		**50,097**	48,396
Derivative financial assets	*18*	**8,442**	—
Goodwill	*7*	**18,944**	18,944
Deferred financing costs for revolving credit facilities		**1,419**	1,901
Other long-term assets		**4,256**	4,400
Total non-current assets		**650,244**	650,007
Total assets		**$ 863,138**	$ 871,135
Liabilities and equity			
Current liabilities			
Trade payables		**$ 89,575**	$ 56,285
Accrued liabilities and other payables		**74,587**	67,915
Provisions	*8*	**15,803**	14,539
Current portion of long-term debt[1]	*9*	**7,846**	379,200
Current portion of lease liabilities	*10*	**9,525**	8,926
Total current liabilities		**197,336**	526,865
Long-term debt	*9*	**275,531**	—
Lease liabilities	*10*	**157,693**	153,842
Deferred income taxes		**33,209**	25,110
Derivative financial liabilities	*18*	**4,388**	18,747
Other long-term liabilities		**1,289**	1,732
Total non-current liabilities		**472,110**	199,431
Total liabilities		**669,446**	726,296
Equity			
Capital stock	*11*	**2,991**	2,991
Retained earnings		**185,068**	164,286
Foreign currency translation reserve		**1,059**	(2,323)
Cash flow hedge reserve, including cost of hedging	*18*	**4,574**	(20,115)
Total equity		**193,692**	144,839
Total liabilities and equity		**$ 863,138**	$ 871,135

[1.] Long-term debt was classified as current as at June 30, 2020 as required by IFRS because on that date the Company did not have an unconditional right to defer the settlement of the Credit Facilities for at least a 12-month period. On July 30, 2020 the Company amended its Credit Facilities to provide relief for the effects of COVID-19 for fourth quarter of 2020 and all of fiscal year 2021.

Approved on behalf of the Board of Directors:

signed
Dev B. Kapadia
Director

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

(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,	
		2020	**2019**	**2020**	**2019**
(Unaudited)	**Notes**				
Sales		**$ 261,327**	$ 250,035	**$ 519,730**	$ 501,551
Cost of sales	*12*	**214,536**	209,480	**423,667**	426,536
Gross profit		**46,791**	40,555	**96,063**	75,015
Selling, general and administrative	*12, 13*	**28,152**	25,309	**57,599**	48,358
Loss (gain) on disposal of assets		**(129)**	277	**464**	553
Loss (gain) on derivative financial instruments	*18*	**(1,084)**	(18)	**(2,002)**	36
Share of income of joint ventures		**(3,004)**	(4,828)	**(5,716)**	(7,249)
Operating income		**22,856**	19,815	**45,718**	33,317
Interest expense (net)	*14*	**9,769**	9,612	**19,609**	12,543
Earnings before income tax		**13,087**	10,203	**26,109**	20,774
Income tax expense (recovery)					
Current		**(743)**	3,971	**2,702**	9,404
Deferred		**2,369**	(3,776)	**2,625**	(6,581)
Total income tax expense (recovery)		**1,626**	195	**5,327**	2,823
Net earnings		**$ 11,461**	$ 10,008	**$ 20,782**	$ 17,951
Other comprehensive income (loss)					
Items that may be recycled subsequently to net earnings:					
Foreign currency translation of foreign operations and other		**2,358**	(1,375)	**3,382**	(1,141)
Cash flow hedges, net of taxes	*18*	**14,782**	7,308	**21,346**	3,438
Cash flow hedges recycled to net earnings, net of taxes	*18*	**846**	138	**1,777**	(152)
Other comprehensive income		**$ 17,986**	$ 6,071	**$ 26,505**	$ 2,145
Total comprehensive income for the period		**$ 29,447**	$ 16,079	**$ 47,287**	$ 20,096
Earnings per share - basic and diluted	*17*	**$ 114.61**	$ 100.08	**$ 207.82**	$ 179.51

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	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve[1]	Total
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
December 31, 2019		**$ 2,991**	**$ 208,357**	**$ (1,873)**	**$ 806**	**$ 210,281**
June 30, 2020		**$ 2,991**	**$ 164,286**	**$ (2,323)**	**$ (20,115)**	**$ 144,839**
Net earnings		—	20,782	—	—	20,782
Other comprehensive income:						
Foreign currency translation of foreign operations		—	—	3,382	—	3,382
Cash flow hedges, net of reclassification to net earnings, net of taxes	*18*	—	—	—	23,123	23,123
Total comprehensive income		**$ —**	**$ 20,782**	**$ 3,382**	**$ 23,123**	**$ 47,287**
Cash flow hedges recycled to assets, net of taxes	*18*	—	—	—	1,566	1,566
December 31, 2020		**$ 2,991**	**$ 185,068**	**$ 1,059**	**$ 4,574**	**$ 193,692**

