Interim Condensed Consolidated Financial Statements

ABC Technologies Holdings Inc.

For the three and six months ended December 31, 2022
(unaudited)

ABC Technologies Holdings Inc.

Interim Condensed Consolidated Statement of Financial Position

(Expressed in thousands of United States dollars)

	Notes	December 31, 2022 (unaudited)	June 30, 2022[1]
Assets			
Current assets			
Cash		**$ 38,499**	$ 25,400
Trade and other receivables	*4,15*	**103,335**	122,192
Inventories	*5*	**164,007**	152,461
Prepaid expenses and other		**34,972**	42,094
Total current assets		**340,813**	342,147
Property, plant and equipment		**432,270**	425,645
Right-of-use assets		**178,993**	165,679
Intangible assets		**151,096**	156,844
Deferred income taxes		**8,405**	9,445
Investment in joint ventures	*10*	**23,470**	45,556
Derivative financial assets	*15*	**2,124**	3,996
Goodwill		**112,360**	112,369
Other long-term assets		**17,410**	16,392
Total non-current assets		**926,128**	935,926
Total assets		**$ 1,266,941**	$ 1,278,073
Liabilities and equity			
Current liabilities			
Trade payables		**$ 135,938**	$ 147,981
Accrued liabilities and other payables		**135,804**	98,280
Provisions	*6*	**19,167**	24,132
Current portion of lease liabilities		**13,135**	13,087
Purchase option	*3*	**6,465**	6,206
Total current liabilities		**310,509**	289,686
Long-term debt	*7*	**370,000**	400,000
Lease liabilities		**189,884**	175,940
Deferred income taxes		**16,468**	33,097
Derivative financial liabilities	*15*	**3,532**	1,453
Other long-term liabilities	*3*	**56,683**	2,137
Total non-current liabilities		**636,567**	612,627
Total liabilities		**947,076**	902,313
Equity			
Capital stock	*8*	**292,508**	291,960
Other reserves	*8*	**1,397**	3,094
Retained earnings		**24,894**	77,453
Foreign currency translation reserve and other		**(7,034)**	(7,524)
Cash flow hedge reserve, including cost of hedging	*15*	**8,100**	10,777
Total equity		**319,865**	375,760
Total liabilities and equity		**$ 1,266,941**	$ 1,278,073

Subsequent event (note 16)

[1.] The Company revised its June 30, 2022 balances to incorporate the measurement period adjustments as a result of the finalization of purchase price allocations. Refer to note 3 for details.

Approved on behalf of the Board of Directors:

(signed)
Terry Campbell
Director
President and Chief Executive Officer

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

ABC Technologies Holdings Inc.

Interim Condensed Consolidated Statement of Comprehensive Income (Loss)

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

(unaudited)	Notes	For the three months ended December 31, 2022	For the three months ended December 31, 2021	For the six months ended December 31, 2022	For the six months ended December 31, 2021
Sales		**$ 321,001**	$ 203,439	**$ 639,865**	$ 366,854
Cost of sales	*5*	**270,352**	188,265	**558,606**	350,828
Gross profit		**50,649**	15,174	**81,259**	16,026
Selling, general and administrative	*9*	**42,299**	29,061	**88,222**	57,189
Impairment of investment in joint venture	*10*	**20,797**	—	**20,797**	—
Loss on disposal and write-down of assets		**137**	129	**824**	105
Loss (gain) on derivative financial instruments	*15*	**(2,297)**	(148)	**(2,846)**	313
Share of loss (income) of joint ventures		**1,124**	(1,168)	**1,164**	406
Operating loss		**(11,411)**	(12,700)	**(26,902)**	(41,987)
Interest expense, net	*11*	**11,397**	7,856	**21,256**	15,222
Loss before income tax		**(22,808)**	(20,556)	**(48,158)**	(57,209)
Income tax expense (recovery)					
Current		**1,241**	752	**12,268**	1,855
Deferred		**(1,310)**	(4,882)	**(14,238)**	(14,452)
Total income tax recovery		**(69)**	(4,130)	**(1,970)**	(12,597)
Net loss		**$ (22,739)**	$ (16,426)	**$ (46,188)**	$ (44,612)
Other comprehensive income (loss)					
Items that may be recycled subsequently to net earnings (loss):					
Foreign currency translation of foreign operations and other		**5,292**	(492)	**490**	(1,085)
Cash flow hedges, net of taxes	*15*	**4,815**	2,677	**(453)**	(1,797)
Cash flow hedges recycled to net earnings (loss), net of taxes	*15*	**(681)**	509	**(763)**	956
Other comprehensive income (loss)		**$ 9,426**	$ 2,694	**$ (726)**	$ (1,926)
Total comprehensive loss for the period		**$ (13,313)**	$ (13,732)	**$ (46,914)**	$ (46,538)
Earnings (loss) per share - basic and diluted	*14*	**$ (0.20)**	$ (0.31)	**$ (0.40)**	$ (0.85)

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

ABC Technologies Holdings Inc.

Interim Condensed Consolidated Statement of Changes in Equity

(Expressed in thousands of United States dollars)

(unaudited)	Notes	Capital stock	Other reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve[1]	Total
June 30, 2021		**$ 2,991**	**$ 972**	**$ 151,936**	**$ 276**	**$ 9,029**	**$ 165,204**
Net loss		—	—	(44,612)	—	—	(44,612)
Share-based compensation expense	*8*	—	1,452	—	—	—	1,452
Other comprehensive income (loss):							
Foreign currency translation of foreign operations and other		—	—	—	(1,085)	—	(1,085)
Cash flow hedges, net of reclassification to net earnings, net of taxes	*15*	—	—	—	—	(841)	(841)
Cash flow hedges recycled to assets, net of taxes	*15*	—	—	—	—	(1,316)	(1,316)
Dividends paid		—	—	(3,096)	—	—	(3,096)
Common shares issued for redemption of restricted share units ("RSUs")	*8*	116	(116)	—	—	—	—
December 31, 2021		**$ 3,107**	**$ 2,308**	**$ 104,228**	**$ (809)**	**$ 6,872**	**$ 115,706**
June 30, 2022		**$ 291,960**	**$ 3,094**	**$ 77,453**	**$ (7,524)**	**$ 10,777**	**$ 375,760**
Net loss		—	—	(46,188)	—	—	(46,188)
Share-based compensation reversal	*8*	—	(1,149)	—	—	—	(1,149)
Other comprehensive income (loss):							
Foreign currency translation of foreign operations and other		—	—	—	490	—	490
Cash flow hedges, net of reclassification to net earnings, net of taxes	*15*	—	—	—	—	(1,216)	(1,216)
Cash flow hedges recycled to assets, net of taxes	*15*	—	—	—	—	(1,461)	(1,461)
Dividends paid		—	—	(6,371)	—	—	(6,371)
Common shares issued for redemption of RSUs	*8*	548	(548)	—	—	—	—
December 31, 2022		**$ 292,508**	**$ 1,397**	**$ 24,894**	**$ (7,034)**	**$ 8,100**	**$ 319,865**

[1.] Cash flow reserve includes cost of hedging.

