Consolidated Financial Statements

ABC Group Holdings Parent Inc.

For the years ended June 30, 2018 and 2017

Management's responsibility for the consolidated financial statements

The management of ABC Group Holdings Parent Inc. (the "Company") is responsible for the preparation of all information included in the accompanying consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and necessarily include some amounts that are based on management's best estimates and judgments.

The Company maintains a system of internal accounting and administrative controls to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that the assets are safeguarded from loss or unauthorized use. The Company's external auditors, appointed by the shareholders, have prepared their report, which outlines the scope of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for assuring that management fulfills its financial reporting responsibilities.

The Audit Committee is composed of directors who are not employees of the Company. The Audit Committee meets periodically with management and with the auditors to review and to discuss accounting policy, auditing and financial reporting matters. The Audit Committee reports its findings to the Board of Directors for its consideration in reviewing and approving the consolidated financial statements for issuance to the shareholders.

(signed)
Todd Sheppelman
Chief Executive Officer

(signed)
David Smith
Chief Financial Officer

October 12, 2018

KPMG

INDEPENDENT AUDITORS' REPORT

To the Shareholders of ABC Group Holdings Parent Inc.

We have audited the accompanying consolidated financial statements of ABC Group Holdings Parent Inc., which comprise the consolidated statement of financial position as at June 30, 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ABC Group Holdings Parent Inc. as at June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

The financial statements for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 18, 2018.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
October 12, 2018
Vaughan, Canada

ABC Group Holdings Parent Inc.

Consolidated Statements of Financial Position

(Expressed in thousands of United States dollars)

As at June 30,	Notes		2018		2017
Assets					
Current assets					
Cash and cash equivalents		**$**	**36,785**	$	45,975
Trade and other receivables	*4 and 20*		**120,786**		167,436
Inventories	*5*		**90,767**		92,324
Prepaid expenses and other	*6*		**18,140**		16,192
Total current assets			**266,478**		321,927
Property, plant and equipment	*7*		**276,796**		242,864
Intangible assets	*8*		**59,009**		48,737
Deferred income taxes	*14*		**811**		926
Investment in joint ventures	*16*		**45,267**		45,743
Derivative financial assets	*20*		**3,506**		10,281
Goodwill	*8*		**18,944**		18,944
Deferred financing costs for revolving credit facility	*11*		**2,592**		3,067
Total non-current assets			**406,925**		370,562
Total assets		**$**	**673,403**	$	692,489
Liabilities and equity					
Current liabilities					
Trade payables		**$**	**106,685**	$	87,872
Accrued liabilities and other payables	*9*		**90,245**		55,864
Provisions	*10*		**17,698**		19,006
Total current liabilities			**214,628**		162,742
Long-term debt	*11*		**296,423**		333,830
Provisions	*10*		**7,089**		5,620
Deferred income taxes	*14*		**27,823**		33,632
Other long-term liabilities			**—**		10,651
Derivative financial liabilities	*20*		**2,155**		—
Total long-term liabilities			**333,490**		383,733
Total liabilities			**548,118**		546,475
Equity					
Capital stock	*12*		**2,991**		70,454
Retained earnings			**125,250**		71,903
Foreign currency translation reserve			**(1,116)**		1,974
Cash flow hedge reserve	*20*		**(1,840)**		1,683
Total equity			**125,285**		146,014
Total liabilities and equity		**$**	**673,403**	$	692,489

Commitments and contingencies *(Note 17)*

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

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

ABC Group Holdings Parent Inc.

Consolidated Statements of Comprehensive Income

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

For the years ended June 30,	Notes	2018	2017
Sales		$ 1,028,336	$ 1,000,216
Cost of sales	5	835,493	820,815
Gross profit		192,843	179,401
Selling, general and administrative	13	96,397	74,900
Loss on disposal of property, plant and equipment		127	4,237
Loss (gain) on derivative instruments	20	2,480	(9,225)
Share of (income) of joint ventures	16	(6,312)	(10,227)
Operating income		100,151	119,716
Interest expense		27,885	25,835
Earnings before tax		72,266	93,881
Income tax expense (recovery)			
Current	14	17,757	21,600
Deferred	14	(7,019)	(3,828)
Total income tax expense		10,738	17,772
Net earnings		$ 61,528	$ 76,109
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net earnings:			
Foreign currency translation of foreign operations		(3,090)	1,974
Cash flow hedges, net of tax recovery of $211 (2017: tax expense of $607)	20	(1,595)	1,886
Cash flow hedges reclassified to net earnings, net of tax recovery of $461 (2017: $nil)	20	(922)	(203)
Other comprehensive income (loss)		$ (5,607)	$ 3,657
Total comprehensive income for the year		$ 55,921	$ 79,766
Earnings per share - basic and diluted	19	$ 615.28	$ 761.09

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

ABC Group Holdings Parent Inc.