1. Cash flow hedge 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 December 31, 2020	For the three months ended December 31, 2019	For the six months ended December 31, 2020	For the six months ended December 31, 2019
Cash flows from (used in) operating activities					
Net earnings		**$ 11,461**	$ 10,008	**$ 20,782**	$ 17,951
Adjustments for:					
Depreciation of property, plant and equipment	*5*	**11,356**	9,519	**22,751**	19,291
Depreciation of right-of-use assets	*6*	**3,412**	3,322	**6,890**	6,593
Amortization of intangible assets	*7*	**4,736**	2,396	**9,191**	4,779
Loss (gain) on disposal of assets		**(129)**	277	**464**	553
Unrealized loss (gain) on derivative financial instruments	*18*	**(256)**	540	**(682)**	1,159
Interest expense	*14*	**9,769**	9,612	**19,609**	12,543
Share of income of joint ventures		**(3,004)**	(4,828)	**(5,716)**	(7,249)
Income tax expense		**1,626**	195	**5,327**	2,823
Changes in:					
Trade and other receivables and prepaid expenses and other		**20,751**	20,037	**(7,955)**	18,740
Inventories		**7,235**	23,422	**3,539**	2,237
Trade payables, accrued liabilities and other payables, and provisions		**(13,558)**	(37,246)	**50,610**	(24,210)
Cash generated from operating activities		**53,399**	37,254	**124,810**	55,210
Interest received		**77**	333	**124**	691
Income taxes recovered (paid)		**(3,310)**	(1,035)	**3,230**	(2,805)
Interest paid on leases		**(3,510)**	(3,674)	**(7,153)**	(7,360)
Interest paid on long-term debt and other		**(6,010)**	(3,870)	**(9,988)**	(7,069)
Net cash flows from operating activities		**40,646**	29,008	**111,023**	38,667
Cash flows from (used in) investing activities					
Purchases of property, plant and equipment		**(9,420)**	(16,342)	**(18,053)**	(48,409)
Payment of acquisition-related payable		**—**	(5,455)	**—**	(5,455)
Dividends received from joint ventures		**3,769**	36	**4,491**	2,854
Proceeds from disposals of property, plant and equipment		**171**	—	**171**	—
Additions to intangible assets		**(3,179)**	(4,226)	**(7,122)**	(8,043)
Net cash flows used in investing activities		**(8,659)**	(25,987)	**(20,513)**	(59,053)
Cash flows used in financing activities					
Change in revolving credit facilities	*9*	**—**	—	**(85,000)**	—
Repayment of long-term debt	*9*	**(12,000)**	—	**(12,000)**	—
Principal payments of lease liabilities		**(1,997)**	(1,928)	**(4,044)**	(3,432)
Financing costs		**—**	—	**(648)**	—
Net cash flows used in financing activities		**(13,997)**	(1,928)	**(101,692)**	(3,432)
Net increase (decrease) in cash		**17,990**	1,093	**(11,182)**	(23,818)
Net foreign exchange difference		**392**	201	**513**	(90)
Cash, beginning of period		**45,007**	39,392	**74,058**	64,594
Cash, end of period		**$ 63,389**	$ 40,686	**$ 63,389**	$ 40,686

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 is incorporated and domiciled in Canada. The registered 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, subsequent to the reporting date.

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, 2020, 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, 2020.

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, 2020.

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 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, 2020.

2.5. Recently adopted accounting standards and policies

Amendments to hedge accounting requirements - phase 1

Beginning July 1, 2020, the Company adopted the amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures to address the potential effects Interbank Offered Rates ("IBOR") reform could have on financial reporting. The amendments modify specific hedge accounting requirements to allow entities to assume that the interest rate benchmark on which the hedged cash flows and the cash flows of which the hedging instrument are based on, are not altered as a result of IBOR reform. The adoption of the amendments to IFRS 9, IAS 39 and IFRS 7 did not have a material impact on the interim condensed consolidated financial statements.

2.6. Standards issued but not yet effective

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

On August 27, 2020, the IASB finalized its response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. The amendments complement those issued in 2019 as part of Phase 1 amendments and mainly relate to:

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

- Changes to contractual cash flows: A company will not have to derecognize the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- Hedge accounting: A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- Disclosures: A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The amendments are effective for annual periods beginning on or after January 1, 2021. Earlier application is permitted. The Company is currently assessing the impact of these amendments.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

On May 14, 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).* The IASB's amendments clarify which costs should be included as a cost of fulfilling a contract when determining whether a contract is onerous.