ABC Technologies Holdings Inc.
Interim Condensed Consolidated Statement of Cash Flows
(Expressed in thousands of United States dollars)

(unaudited)	Notes	For the three months ended December 31, 2022	For the three months ended December 31, 2021	For the six months ended December 31, 2022	For the six months ended December 31, 2021
Cash flows from (used in) operating activities					
Net loss		**$ (22,739)**	$ (16,426)	**$ (46,188)**	$ (44,612)
Adjustments for:					
Depreciation of property, plant and equipment		**16,915**	11,991	**34,186**	23,958
Depreciation of right-of-use assets		**4,487**	3,690	**8,713**	7,316
Amortization of intangible assets		**7,978**	5,457	**15,722**	10,643
Loss on disposal and write-down of assets		**137**	129	**824**	105
Unrealized loss (gain) on derivative financial instruments	*15*	**(2,297)**	(200)	**(2,846)**	217
Interest expense	*11*	**11,397**	7,856	**21,256**	15,222
Share of loss (income) of joint ventures		**1,124**	(1,168)	**1,164**	406
Income tax recovery		**(69)**	(4,130)	**(1,970)**	(12,597)
Share-based compensation expense (reversal)	*8,9*	**202**	768	**(824)**	1,481
Impairment of investment in joint venture	*10*	**20,797**	—	**20,797**	—
Write-down of inventories	*2,5*	**—**	—	**2,030**	—
Changes in:					
Trade and other receivables and prepaid expenses and other		**5,269**	2,226	**23,813**	20,425
Inventories		**(8,318)**	5,990	**(14,233)**	(12,919)
Trade payables, accrued liabilities and other payables, and provisions		**(9,294)**	19,044	**4,879**	(7,636)
Cash generated from operating activities		**25,589**	35,227	**67,323**	2,009
Interest received		**130**	84	**250**	213
Income taxes paid		**(1,568)**	(702)	**(2,588)**	(977)
Interest paid on leases, net of interest received	*11*	**(3,673)**	(3,425)	**(7,132)**	(6,812)
Interest paid on long-term debt and other		**(7,030)**	(4,366)	**(13,027)**	(9,262)
Net cash flows from (used in) operating activities		**13,448**	26,818	**44,826**	(14,829)
Cash flows from (used in) investing activities					
Purchases of property, plant and equipment		**(17,870)**	(8,490)	**(37,729)**	(19,505)
Dividends received from joint ventures		**—**	553	**—**	553
Additions to intangible assets		**(4,227)**	(4,948)	**(9,988)**	(10,323)
Net cash flows used in investing activities		**(22,097)**	(12,885)	**(47,717)**	(29,275)
Cash flows from (used in) financing activities					
Net drawings (payments) on revolving credit facilities	*7*	**(5,000)**	8,163	**(30,000)**	65,000
Principal payments of lease liabilities, net of sublease receipts		**(3,098)**	(2,601)	**(6,284)**	(5,198)
Financing costs	*7*	**(1,000)**	(44)	**(1,000)**	(624)
Proceeds from other financing arrangement	*3*	**14,879**	—	**59,348**	—
Dividends paid to shareholders		**(6,371)**	(3,096)	**(6,371)**	(3,096)
Net cash flows from (used in) financing activities		**(590)**	2,422	**15,693**	56,082
Net increase (decrease) in cash		**(9,239)**	16,355	**12,802**	11,978
Net foreign exchange difference		**931**	(171)	**297**	(344)
Cash, beginning of period		**46,807**	10,362	**25,400**	14,912
Cash, end of period		**$ 38,499**	26,546	**$ 38,499**	$ 26,546

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

1. Corporate information

ABC Technologies Holdings 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, fluid management solutions, as well as assemblies from injection, blow and polyurethane compression molding processes. The Company also offers interior painting services, and high-quality finish exterior painting through its 50% owned joint ventures. The Company is incorporated and domiciled in Canada. The head office is located at 2 Norelco Drive, Toronto, Ontario, Canada, M9L 2X6.

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, 2022, except for new standards adopted during the period as described in note 2.7. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended June 30, 2022.

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on February 10, 2023.

2.2 Basis of measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for (i) certain financial instruments, which have been measured at fair value, (ii) investment in joint ventures, (iii) deferred taxes and (iv) share-based compensation.

2.3 Presentation currency

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

2.4 Use of estimates and judgments

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments used in the preparation of the interim condensed consolidated financial statements are described in the Company’s annual audited consolidated financial statements for the year ended June 30, 2022.

2.5 COVID-19 impact on the Company's results and business

During fiscal year 2022, demand for the Company’s products was negatively impacted by semiconductor supply related issues as well as labor, material and freight costs associated with the pandemic. The shortage of semiconductors resulted in frequent shutdowns and production delays by nearly all OEMs and the cascading effect of significantly reduced sales by the Company and inefficient operations resulting in higher costs. Sales for the Company were disproportionately affected more than the overall industry as a significant customer of the Company was affected by the semiconductor shortage to a greater extent than many of its peers, which affected some of the Company's programs with higher content. Supply chain issues associated with COVID-19 resulted in significant increased cost for commodities and elevated freight costs. Although most COVID-19 restrictions have largely been lifted, the pandemic has had and will continue to have a negative impact on demand for the Company’s products as vehicle production remains below pre-pandemic levels. During the three and six months ended December 31, 2022, the impacts of COVID-19 and production call offs associated with semiconductor shortages began to lessen in severity and production continued to normalize.

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

2.6 Reorganization of Poland operations

On October 25, 2022, the Board of Directors approved a plan to shut down the Company's plant in Poland. For the Company, the plant in Poland is a small operation that was not able to overcome the dramatic increase in costs for utilities, freight, material and labor experienced in that market. The Company is proactively working with its customers to assist them with securing alternative production sources within and/or outside the Company's operations. The plant is expected to be shut down when that activity is completed. The Company recorded an impairment charge relating to property, plant and equipment of $8,185 during the year ended June 30, 2022 and a write-down relating to the tooling inventories of $2,030 during the three months ended September 30, 2022. The Company also incurred $1,098 of severance costs during the three and six months ended December 31, 2022.