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. Early adoption is permitted. The Company is currently assessing the impact of these amendments.

Amendments to IAS 1

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly.

On July 15, 2020 the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is currently assessing the impact of these amendments.

3. Trade and other receivables

	December 31, 2020	June 30, 2020
Trade receivables	**$ 52,447**	$ 42,485
Receivables from joint ventures	**1,470**	2,473
Total trade and other receivables	**$ 53,917**	$ 44,958

4. Inventories

	December 31, 2020	June 30, 2020
Raw materials and components	**$ 25,595**	$ 27,068
Finished goods and work in progress	**21,993**	20,195
Tooling	**20,638**	24,101
Total inventories	**$ 68,226**	$ 71,364

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

5. Property, plant and equipment

	Land and Building	Machinery and equipment	Construction in Progress	Production tooling	Returnable containers	Leasehold improve-ments	Total
Cost							
June 30, 2019	$ 7,645	$ 322,760	$ 51,350	$ 18,264	$ 6,909	$ 5,685	$ 412,613
Additions	273	1,051	55,474	1,952	7	230	58,987
Transfers	70	63,429	(77,940)	9,174	3,483	1,784	—
Disposals	—	(2,383)	—	(11)	(117)	—	(2,511)
Foreign exchange	(345)	(2,083)	(114)	(17)	(24)	(5)	(2,588)
June 30, 2020	**$ 7,643**	**$ 382,774**	**$ 28,770**	**$ 29,362**	**$ 10,258**	**$ 7,694**	**$ 466,501**
Additions	—	413	14,473	—	—	107	14,993
Transfers	—	4,612	(10,916)	4,666	1,350	288	—
Disposals	—	(372)	—	(166)	(74)	—	(612)
Foreign exchange	337	1,910	108	224	10	1	2,590
December 31, 2020	**$ 7,980**	**$ 389,337**	**$ 32,435**	**$ 34,086**	**$ 11,544**	**$ 8,090**	**$ 483,472**
Accumulated depreciation							
June 30, 2019	$ 541	$ 73,709	$ —	$ 6,826	$ 3,976	$ 445	$ 85,497
Depreciation	225	34,910	—	3,414	1,413	467	40,429
Disposals	—	(1,096)	—	—	(30)	—	(1,126)
Foreign exchange	(53)	(1,344)	—	(9)	(27)	(1)	(1,434)
June 30, 2020	**$ 713**	**$ 106,179**	$ —	**$ 10,231**	**$ 5,332**	**$ 911**	**$ 123,366**
Depreciation	114	18,332	—	2,835	1,185	285	22,751
Disposals	—	(372)	—	(5)	(41)	—	(418)
Foreign exchange	29	648	—	69	10	—	756
December 31, 2020	**$ 856**	**$ 124,787**	$ —	**$ 13,130**	**$ 6,486**	**$ 1,196**	**$ 146,455**
Net book value							
December 31, 2020	**$ 7,124**	**$ 264,550**	**$ 32,435**	**$ 20,956**	**$ 5,058**	**$ 6,894**	**$ 337,017**
June 30, 2020	$ 6,930	$ 276,595	$ 28,770	$ 19,131	$ 4,926	$ 6,783	$ 343,135

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

6. Right-of-use assets

	Land and Building	Machinery and equipment	Total
Cost			
June 30, 2019	$ —	$ —	$ —
Initial recognition on transition to IFRS 16	161,277	914	162,191
Additions	5,297	1,831	7,128
Exchange differences	(43)	(29)	(72)
June 30, 2020	**$ 166,531**	**$ 2,716**	**$ 169,247**
Additions	—	196	196
Modifications	7,843	(169)	7,674
Termination of leases	(222)	(65)	(287)
Exchange differences	382	21	403
December 31, 2020	**$ 174,534**	**$ 2,699**	**$ 177,233**
Accumulated depreciation			
June 30, 2019	$ —	$ —	$ —
Depreciation	12,749	780	13,529
Exchange differences	(11)	(16)	(27)
June 30, 2020	**$ 12,738**	**$ 764**	**$ 13,502**
Depreciation	6,469	421	6,890
Termination of leases	(126)	(55)	(181)
Exchange differences	119	3	122
December 31, 2020	**$ 19,200**	**$ 1,133**	**$ 20,333**
Net book value			
December 31, 2020	**$ 155,334**	**$ 1,566**	**$ 156,900**
June 30, 2020	$ 153,793	$ 1,952	$ 155,745