2.7 Recently adopted accounting standards and policies

- *Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*, specifying costs an entity should include in determining the "cost of fulfilling" a potential onerous contract. The amendments are effective for annual periods beginning on or after January 1, 2022, and apply to contracts existing at the date when the amendments are first applied.
- *Amendments to IFRS 3, Business Combinations - Updating a Reference to the Conceptual Framework*, updating a reference to the Conceptual Framework. The amendments are effective for annual periods beginning on or after January 1, 2022.

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

2.8 Standards issued but not yet effective

The IASB has issued the following new standards and amendments to existing standards that will become effective in future years:

- *Amendments to IAS 1, Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 8, Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates". The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 12, Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrowing the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent*, clarifying requirements for the classification of liabilities as non-current. The amendments are effective for annual periods beginning on or after January 1, 2024.
- *Amendments to IFRS 16, Leases,* specifying the requirements that a seller-lessee should use in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments need to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2024.
- *Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Joint Venture and Associates,* clarifying the recognition of full gain or loss when the assets transferred meet the definition of business under IFRS 3, Business Combinations, and the recognition of partial gain or loss when the assets transferred do not meet the definition of business under IFRS 3, Business Combinations. The effective date for these amendments have been deferred indefinitely.

The Company is currently assessing the impact, if any, on its interim condensed consolidated financial statements.

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

3. Business combinations

3.1 Acquisition of dlhBowles, Inc., Karl Etzel GmbH and SAM-GmbH

On March 1, 2022, the Company acquired 100% of the shares of MPE Flow House, Inc., which owned 100% of the shares of dlhBowles, Inc. (collectively, "dlhBOWLES"), from MPE Partners, L.P. Based in North Canton, Ohio, United States of America, dlhBOWLES is a recognized leader in the North American market for camera and sensor cleaning systems, windshield washer systems, sunroof drains, powertrain, and chassis solutions. The acquisition of dlhBOWLES was made to further solidify the Company's position in the washer systems market and strengthen its existing product portfolio. dlhBOWLES is included in the North America segment.

On March 4, 2022, the Company acquired 89.9% of the shares of Karl Etzel GmbH and SAM-GmbH, as well as land and buildings from a party related to the owner of Karl Etzel GmbH (collectively, "Etzel") from the Schürrle family. Based in Mühlacker, Germany, Etzel is a leading tier-1 and tier-2 supplier to the German luxury automotive market and has expertise in injection molding plastics for automotive interiors and exteriors. The acquisition of Etzel provides the Company an opportunity to meaningfully expand its scale in Europe while entering the interior products space on the continent with a strong customer base of luxury OEMs portfolio. Etzel is included in the Rest of the World segment.

Both acquisitions are accounted for using the acquisition method, and the results of operations since the respective dates of acquisition are included in the consolidated statement of comprehensive income (loss).

The details of the business combinations as at the date of the acquisitions are as follows:

		dlhBOWLES		Etzel[1]
Fair value of consideration transferred				
Amount settled in cash	$	258,661	$	68,372
Fair value of purchase option		—		6,586
Total consideration transferred	**$**	**258,661**	**$**	**74,958**
Recognized amounts of identifiable net assets				
Cash and cash equivalents	$	4,720	$	7,148
Trade and other receivables		23,864		17,205
Inventories		36,059		20,953
Prepaid expenses and other assets		3,973		764
Total current assets	**$**	**68,616**	**$**	**46,070**
Property, plant and equipment		44,523		73,262
Intangible assets		86,500		—
Right-of-use assets		19,688		5,473
Deferred income taxes		1,091		—
Other long-term assets		24		—
Total non-current assets	**$**	**151,826**	**$**	**78,735**
Trade payables		7,835		7,335
Accrued liabilities and other payables		2,301		4,379
Provisions		2,140		4,564
Current portion of lease liabilities		1,803		136
Current portion of loan[2]		—		21,376
Total current liabilities	**$**	**14,079**	**$**	**37,790**
Deferred income taxes		23,082		7,102
Lease liabilities		17,685		5,338
Total non-current liabilities	**$**	**40,767**	**$**	**12,440**

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

	dlhBOWLES	Etzel[1]
Identifiable net assets	**$ 165,596**	**$ 74,575**
Goodwill on acquisition	**$ 93,065**	**$ 383**
Consideration transferred settled in cash	258,661	68,372
Cash and cash equivalents acquired	(4,720)	(7,148)
Net cash outflow on acquisitions	**$ 253,941**	**$ 61,224**

1. Etzel acquisition was a Euro denominated purchase and the total consideration noted above is USD equivalent of Euro as at the date of acquisition.
2. The acquired loan was repaid by the Company immediately after the close of the transaction.

Consideration transferred

The acquisition of dlhBOWLES and Etzel (collectively, "Acquirees") were settled in cash amounting to $258,661 and $68,372 equivalent to Euro ("EUR") 60,943, respectively.

The Etzel purchase agreement includes options for both the Company and the minority shareholders whereby either party can exercise its option to require the transfer of the remaining 10.1% interest in Etzel to the Company at an exercise price that will be determined based on the results of operations as defined in the executed purchase and sale agreement. Due to the structure of the transaction, the Company has not recorded a non-controlling interest in its interim condensed consolidated financial statements as it has determined that it has present access to the returns associated with its underlying ownership interests in Etzel.

The EUR 5,870 ($6,586) fair value of purchase option represents the present value of the Company's probability weighted estimate of the exercise price. It reflects management's estimate of the timing of option exercise and the expected results of operations of Etzel in the relevant period. Refer to note 16.3 for details.

Goodwill

Goodwill of $93,065 for dlhBOWLES and $383 for Etzel is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Facts that make up the amount of goodwill recognized include the application of the Company's operating practices to improve the operations of Acquirees, synergies with existing businesses of the Company, and other intangible assets that do not qualify for separate recognition, including assembled workforce. dlhBOWLES and Etzel goodwill have been allocated to the North America and the Rest of the World segment respectively. Goodwill is not expected to be deductible for tax purposes.

Identifiable net assets

As of the acquisition date, the fair value of acquired trade and other receivables for dlhBOWLES and Etzel amounted to $23,864 and $17,205, with a gross contractual amount of $25,557 and $18,216, respectively. The Company's best estimate of the contractual cash flow not expected to be collected amounted to $2,704.