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

7. Intangible assets and goodwill

	Customer contracts	Customer relationships	Development intangibles	Total Intangible Assets	Goodwill
Cost					
June 30, 2019	$ 24,795	$ 14,495	$ 50,228	$ 89,518	$ 18,944
Additions	—	—	21,455	21,455	—
June 30, 2020	**$ 24,795**	**$ 14,495**	**$ 71,683**	**$ 110,973**	**$ 18,944**
Additions	—	—	7,122	7,122	—
Write-off of assets	—	—	(463)	(463)	—
December 31, 2020	**$ 24,795**	**$ 14,495**	**$ 78,342**	**$ 117,632**	**$ 18,944**
Accumulated amortization					
June 30, 2019	$ 10,626	$ 3,345	$ 8,864	$ 22,835	$ —
Amortization	3,542	1,115	7,780	12,437	—
June 30, 2020	**$ 14,168**	**$ 4,460**	**$ 16,644**	**$ 35,272**	**$ —**
Amortization	1,771	558	6,862	9,191	—
December 31, 2020	**$ 15,939**	**$ 5,018**	**$ 23,506**	**$ 44,463**	**$ —**
Net book value					
December 31, 2020	**$ 8,856**	**$ 9,477**	**$ 54,836**	**$ 73,169**	**$ 18,944**
June 30, 2020	$ 10,627	$ 10,035	$ 55,039	$ 75,701	$ 18,944

8. Provisions

The following table provides a continuity of the provision balances for the six months ended December 31, 2020 and the year ended June 30, 2020:

	Onerous contracts	Other provisions	Total
June 30, 2019	$ 641	$ 12,378	$ 13,019
Additions during the year	90	17,663	17,753
Utilized	(601)	(8,725)	(9,326)
Reversals	—	(6,907)	(6,907)
June 30, 2020	**$ 130**	**$ 14,409**	**$ 14,539**
Additions during the period	152	12,276	12,428
Utilized	(78)	(7,004)	(7,082)
Reversals	—	(4,082)	(4,082)
December 31, 2020	**$ 204**	**$ 15,599**	**$ 15,803**

As at December 31, 2020 and June 30, 2020, onerous contract provisions relate 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.

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

9. Long-term debt

	Maturity	December 31, 2020		June 30, 2020	
Term facility					
Principal outstanding	May 9, 2023	**$**	**293,000**	$	305,000
Less: Unamortized deferred financing costs on term facility			**9,623**		10,800
Total term facility		**$**	**283,377**	$	294,200
Revolving credit facilities			—		85,000
Total long-term debt		**$**	**283,377**	$	379,200
Less: Current portion		**$**	**7,846**	$	379,200
Non-current portion		**$**	**275,531**	$	—

At December 31, 2020, the Company had a credit agreement with a syndicate of lenders which consisted of (i) a $293,000 term facility maturing on May 9, 2023 (June 30, 2020: $305,000), (ii) a $130,000 revolving credit facility maturing on May 9, 2023, and two swingline facilities in the aggregate amount of $20,000 (the “Revolver A”), (iii) an additional $50,000 revolving credit facility maturing on April 16, 2021 (the "Revolver B" and together with the Revolver A, the “Revolving Credit Facilities”, and together with the term facility, the “Credit Facilities”). At December 31, 2020, no amounts were drawn on the Revolving Credit Facilities (June 30, 2020: $85,000). 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 18).

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 their assets.

During the months of May and June 2020, the Company worked with its lenders to amend the Credit Facilities to provide covenant relief due to conditions caused by COVID-19. As at June 30, 2020, a term sheet had been agreed with the agent bank as well as a timeline to complete an amendment by July 31, 2020. As at June 30, 2020, the Company had obtained a suspension of compliance with its covenants until July 31, 2020 in full anticipation of successfully completing the amendment. On July 30, 2020, the Company completed the amendment to its Credit Facilities providing financial covenant relief over the following 12 months.

The amendments provide that, among other things, the Company’s calculation of Total Net Debt to EBITDA Ratio (as defined in the credit agreement) which is based on the trailing 12 months, would exclude EBITDA from the quarter ended June 30, 2020, and instead would be based on the annualized total of the remaining three applicable quarters (i.e. the sum of the three applicable quarters divided by three fourths). As a result, the impact of the COVID-19 related shutdown of the industry, including most of the Company’s and its customers’ operations, which occurred during the fourth quarter of the Company’s fiscal 2020, would be ignored for the purpose of financial covenant calculations under the credit agreement during the period of relief.

In accordance with IFRS, the Company was required to present this debt as a current liability at June 30, 2020 because at that date it had not completed the amendment such that the Company would have an unconditional right to defer the settlement of the Credit Facilities for at least 12 months. On July 30, 2020, upon obtaining the amendment, the Company re-classified the non-current portion to long-term debt. The Company did not experience an event of default or a breach of its covenants under its credit agreement, for which it had not been provided a suspension during the year ended June 30, 2020. At all times the maturity of the Credit Facilities was May 2023. As at December 31, 2020, the Company was in compliance with all of its covenants.

As at December 31, 2020, the average interest rate on the Credit Facilities was 3.92% (June 30, 2020: 3.36%) and $2,620 (June 30, 2020: $2,455) of letters of credit were issued against the Credit Facilities.

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

The Credit Facilities are 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.

Unamortized deferred financing costs on the term facility are being amortized using the effective interest rate ("EIR") method, and those related to the revolving credit facilities are being amortized straight-line over the term of the underlying credit agreement.

The term 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, 2020 are as follows:

Payments:		
Within one year	$	12,000
2 years		36,375
3 years		244,625
	$	**293,000**

Under the terms of the credit agreement, the Company is entitled to make voluntary repayments, which may reduce the scheduled principal repayments. For the three and six months ended December 31, 2020, the Company made voluntary repayments of $12,000 (2019: $nil) on its term facility.

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

		Term facility
June 30, 2019	**$**	**296,632**
Increase in deferred financing costs		(328)
Impact of changes in expected cash flow on deferred financing costs		(5,921)
Amortization of deferred financing costs		3,817
Amounts drawn on revolving credit facilities		85,000
June 30, 2020	**$**	**379,200**
Increase in deferred financing costs		(648)
Impact of changes in expected cash flow on deferred financing costs		(244)
Amortization of deferred financing costs		2,069
Repayment of long-term debt		(12,000)
Change in revolving credit facilities		(85,000)
December 31, 2020	**$**	**283,377**

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

10. 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 for the six months ended December 31, 2020 and the year ended June 30, 2020:

		Lease liabilities
June 30, 2019	**$**	**—**
Initial recognition on transition to IFRS 16		163,495
Additions		7,128
Payments		(22,368)
Accretion		14,846
Exchange differences		(333)
June 30, 2020		**162,768**
Additions		196
Modifications		7,674
Payments		(11,197)
Accretion		7,153
Termination of leases		(128)
Exchange differences		752
December 31, 2020	**$**	**167,218**
Less: Current portion	$	9,525
Non-current portion	$	157,693

Principal repayments of lease liabilities as at December 31, 2020 are as follows:

Payments:		
Within one year	$	23,385
2 - 3 years		44,924
4 - 5 years		41,457
Thereafter		177,214

11. Capital stock

		December 31, 2020		June 30, 2020
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.

12. 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.

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 $1,747 and $7,532 for the three and six months ended December 31, 2020, respectively, of which $761 (June 30, 2020: $2,939) remains receivable as at December 31, 2020. This benefit has been recorded in the interim condensed consolidated statement of comprehensive income as a deduction to the related expenses. Of the amount recorded, $1,433 and $6,219 was applied to cost of sales for the three and six months ended December 31, 2020, respectively. The remainder was applied to selling, general and administrative expenses.

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

13. Selling, general and administrative expense

	For the three months ended December 31,		For the six months ended December 31,	
	2020	**2019**	**2020**	**2019**
Wages and benefits	**$ 13,211**	$ 13,022	**$ 25,083**	$ 25,359
Professional fees	**1,300**	2,505	**3,032**	6,580
Depreciation and amortization	**5,463**	3,002	**10,632**	5,977
Business transformation related costs	**2,562**	2,334	**4,545**	3,179
Information technology	**1,325**	1,217	**2,490**	2,334
Foreign exchange loss (gain)	**196**	(11)	**3,753**	1,943
Travel expense	**136**	659	**256**	1,284
Freight and duty	**318**	572	**590**	1,034
Bank and payroll service charges	**315**	243	**547**	498
Adjustment to acquisition-related payable	**—**	30	**—**	(3,343)
Transactional, recruitment, and other bonuses	**2,875**	—	**3,958**	—
Other	**451**	1,736	**2,713**	3,513
Total selling, general, and administrative expense	**$ 28,152**	$ 25,309	**$ 57,599**	$ 48,358

14. Interest expense

	Notes	For the three months ended December 31,		For the six months ended December 31,	
		2020	**2019**	**2020**	**2019**
Interest on long-term debt		**$ 4,587**	$ 4,113	**$ 9,469**	$ 7,476
Impact of changes in expected cash flow on deferred financing costs		94	—	**(244)**	(5,921)
Amortization of deferred financing costs		**1,029**	924	**2,069**	1,923
Interest on lease liability	*10*	**3,510**	3,674	**7,153**	7,360
Other		**549**	901	**1,162**	1,705
Total interest expense		**$ 9,769**	$ 9,612	**$ 19,609**	$ 12,543

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 labor 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. The accounting policies of the segments are the same as those described in the significant accounting policies of the Company's consolidated financial statements.