During the three months ended September 30, 2022, the Company finalized its purchase price allocations for dlhBOWLES and Etzel acquisitions that took place in fiscal 2022 and were previously accounted for on a preliminary basis. The final adjustments primarily related to changes in the valuation of trade and other receivables and inventories of $1,237 and $2,200, respectively. All measurement period adjustments were offset against the goodwill of dlhBOWLES and Etzel and resulted in a net increase of $2,998 and $240, respectively.

The Company also recognized a measurement period adjustment relating to the reclassification of real estate properties (refer to 3.2 below) from assets held for sale to property, plant and equipment.

All the measurement period adjustments have been recognized retrospectively and the comparative information has been revised as if the purchase price allocations for the business combinations were finalized at the date of acquisitions.

Contribution to the Company results

During the three and six months ended December 31, 2022, dlhBOWLES contributed revenues of $28,087 and $58,101, respectively, and net income of $1,598 and $4,233, respectively, and Etzel contributed revenues of $21,660 and $48,534, respectively, and net loss of $919 and net income of $1,142, respectively, to the Company.

3.2 Financing arrangement

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

On April 29, 2022, the Company entered into an agreement for the sale and leaseback of all of its real estate properties located in Mühlacker, Germany obtained through the recent acquisition of Etzel. On August 31, 2022, the Company closed part of the sale and leaseback transaction and received gross proceeds of EUR 37,239 ($44,469) and EUR 1,461 ($1,432) was a holdback in accordance with the terms of agreement. On December 16, 2022, the Company closed the remaining part of the transaction and received gross proceeds of EUR 14,300 ($14,879). The holdback amount is expected to be received by the end of the second quarter of fiscal year 2024.

The transaction was not recognized as a sale of assets as under the terms of the lease, the Company did not relinquish control of the properties for the purposes of IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transaction were recognized as a financial liability. As at December 31, 2022, $880 (2021: $nil) of financial liability was recorded in accrued liabilities and other payables and $55,569 (2021: $nil) of financial liability was recorded in other long-term liabilities.

The Company incurred $1,309 of transaction fees relating to the transaction which have been capitalized and netted against the related financial liability.

3.3 Acquisition of WMG Technologies

On December 22, 2022, the Company entered into an agreement to acquire WMG Technologies ("WMGT") from the Bierer family for approximately $165,000 and with earn-out payments that may become payable upon the achievement of certain profitability targets within the next 24 months (the "WMGT Acquisition"). Based in Windsor, Ontario, Canada, with facilities across North America, WMGT is a leading tier-1 and tier-2 supplier of exterior products, complex tooling for injection molded exterior and interior parts, and other products to global automotive OEMs. The closing of this transaction is subject to the completion of certain customary closing conditions and regulatory approvals and is expected to be closed during the third quarter of fiscal year 2023.

4. Trade and other receivables

	December 31, 2022	June 30, 2022[1]
Trade receivables	**$ 88,179**	$ 112,219
Receivables from joint ventures	**15,156**	9,973
Total trade and other receivables	**$ 103,335**	$ 122,192

1. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to note 3 for details.

Refer to note 15 for the aging analysis of trade receivables.

5. Inventories

	December 31, 2022	June 30, 2022[1]
Raw materials and components	**$ 54,413**	$ 49,721
Finished goods and work in progress	**37,429**	40,178
Tooling	**72,165**	62,562
Total inventories	**$ 164,007**	$ 152,461

1. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to note 3 for details.

During the three and six months ended December 31, 2022, the Company recorded a write-down of $nil and $2,030, respectively, relating to the tooling inventory within cost of sales. Refer to note 2.6 above for more details.

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

6. Provisions

The following table provides a continuity of the provision balances for the six months ended December 31, 2022 and the year ended June 30, 2022:

	Notes		Provisions
June 30, 2021		$	16,063
Additions during the year			11,252
Utilized			(2,389)
Reversals			(7,197)
Acquired through business combinations	*3*		6,704
Exchange differences			(301)
June 30, 2022		**$**	**24,132**
Additions during the period			3,770
Utilized			(3,014)
Reversals			(5,665)
Exchange differences			(56)
December 31, 2022		**$**	**19,167**

As at December 31, 2022 and June 30, 2022, provisions include estimated amounts owed as a result of modifications to contractual terms of customer contracts, warranties, and onerous contract provisions relating to certain tooling contracts.

7. Long-term debt

	Maturity		December 31, 2022		June 30, 2022
Revolving credit facilities	February 24, 2027		370,000		400,000
Total long-term debt		**$**	**370,000**	$	400,000

On September 29, 2021, the Company amended its Credit Agreement to provide greater flexibility in the calculation of its Total Net Debt to EBITDA covenant over the next five fiscal quarters due to the conditions caused by the ongoing supply chain challenges driven by COVID-19. The amendment waived the former requirement to maintain a minimum Total Net Debt to EBITDA ratio for the period from July 1, 2021 to March 30, 2022. Furthermore, EBITDA for financial covenant purposes was excluded for the fiscal quarters ended September 30, 2021 and December 31, 2021, and was annualized accordingly for the remaining quarters in relevant periods.

On February 24, 2022, to facilitate the financing for its recent acquisitions, the Company amended its Credit Agreement to increase the size of its Credit Facilities to $550,000, inclusive of two swingline facilities in the aggregate amount of $23,000, and a Revolving Facility B amounting to $50,000. The Company also extended the maturity of its Credit Agreement to February 2027 for all facilities except Revolving Facility B, which was available until February 2023. As part of the amendment, the Company also changed its interest rate benchmark from London Interbank Offered Rate ("LIBOR") to Secured Overnight Financing Rate ("SOFR").

During the year ended June 30, 2022, the Company acquired a loan of $21,376 as part of its acquisition of Etzel. The loan was repaid by the Company immediately after the close of the transaction.

On December 5, 2022, to facilitate the financing of the anticipated WMGT acquisition, the Company amended its Credit Agreement to include a non-revolving Term Facility, under which the Company can withdraw an amount up to $185,000 within 120 days from the date of Credit Facility amendment upon the closing of WMGT acquisition. The Term Facility, if utilized, is set to mature in February 2027. The Company also merged Revolving Facility A and Revolving Facility B, which resulted in the combined Revolving Facility, inclusive of two swingline facilities, in the aggregate amount of $550,000 to mature in February 2027.

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

The Company incurred $2,630 of financing fees during the year ended June 30, 2022 and $1,000 of financing fees during the three and six months ended December 31, 2022, which have been capitalized as deferred financing costs and are included in other long-term assets. The unamortized deferred financing costs related to the credit facilities are being amortized straight-line over the term of the underlying Credit Agreement. As at December 31, 2022, the unamortized deferred financing costs related to the credit facilities were $3,230 (June 30, 2022: $2,363).