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

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 and the proportionate consolidation of the joint ventures, which are non-IFRS measures that are reconciled to net earnings below.

For the three months ended December 31, 2020	North America	Rest of World	Joint Ventures[1, 4]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 248,613	$ 12,714	$ 35,353	$ 296,680	$ (35,353)	$ 261,327
Inter-segment revenues	2,333	238	1,597	4,168	(4,168)	—
Total revenue	**$ 250,946**	**$ 12,952**	**$ 36,950**	**$ 300,848**	**$ (39,521)**	**$ 261,327**
Capital additions	$ 8,598	$ 200	$ 4,607	$ 13,405	$ (4,607)	$ 8,798
Adjusted EBITDA[4]	38,182	719	4,616	43,517	—	43,517

For the six months ended December 31, 2020	North America	Rest of World	Joint Ventures[1, 4]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 494,493	$ 25,237	$ 68,269	$ 587,999	$ (68,269)	$ 519,730
Inter-segment revenues	5,364	455	3,138	8,957	(8,957)	—
Total revenue	**$ 499,857**	**$ 25,692**	**$ 71,407**	**$ 596,956**	**$ (77,226)**	**$ 519,730**
Capital additions	$ 14,674	$ 319	$ 7,034	$ 22,027	$ (7,034)	$ 14,993
Adjusted EBITDA[4]	74,566	1,356	8,835	84,757	—	84,757

As at December 31, 2020	North America	Rest of World	Joint Ventures[1, 4]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 804,978	$ 45,277	$ 96,541	$ 946,796	$ (83,658)	$ 863,138
Total liabilities	657,625	49,046	46,444	753,115	(83,669)	669,446

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. Total assets for the joint ventures includes the Company's proportionate share of cash, which is $14,440.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%, with the exception of Adjusted EBITDA.
3. For the three and six months ended December 31, 2020, external customer revenues include tooling revenues of $18,533 and $31,135, respectively.
4. Adjusted EBITDA and the proportionate consolidation of the joint ventures are non-IFRS measures.

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

For the three months ended December 31, 2019	North America	Rest of World	Joint Ventures[1, 4]	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	1,301	4,756	(4,756)	—
Total revenue	**$ 235,919**	**$ 17,571**	**$ 32,180**	**$ 285,670**	**$ (35,635)**	**$ 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, 4]	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	3,052	8,349	(8,349)	—
Total revenue	**$ 477,369**	**$ 29,479**	**$ 68,030**	**$ 574,878**	**$ (73,327)**	**$ 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 June 30, 2020	North America	Rest of World	Joint Ventures[1, 4]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 814,153	$ 44,049	$ 90,217	$ 948,419	$ (77,284)	$ 871,135
Total liabilities	712,623	48,930	41,823	803,376	(77,080)	726,296

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. Total assets for the joint ventures includes the Company's proportionate share of cash, which is $13,693.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%, with the exception of Adjusted EBITDA.
3. For the three and six months ended December 31, 2019, external customer revenues include tooling revenues of $28,812 and $35,762, respectively.
4. Adjusted EBITDA and the proportionate consolidation of the joint ventures are non-IFRS measures.

(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, 2020	For the three months ended December 31, 2019	For the six months ended December 31, 2020	For the six months ended December 31, 2019
Adjusted EBITDA[1]		**$ 43,517**	**$ 48,090**	**$ 84,757**	**$ 89,687**
Adjustments:					
Depreciation of property, plant and equipment	*5*	(11,356)	(9,519)	(22,751)	(19,291)
Depreciation of right-of-use assets	*6*	(3,412)	(3,322)	(6,890)	(6,593)
Amortization of intangible assets	*7*	(4,736)	(2,396)	(9,191)	(4,779)
Gain (loss) on disposal of assets		129	(277)	(464)	(553)
Unrealized gain (loss) on derivative financial instruments	*18*	256	(540)	682	(1,159)
Impact of 2019 OEM Strike[2]		—	(9,986)	—	(14,239)
Transactional, recruitment and other bonuses[3]	*13*	(2,875)	—	(3,958)	—
Adjustment to acquisition-related payable	*13*	—	(30)	—	3,343
Business transformation related costs[4]	*13*	(2,562)	(2,334)	(4,545)	(3,179)
Additional launch and related costs[5]		—	(6,816)	—	(20,865)
Interest expense	*14*	(9,769)	(9,612)	(19,609)	(12,543)
Share of income of joint ventures		3,004	4,828	5,716	7,249
EBITDA from joint ventures[6]		(4,616)	(3,485)	(8,835)	(7,096)
Income tax expense		(1,626)	(195)	(5,327)	(2,823)
Lease payments	*10*	5,507	5,602	11,197	10,792
Net earnings		**$ 11,461**	**$ 10,008**	**$ 20,782**	**$ 17,951**