At December 31, 2022, the Company had aggregate amounts outstanding under the Credit Facilities of $370,000, maturing February 24, 2027. As at December 31, 2022, the Company had $178,367 available on its Credit Facilities subject to covenant limitations.

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 15). As at December 31, 2022, the average interest rate on the Credit Facilities was 7.22% (June 30, 2022: 3.89%) and $1,633 (June 30, 2022: $1,965) of letters of credit were issued against the Credit Facilities.

The Credit Facilities require the Company to maintain certain financial covenants and contain other covenants that, subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create security interests, incur additional indebtedness or dispose of all or substantially all of its assets. As at December 31, 2022, the Company was in compliance with its covenants.

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

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

	Notes	Long-term debt
June 30, 2021		**$ 280,000**
Net drawings on revolving credit facilities		120,000
Loan acquired on the acquisition of Etzel	*3*	21,376
Repayment of the acquired loan	*3*	(21,376)
June 30, 2022		**$ 400,000**
Net repayment of revolving credit facilities		(30,000)
December 31, 2022		**$ 370,000**

8. Capital stock

8.1. Share Capital

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

On January 11, 2022, the Company closed a private placement with certain investment funds managed by affiliates of Apollo Global Management, Inc. ("Apollo") and Oaktree. An aggregate of 5,253,642 common shares of the Company were issued at a price per common share of the USD equivalent of CAD$5.83. The Company raised gross proceeds of $24,157 from the private placement.

On January 12, 2022, the Company launched a rights offering, pursuant to which each holder of common shares as at January 19, 2022 received one right to purchase one common share (a “Rights Share”) at a subscription price of CAD$5.83 per Rights Share. The Company closed the rights offering on February 15, 2022, and an aggregate of 57,790,064 common shares of the Company were issued at the close. The Company raised gross proceeds of $265,184 from the rights offering.

The Company incurred an issuance cost of $488 for the private placement and rights offering.

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

	Common Shares		
	Number of shares		$
As at June 30, 2021	52,522,392	$	2,991
Shares issued upon closing of rights offering, net of issuance cost	57,790,064		264,696
Shares issued upon closing of private placement, net of issuance cost	5,253,642		24,157
Shares issued upon redemption of RSUs	14,030		116
As at June 30, 2022	115,580,128	$	291,960
Shares issued upon redemption of RSUs	84,019		548
As at December 31, 2022	**115,664,147**	**$**	**292,508**

8.2. Stock Options and RSUs

Subsequent to the closing of its initial public offering ("IPO"), the Company established the Omnibus Plan to attract, retain and motivate key employees and consultants, align the interest of such individuals with Company's shareholders and encourage ownership of the Company's common shares by such individuals. The total number of common shares that can be issued upon the exercise of stock options and redemption of restricted share units ("RSUs") will not exceed 6,040,075.

Stock Options

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

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

	Options		Weighted Average exercise price (CAD$)
Share options outstanding as at June 30, 2021	1,094,698		10.00
Granted	10,282		10.00
Forfeited	(220,688)		10.00
Share options outstanding as at June 30, 2022	884,292	$	10.00
Forfeited	(549,673)		10.00
Share options outstanding as at December 31, 2022	**334,619**	**$**	**10.00**
Vested share options as at December 31, 2022	138,983	$	10.00

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

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

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

Expected volatility was determined based upon the historical average volatility of comparable public companies. The fair value of the options is recognized as share-based compensation expense over the vesting period. During the three and six months ended December 31, 2022, the Company recorded a reversal of $88 (2021: expense of $349) and $623 (2021: expense of $691), respectively, related to stock options as share-based compensation within selling, general and administrative expenses.

Restricted share units

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

Changes in the number of RSUs are summarized below:

	Units
RSUs outstanding as at June 30, 2021	605,022
Granted	8,675
Forfeited	(103,112)
Redeemed as share capital or paid in cash	(38,903)
RSUs outstanding as at June 30, 2022	471,682
Forfeited	(230,798)
Redeemed as share capital	(84,019)
RSUs outstanding as at December 31, 2022	**156,865**
Vested RSUs as at December 31, 2022	9,409

During the three and six months ended December 31, 2022, the Company recorded a reversal of $47 (2021: expense of $425) and $526 (2021: expense of $761), respectively, related to RSUs as share-based compensation within selling, general and administrative expenses.

8.3. Deferred share units ("DSUs")

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

Changes in the number of DSUs are summarized below:

	Units
DSUs outstanding as at June 30, 2021	124,254
Granted	107,765
Redeemed	(102,529)
DSUs outstanding as at June 30, 2022	129,490
Granted	102,610
Redeemed	(28,108)
DSUs outstanding as at December 31, 2022	**203,992**

During the three and six months ended December 31, 2022, the Company recorded an expense of $337 (2021: reversal of $6) and $325 (2021: $29), respectively, related to DSUs as share-based compensation within selling, general and administrative expenses.

8.4. Value Creation Plan

The Company has a Value Creation Plan ("VCP") to motivate and retain certain individuals to contribute to the attainment of the long-term performance goals of the Company and ABC LP. Pursuant to the terms of the VCP, eligible participants may be issued units ("Participant Units") to receive certain cash distributions from a designated pool (the "VCP Pool") based on net cash distributions over an established threshold amount. The Participant Units are non-voting and are not convertible into any equity or voting securities. During the three and six months ended December 31, 2022, no distributions (2021: $2,363) were made from the VCP Pool. As of December 31, 2022, the VCP Pool has a balance of $nil (June 30, 2022: $nil).

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

8.5. ABC Group Canada LP Equity Incentive Plan

ABC LP has an equity structure comprised of Class A interests, owned by an investment fund managed by Cerberus, and Class P interests, held by certain directors and officers of the Company and others. The Class P interests are entitled to receive a proportionate share of distributable profits of ABC LP after the Class A interest holders have received distributions ("ABC LP Equity Incentive Plan"), in aggregate, equal to (a) the capital contributions represented by the Class A interests and (b) 10% per annum compounded rate of return in respect of (a). Although the ABC LP Equity Incentive Plan is considered a group-based payment plan, the Company does not have obligations to either participants or to ABC LP under the plan. Therefore, no amounts related to the ABC LP Plan have been recorded in the Company's interim condensed consolidated financial statements as at December 31, 2022. ABC LP is no longer affiliated with the Company as of November 10, 2021.

9. Selling, general and administrative expense

	For the three months ended December 31,		For the six months ended December 31,	
	2022	**2021**	**2022**	**2021**
Wages and benefits	**$ 16,832**	$ 7,947	**$ 32,501**	$ 22,126
Professional fees	**1,686**	1,466	**4,429**	3,127
Depreciation and amortization	**8,782**	6,217	**17,288**	12,126
Business transformation related costs	**9,139**	5,720	**22,367**	6,884
Information technology	**1,756**	1,428	**3,876**	3,003
Foreign exchange loss (gain)	**(1,150)**	216	**428**	392
Travel expense	**520**	174	**1,161**	453
Bank and payroll service charges	**421**	306	**857**	634
Directors' and officers' insurance expense	**904**	548	**1,839**	1,099
Transactional, recruitment, and other bonuses	**780**	2,363	**780**	2,374
Share-based compensation expense (reversal)	**202**	768	**(824)**	1,481
Other	**2,427**	1,908	**3,520**	3,490
Total selling, general, and administrative expense	**$ 42,299**	$ 29,061	**$ 88,222**	$ 57,189

During the three and six months ended December 31, 2022, $2,580 (2021: $153) and $9,943 (2021: $153), respectively, of the business transformation related costs were incurred by the Company in relation to severance and asset relocation expenses, which were driven by the restructuring activities undertaken by the Company during the periods. In addition, during the three and six months ended December 31, 2022, $6,547 (2021: $5,154) and $9,182 (2021: $5,240), respectively, of business transformation related costs were incurred in connection with the ongoing work to evaluate potential acquisition targets.

10. Impairment of investment in joint venture

The Company owns 50% interest in ABC INOAC Exterior Systems, LLC., a spoiler and body molding manufacturer with painting capabilities located in the United States. During the three and six months ended December 31, 2022, the Company performed an impairment test of its investment in the joint venture in accordance with IAS 36 - Impairment of Assets, as there were indicators that the carrying value of the investment may not be recoverable. The indicators of impairment included significant cost increases in recent periods and a change in market conditions. The impairment test indicated that the carrying amount of the Company's investment in ABC INOAC Exterior Systems, LLC. exceeded the recoverable amount by $20,797. As a result, the Company recorded an impairment loss of $20,797 in the interim condensed consolidated statement of comprehensive income (loss). Refer to note 16.2 for details on the sale of interest in joint ventures.

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

11. Interest expense

	For the three months ended December 31, 2022	2021	For the six months ended December 31, 2022	2021
Interest on long-term debt	**$ 5,580**	$ 4,143	**$ 10,525**	$ 7,848
Trade receivables factoring charges	**1,841**	319	**3,008**	719
Amortization of deferred financing costs[1]	**152**	43	**280**	43
Interest on lease liability, net of interest income on sublease[2]	**3,673**	3,425	**7,132**	6,812
Other interest expense (income)	**151**	(74)	**311**	(200)
Total interest expense	**$ 11,397**	$ 7,856	**$ 21,256**	$ 15,222

1. The corresponding financing fees are capitalized as deferred financing costs and are included in other long-term assets.
2. Net of interest income for the three and six months ended December 31, 2022 pertaining to sublease of $169 (2021: $nil) and $346 (2021: $nil).

12. Segmented information

The Company's sales depend primarily upon light vehicle production in the North American market and the rest of the world. OEM production volumes in each of these regions may be impacted by a number of geographic factors, including general economic conditions, interest rates, consumer credit availability, fuel prices and availability, supply of component parts and assemblies, infrastructure, legislative changes, environmental emission and safety issues, and 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 following financial information is presented by segment and comes from the interim condensed consolidated financial statements.

For the three months ended December 31, 2022	**North America**	**Rest of World**	**Joint Ventures[1,4]**	**Total**	**Adjustments[2]**	**Total Reportable Segments**
Revenue						
External customers[3]	$ 285,388	$ 35,613	$ 36,433	$ 357,434	$ (36,433)	$ 321,001
Inter-segment revenues	1,224	146	2,143	3,513	(3,513)	—
Total revenue	**$ 286,612**	**$ 35,759**	**$ 38,576**	**$ 360,947**	**$ (39,946)**	**$ 321,001**
Capital additions	$ 21,913	$ 903	$ 891	$ 23,707	$ (891)	$ 22,816
Operating income (loss)[4]	12,048	(1,538)	(20,887)	(10,377)	(1,034)	(11,411)

For the six months ended December 31, 2022	**North America**	**Rest of World**	**Joint Ventures[1,4]**	**Total**	**Adjustments[2]**	**Total Reportable Segments**
Revenue						
External customers[3]	$ 563,124	$ 76,741	$ 74,076	$ 713,941	$ (74,076)	$ 639,865
Inter-segment revenues	2,932	287	4,651	7,870	(7,870)	—
Total revenue	**$ 566,056**	**$ 77,028**	**$ 78,727**	**$ 721,811**	**$ (81,946)**	**$ 639,865**
Capital additions	$ 38,232	$ 2,410	$ 1,215	$ 41,857	$ (1,215)	$ 40,642
Operating loss[4]	(3,118)	(1,822)	(20,935)	(25,875)	(1,027)	(26,902)

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

As at December 31, 2022	North America	Rest of World	Joint Ventures[1,4]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 1,128,007	$ 175,154	$ 84,974	$ 1,388,135	$ (121,194)	$ 1,266,941
Total liabilities	866,671	140,095	61,504	1,068,270	(121,194)	947,076

1. The joint venture segment is presented on a 50% basis, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. For the three and six months ended December 31, 2022, external customer revenues include tooling revenues of $19,225 and $32,342, respectively, for the Company, excluding the joint ventures.
4. For the three and six months ended December 31, 2022, operating income (loss) includes an impairment loss of $20,797 on the Company's investment in joint venture. Refer to note 10 for details.