1. Adjusted EBITDA is a non-IFRS measure.
2. Represents an estimate of lost revenues and costs associated with a United Auto Workers strike that affected one of our OEM customers which began on September 16, 2019 and ended on October 25, 2019.
3. Represents incentive compensation paid to management in excess of 100% of the target level due to over performance relative to budget, as well as transactional and recruitment bonuses.
4. 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 and some of ABC's directors in the amount of $324 (2019: $652) for the three months ended December 31, 2020, and $498 (2019: $1,025) for the six months ended December 31, 2020.
5. Represents estimated additional launch costs associated with large programs included in cost of sales and selling, general and administrative expense.
6. 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,	Canada	United States	Mexico	Rest of World	Consolidated financial statements
December 31, 2020	$ 76,167	$ 97,045	$ 75,401	$ 12,714	$ 261,327
December 31, 2019	73,829	88,131	71,729	16,346	250,035

Revenue[1] for the six months ended,	Canada	United States	Mexico	Rest of World	Consolidated financial statements
December 31, 2020	$ 145,943	$ 197,060	$ 151,490	$ 25,237	$ 519,730
December 31, 2019	153,555	170,212	149,530	28,254	501,551

(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, 2020	$ 260,416	$ 157,878	$ 137,327	$ 30,409	$ 586,030
June 30, 2020	255,412	166,265	142,070	29,778	593,525

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, 2020		For the six months ended December 31, 2020		December 31, 2020	
	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.	$ 1,114	$ 5,383	$ 2,275	$ 9,014	$ 706	$ 1,312
ABC INOAC Exterior Systems LLC	—	1,664	—	2,058	335	89
ABCOR Filters	2,079	4	4,000	10	1,055	69
INOAC Huaxiang	—	91	—	114	—	—

	For the three months ended December 31, 2019		For the six months ended December 31, 2019		June 30, 2020	
	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.	$ 1,264	$ 1,733	$ 3,129	$ 3,253	$ 599	$ 1,816
ABC INOAC Exterior Systems LLC	—	8	—	20	—	159
ABCOR Filters	1,338	34	2,975	34	671	68
INOAC Huaxiang	—	58	—	111	—	430

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, 2020, the Company received dividends from its joint ventures in the amount of $3,769 (2019: $36) and $4,491 (2019: $2,854), 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,	
	2020	**2019**	**2020**	**2019**
Net earnings	**$ 11,461**	$ 10,008	**$ 20,782**	$ 17,951
Weighted average number of ordinary shares	**100,000**	100,000	**100,000**	100,000
Earnings per share - basic and diluted	**$ 114.61**	$ 100.08	**$ 207.82**	$ 179.51

18. Financial instruments

18.1 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.

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 EIR method. Term loan issuance costs are capitalized when incurred and 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, 2020 and June 30, 2020, and fair value measurement hierarchy of these derivative financial instruments as defined in the Company's annual consolidated financial statements:

	December 31, 2020	June 30, 2020	Fair value hierarchy
Derivative assets (liabilities)			
Derivatives designated as cash flow hedging instruments:			
Interest-rate swaps – USD LIBOR	**$ (7,290)**	$ (8,948)	Level 2
Foreign exchange forward contracts – Canadian Dollar ("CAD")	**6,797**	(11,490)	Level 2
Foreign exchange forward contracts and collars – Mexican Peso ("MXN")	**5,461**	(5,355)	Level 2
Total derivative assets (liabilities), net	**$ 4,968**	$ (25,793)	
Total current[1]	**$ 914**	$ (7,046)	
Total non-current	**$ 4,054**	$ (18,747)	

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 large Canadian financial institutions 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.

The notional amounts and maturities of the derivative financial instruments as at December 31, 2020 are detailed below.