For the three months ended December 31, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 193,253	$ 10,186	$ 31,010	$ 234,449	$ (31,010)	$ 203,439
Inter-segment revenues	2,649	199	1,769	4,617	(4,617)	—
Total revenue	**$ 195,902**	**$ 10,385**	**$ 32,779**	**$ 239,066**	**$ (35,627)**	**$ 203,439**
Capital additions	$ 10,168	$ 405	$ 1,159	$ 11,732	$ (1,159)	$ 10,573
Operating income (loss)	(11,659)	(2,209)	1,356	(12,512)	(188)	(12,700)

For the six months ended December 31, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 346,178	$ 20,676	$ 56,392	$ 423,246	$ (56,392)	$ 366,854
Inter-segment revenues	5,331	407	3,546	9,284	(9,284)	—
Total revenue	**$ 351,509**	**$ 21,083**	**$ 59,938**	**$ 432,530**	**$ (65,676)**	**$ 366,854**
Capital additions	$ 16,621	$ 890	$ 2,329	$ 19,840	$ (2,329)	$ 17,511
Operating loss	(37,439)	(4,142)	(296)	(41,877)	(110)	(41,987)

As at June 30, 2022[4]	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 1,111,656	$ 161,013	$ 97,828	$ 1,370,497	$ (92,424)	$ 1,278,073
Total liabilities	860,938	81,527	52,272	994,737	(92,424)	902,313

1. The joint venture segment is presented on a 50% basis, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. For the three and six months ended December 31, 2021, external customer revenues include tooling revenues of $29,956 and $33,179, respectively, for the Company, excluding the joint ventures.
4. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to note 3 for details.

The Company operates in the following main geographical areas:

Revenue[1] for the three months ended	Canada	United States	Mexico	Rest of World	Consolidated
December 31, 2022	$ 60,283	$ 145,054	$ 80,051	$ 35,613	$ 321,001
December 31, 2021	64,216	70,677	58,360	10,186	203,439

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

Revenue[1] for the six months ended	Canada	United States	Mexico	Rest of World	Consolidated
December 31, 2022	$ 127,238	$ 269,877	$ 166,009	$ 76,741	$ 639,865
December 31, 2021	109,655	135,717	100,806	20,676	366,854

Non-current assets[2] as at	Canada	United States	Mexico	Rest of World	Consolidated
December 31, 2022	$ 216,966	$ 391,245	$ 174,067	$ 92,441	$ 874,719
June 30, 2022[3]	218,179	400,647	149,539	92,172	860,537

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.
3. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to note 3 for details.

13. 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, 2022		For the six months ended December 31, 2022		As at December 31, 2022	
	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.	$ 2,065	$ 2,550	$ 4,034	$ 6,197	$ 1,245	$ 1,844
ABC INOAC Exterior Systems, LLC	229	5,882	1,173	8,032	879	13,131
ABCOR Filters	1,992	—	4,095	—	2,537	97
INOAC Huaxiang	—	—	—	18	—	84

	For the three months ended December 31, 2021		For the six months ended December 31, 2021		As at June 30, 2022	
	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.	$ 1,701	$ 3,660	$ 3,374	$ 6,492	$ 1,305	$ 4,619
ABC INOAC Exterior Systems, LLC	—	1,863	36	4,390	128	5,147
ABCOR Filters	1,837	4	3,681	8	1,035	81
INOAC Huaxiang	—	7	—	60	—	126

Receivables from joint ventures are non-interest bearing.

During the three and six months ended December 31, 2022, the Company received dividends from its joint ventures in the amounts of $nil (2021: $553) and $nil (2021: $553), respectively.

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

14. Earnings (loss) per share

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

	For the three months ended December 31,		For the six months ended December 31,	
	2022	**2021**	**2022**	**2021**
Net loss	**$ (22,739)**	$ (16,426)	**$ (46,188)**	$ (44,612)
Weighted average number of ordinary shares	**115,668,089**	52,536,422	**115,626,809**	52,533,067
Shares deemed to be issued in respect to options[1]	**—**	—	**—**	—
Shares deemed to be issued in respect to RSUs[1]	**—**	—	**—**	—
Weighted average number of shares used in diluted earnings (loss) per share	**115,668,089**	52,536,422	**115,626,809**	52,533,067
Earnings (loss) per share - basic and diluted	**$ (0.20)**	$ (0.31)	**$ (0.40)**	$ (0.85)

1. The impact of the options and RSUs outstanding were not considered in the calculation as they were anti-dilutive.

15. Financial instruments

15.1 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.

15.2 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 settlement value is recognized in profit or loss over the duration of the contract using the effective interest rate method.

15.3 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, 2022 and June 30, 2022, and fair value measurement hierarchy of these derivative financial instruments as defined in the Company's annual consolidated financial statements:

	December 31, 2022	June 30, 2022	Fair value hierarchy
Derivative assets (liabilities)			
Derivatives designated as cash flow hedging instruments:			
Interest rate swaps – USD SOFR	**$ 2,355**	$ 2,630	Level 2
Foreign exchange forward contracts – CAD	**(7,587)**	(3,255)	Level 2
Foreign exchange forward contracts and collars – Mexican Peso ("MXN")	**4,604**	5,619	Level 2
Derivatives not designated as hedging instruments:			
Barrier currency options – CAD	**(904)**	(567)	Level 2
Foreign exchange forward contracts – EUR	**860**	3,946	Level 2
Total derivative assets (liabilities), net	**$ (672)**	$ 8,373	
Total current[1]	**$ 736**	$ 5,830	
Total non-current	**$ (1,408)**	$ 2,543	

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

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

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

15.4 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:

15.4.1 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 Company applies a hedge ratio of 1:1.

The notional amounts and maturities of the derivative financial instruments as at December 31, 2022 are detailed below.

	Maturity			
	Less than 3 months	3–12 months	1–5 years	Total
Derivatives designated as hedging instruments:				
Foreign currency forwards				
CAD	$ 19,336	$ 56,426	$ 129,662	**$ 205,424**
Average USD-CAD exchange rate	1.28	1.28	1.30	
Foreign currency forwards				
MXN	$ 5,534	$ 17,711	$ 45,094	**$ 68,339**
Average USD-MXN exchange rate	22.50	22.27	23.15	
Derivatives not designated as hedging instruments:				
Foreign currency forwards				
USD	€ 11,900	€ —	€ —	**€ 11,900**
Average EUR-USD exchange rate	1.06	—	—	
EUR	$ 30,933	$ —	$ —	**$ 30,933**
Average USD-EUR exchange rate	0.96	—	—	

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

The Company designates certain of its USD-CAD foreign currency forwards as cash flow hedges. During the three and six months ended December 31, 2022, 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,	
	2022	**2021**	**2022**	**2021**
Unrealized gain (loss) in OCI	**$ 2,964**	$ 412	**$ (6,379)**	$ (4,402)
Realized gain (loss) recognized in profit or loss	**(1,829)**	282	**(2,502)**	747
Gain recycled from OCI to profit or loss	**—**	159	**46**	405
Gain (loss) recycled from OCI to inventories	**(357)**	218	**409**	528

During the year ended June 30, 2022, the Company monetized certain of its USD-CAD foreign currency contracts and reentered at the market rate. The Company received net proceeds of $8,568 as a result of the monetization. As the forecast transactions related to the monetized hedges are still probable, the gain deferred in OCI will be released when the original hedged transactions impact earnings. During the three and six months ended December 31, 2022, the Company recycled a gain of $1,379 (2021: $350) and $2,841 (2021: $350), respectively, from OCI to inventories.