	Maturity			
	Less than 3 months	3–12 months	1–5 years	Total
Designated as hedging instruments:				
Foreign currency forwards				
CAD	$ 26,173	$ 61,289	$ 198,395	**$ 285,857**
Average USD-CAD exchange rate	1.30	1.29	1.31	
Foreign currency collars				
MXN	$ 2,365	$ 2,365	$ —	**$ 4,730**
Floor: average USD-MXN exchange rate	24.00	24.00	—	
Cap: average USD-MXN exchange rate	27.59	27.59	—	
Foreign currency forwards				
MXN	$ 3,818	$ 14,859	$ 40,515	**$ 59,192**
Average USD-MXN exchange rate	21.48	22.24	23.16	

The Company designates certain of its USD-CAD foreign currency forwards as cash flow hedges. During the three and six months ended December 31, 2020, these hedges were assessed to be effective. The Company recorded the following gains and losses relating to these hedges:

	For the three months ended December 31,		For the six months ended December 31,	
	2020	2019	2020	2019
Unrealized gain in OCI	**$ 11,990**	$ 4,148	**$ 17,236**	$ 74
Realized loss recognized in profit or loss	**(97)**	(496)	**(97)**	(928)
Loss recycled from OCI to profit or loss	**(327)**	(205)	**(1,008)**	(390)
Loss recycled from OCI to inventories	**(837)**	(611)	**(1,855)**	(1,163)

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

The Company designates certain of its USD-MXN foreign currency forwards and collars as cash flow hedges. During the three and six months ended December 31, 2020, these hedges were assessed to be effective. The Company recorded the following gains and losses relating to these hedges:

	For the three months ended December 31,		For the six months ended December 31,	
	2020	2019	**2020**	2019
Unrealized gain in OCI	**$ 7,778**	$ 4,618	**$ 11,170**	$ 4,455
Realized gain recognized in profit or loss	**541**	793	**571**	1,459
Gain recycled from OCI to profit or loss	**—**	49	**244**	84
Gain (loss) recycled from OCI to inventories	**217**	507	**(233)**	877

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, 2020, the Company had interest rate swap agreements with a total notional amount of $225,000 (June 30, 2020: $225,000) whereby the Company pays a weighted average fixed interest rate of 1.56% (June 30, 2020: 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 December 31,		For the six months ended December 31,	
	2020	2019	**2020**	2019
Unrealized gain (loss) in OCI	**$ (57)**	$ 933	**$ 56**	$ 11
Gain (loss) recycled from OCI to profit or loss	**(798)**	(24)	**(1,603)**	513

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 analyses in the following sections relate to the financial position as at December 31, 2020 and June 30, 2020.

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, 2020, after taking into account the effect of interest rate swaps, approximately 77% (June 30, 2020: 58%) 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, 2020 of $373 (2019: $382), and $813 (2019: $763) for the six months ended December 31, 2020 on an unhedged basis.

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 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 $0.7 million for the three months ended December 31, 2020 (2019: $1.0 million) and $1.5 million for the six months ended December 31, 2020 (2019: $1.6 million). A 5% strengthening of the MXN against the USD would have decreased earnings before income tax by approximately $0.4 million for the three months ended December 31, 2020 (2019: $0.8 million) and $0.9 million for the six months ended December 31, 2020 (2019: $1.6 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 $2,058 for the three months ended December 31, 2020 (2019: $2,141) and $4,063 (2019: $4,404) for the six months ended December 31, 2020, 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, 2020	**$ 53,917**	**$ 53,173**	**$ 551**	**$ 47**	**$ 146**
As at June 30, 2020	44,958	42,737	1,526	243	452

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 does not hold collateral as security. The Company is exposed to concentration of risk with respect to trade receivables. As at December 31, 2020, the Company's three largest customers accounted for 12.6%, 8.5%, and 3.2%, respectively, of all receivables owing (June 30, 2020: 22.7%, 13.7%, and 2.6%, respectively).

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

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. 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 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 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.

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:

December 31, 2020	**Current assets**	**Non-current assets**	**Current liabilities**	**Long-term liabilities**
Interest-rate swaps – USD LIBOR	$ —	$ —	$ 2,961	$ 4,329
Foreign exchange forward contracts and collars – MXN	2,548	2,913	—	—
Foreign exchange forward contracts – CAD	1,500	5,529	173	59

June 30, 2020	**Current assets**	**Non-current assets**	**Current liabilities**	**Long-term liabilities**
Interest-rate swaps – USD LIBOR	$ —	$ —	$ 2,923	$ 6,025
Foreign exchange forward contracts and collars – MXN	445	—	1,387	4,413
Foreign exchange forward contracts – CAD	154	—	3,335	8,309

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 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. As at December 31, 2020 and June 30, 2020, the Company was in compliance with all of its covenants. Refer to note 9 for discussion on covenants as at June 30, 2020.