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, 2022, 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,	
	2022	**2021**	**2022**	**2021**
Unrealized gain in OCI	**$ 3,502**	$ 2,117	**$ 5,081**	$ 1,090
Realized gain recognized in profit or loss	**686**	515	**1,121**	1,182
Gain recycled from OCI to inventories	**874**	524	**1,525**	1,227

During the six months ended December 31, 2022 and the year ended June 30, 2022, the Company monetized certain of its USD-MXN foreign currency contracts and reentered at the market rate. The Company received net proceeds of $4,989 and $1,493 as a result of the monetization, respectively. As the forecast transactions related to the monetized hedges are still probable, the gain deferred in OCI will be released when the original hedged transactions impact earnings. During the three and six months ended December 31, 2022, the Company recycled a gain of $188 (2021: $238) and $404 (2021: $238), respectively, from OCI to inventories.

Interest rate swaps

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

At December 31, 2022, the Company had interest rate swap agreements with a total notional amount of $225,000 (June 30, 2022: $225,000) whereby the Company pays a weighted average fixed interest rate of 1.48% (June 30, 2022: 1.48%) and receives interest at a floating rate equal to 1-month USD SOFR on the total notional amount. The interest rate swap agreements mature in May 2023. During the year ended June 30, 2022, the Company amended the benchmark for the interest rates from LIBOR to SOFR.

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:

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

	For the three months ended December 31,		For the six months ended December 31,	
	2022	2021	**2022**	2021
Unrealized gain (loss) in OCI	**$ (46)**	$ 1,038	**$ 694**	$ 915
Gain (loss) recycled from OCI to profit or loss	**908**	(838)	**1,000**	(1,680)

15.4.2 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, 2022 and June 30, 2022.

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, 2022, after taking into account the effect of interest rate swaps, approximately 61% (June 30, 2022: 56%) of the Company's borrowings were at a fixed rate of interest.

With all other variables held constant, an increase in interest rate of 50 basis points would have a negative impact on income (loss) before income tax for the three and six months ended December 31, 2022 of $193 (2021: 152) and $410 (2021: $246), respectively, on a hedged 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, Polish zloty, euros, Japanese yen and Chinese renminbi. As a result, changes in those currencies to USD exchange rates can impact ABC's business and results of operations, and result in foreign currency gains or losses.

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

Excluding the impact of hedge accounting, a 5% strengthening of the CAD against the USD would have decreased income (loss) before income tax for the three and six months ended December 31, 2022 by approximately $76 (2021: $256) and $267 (2021: $542), respectively. A 5% strengthening of the MXN against the USD would have decreased income (loss) before income tax for the three and six months ended December 31, 2022 by approximately $600 (2021: $425) and $1,222 (2021: $872), respectively. 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.

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

Commodity price risk and sensitivity

Management 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 income (loss) before income tax for the three and six months ended December 31, 2022 of $3,552 (2021: $1,892) and $7,461 (2021: $3,878), respectively, 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[2]
As at December 31, 2022	**$ 103,335**	**$ 92,368**	**$ 3,432**	**$ 1,027**	**$ 6,508**
As at June 30, 2022[1]	122,192	114,611	1,691	1,161	4,729

1. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to note 3 for details.
2. Includes certain tooling related receivables that the Company will not receive until specific conditions are met. This is in normal course of business and there are no indications that these balances are not collectible.

An impairment analysis is performed at each reporting date on an individual basis for each customer. The calculation is based on actual incurred historical data and forward-looking information available. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company is exposed to concentration of risk with respect to trade receivables. As at December 31, 2022, the Company's three largest customers accounted for 14.8%, 5.4% and 5.0%, respectively, of all receivables owing (June 30, 2022: 20.0%, 6.0% and 5.7%, respectively).

Deposits with banks and financial institutions

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

Liquidity risk

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

Concentration risk

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

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

Master netting and similar agreements

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

The ISDA agreements do not meet the criteria for offsetting in the 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 consolidated statement of financial position at fair value, as follows:

December 31, 2022	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**
Interest rate swaps – USD SOFR	$ 2,355	$ —	$ —	$ —
Foreign exchange forward contracts and collars – MXN	2,480	2,124	—	—
Foreign exchange forward contracts – CAD	—	—	4,055	3,532
Foreign exchange forward contracts – EUR	992	—	132	—
Barrier currency options - CAD	—	—	904	—

June 30, 2022	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**
Interest rate swaps – USD SOFR	$ 2,630	$ —	$ —	$ —
Foreign exchange forward contracts and collars – MXN	1,623	3,996	—	—
Foreign exchange forward contracts – CAD	37	—	1,839	1,453
Foreign exchange forward contracts – EUR	3,946	—	—	—
Barrier currency options - CAD	—	—	567	—

15.4.3 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. Refer to note 7 for discussion on covenants as at December 31, 2022.

16. Subsequent events

16.1 Termination of proposed acquisition of Continental's Washer Systems product line

On June 28, 2022, the Company entered into a conditional agreement to acquire the Washer Systems product line of Continental Automotive GmbH ("Continental") for approximately EUR 20,500 ($20,227).

On January 12, 2023, the Company entered into a settlement agreement with Continental, whereby the parties agreed to terminate the purchase agreement and the proposed transaction effective upon the payment of EUR 10,250 ($10,232) by the Company to Continental, which occurred on January 18, 2023.

16.2 Sale of interest in joint ventures

On January 18, 2023, the Company entered into definitive agreements to sell its 50% interest in ABC INOAC Exterior Systems, LLC. to INOAC Corporation for approximately $10,000 and sell its 50% interest in ABC INOAC Exterior Systems Inc. to INOAC Canada Limited for approximately $13,000. Both of these companies are spoiler and body molding manufacturers with painting capabilities. ABC INOAC Exterior Systems, LLC. is located in United States and ABC INOAC Exterior Systems Inc. is located in Canada and Mexico. On February 1, 2023, the Company closed both of these transactions.

16.3 Exercise of purchase option

On February 2, 2023, the Company exercised its option to purchase the remaining 10.1% interest in Etzel for an exercise price of EUR 6,000 ($5,990). The purchase has no impact on the Company's interim condensed consolidated financial statements as no non-controlling interest was recorded at the acquisition date. Refer to note 3 above for details.