Consolidated Statements of Changes in Equity

(Expressed in thousands of United States dollars)

	Notes	Capital stock	Retained earnings (deficit)	Foreign currency translation reserve	Cash flow hedge reserve	Total
Balance, June 30, 2016		**$ 250,039**	**$ (4,206)**	**$ —**	**$ —**	**$ 245,833**
Net earnings for the year		—	76,109	—	—	76,109
Other comprehensive income:						
Foreign currency translation of foreign operations		—	—	1,974	—	1,974
Cash flow hedging - net movement	*20*	—	—	—	1,683	1,683
Total comprehensive income		**$ —**	**$ 76,109**	**$ 1,974**	**$ 1,683**	**$ 79,766**
Return of capital	*12*	(179,585)	—	—	—	(179,585)
Balance, June 30, 2017		**$ 70,454**	**$ 71,903**	**$ 1,974**	**$ 1,683**	**$ 146,014**
Net earnings for the year		$ —	$ 61,528	$ —	$ —	$ 61,528
Dividends paid	*12*	—	(8,181)	—	—	(8,181)
Other comprehensive income (loss):						
Foreign currency translation of foreign operations		—	—	(3,090)	—	(3,090)
Cash flow hedges, net of reclassification to net earnings	*20*	—	—	—	(2,517)	(2,517)
Cash flow hedges reclassified to assets, net of tax recovery of $503	*20*				$ (1,006)	$ (1,006)
Total comprehensive income (loss)		**$ —**	**$ 53,347**	**$ (3,090)**	**$ (3,523)**	**$ 46,734**
Return of capital	*12*	(67,463)	—	—	—	(67,463)
Balance, June 30, 2018		**$ 2,991**	**$ 125,250**	**$ (1,116)**	**$ (1,840)**	**$ 125,285**

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

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

For the year ended June 30,	Notes	2018	2017
Cash flows from operating activities			
Net earnings		**$ 61,528**	$ 76,109
Adjustments for:			
Depreciation of property, plant and equipment	*7*	**31,830**	25,659
Amortization of intangible assets	*8*	**8,628**	6,016
Loss on disposal of property, plant and equipment		**127**	4,386
Unrealized loss (gain) on derivative instruments	*20*	**5,098**	(11,296)
Interest expense		**27,885**	25,835
Share of (income) of joint ventures	*16*	**(6,312)**	(10,227)
Income tax expense	*14*	**10,738**	17,772
Changes in:			
Trade and other receivables and prepayments		**43,128**	(14,938)
Inventories		**517**	22,028
Trade and other payables and provisions		**36,347**	18,996
Cash generated from operating activities		**219,514**	160,340
Interest received		**526**	772
Income taxes paid		**(11,213)**	(24,281)
Interest paid		**(20,048)**	(18,646)
Net cash flows from operating activities		**188,779**	118,185
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		**(63,744)**	(44,313)
Proceeds from disposal of assets held for sale, net of transaction costs		**—**	134,480
Change in other long-term liabilities		**—**	3,981
Dividends received from joint ventures	*16*	**5,000**	4,000
Proceeds on disposals of property, plant and equipment		**—**	794
Additions to intangible assets		**(18,900)**	(15,463)
Net cash flows from (used in) investing activities		**(77,644)**	83,479
Cash flows from (used in) financing activities			
Proceeds from long-term debt	*11*	**80,000**	72,700
Financing costs		**(4,589)**	(2,983)
Repayment of long-term debt	*11*	**(120,000)**	(102,700)
Return of capital	*12*	**(67,463)**	(179,585)
Dividends paid	*12*	**(8,181)**	—
Net cash flows from (used in) financing activities		**(120,233)**	(212,568)
Net decrease in cash and cash equivalents		**(9,098)**	(10,904)
Net foreign exchange difference		**(92)**	2,155
Cash and cash equivalents, beginning of year		**45,975**	54,724
Cash and cash equivalents, end of year		**$ 36,785**	$ 45,975

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

1. Corporate information

ABC Group Holdings Parent Inc. was incorporated on January 11, 2016, for the purpose of acquiring ABC Group Inc. On June 30, 2016, ABC Group Holdings Parent Inc. acquired ABC Group Inc. through one of its subsidiaries, ABC Group Holdings Inc. On July 4, 2016, three simultaneous transactions were completed that amalgamated most of the existing Canadian entities of ABC Group Inc. and ABC Group Holdings Inc. into a new entity called ABC Group Inc., which is the surviving company. ABC Group Holdings Parent Inc. and its subsidiaries (collectively, “ABC” or the “Company”) are incorporated and domiciled in Canada. The registered office is located at 2 Norelco Drive, Toronto, Ontario, Canada, M9L 2X6.

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.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Corporation’s Board of Directors on October 12, 2018.

2.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments (refer to note 20).

2.3. Presentation currency

The 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 and judgments

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a significant adjustment to the carrying amount of an asset or a liability affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which they occur and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included below.

Provisions

Significant judgment is required when measuring onerous contracts for variables including the discount rate, the estimated sales volumes, the total performance period, sales prices, scrap levels and other assumptions around the required expenditures to fulfill contracts.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or tax loss carry-forwards can be utilized. The recognition of temporary differences and tax loss carry-forwards is based on the Company's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Company records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which the Company operates.

Fair value of derivatives, hedging, and other financial instruments

The fair value of a financial instrument is determined, whenever possible, based on observable market data. If not available, The Company uses its judgement to select a variety of methods and make assumptions that are primarily based on market conditions existing at the end of each reporting period. The Company uses directly and indirectly observable inputs in measuring the value of financial instruments that are not traded in active markets, including interest rate yield curves and foreign exchange rates.

Impairment of non-financial assets

The recoverable amount of a cash generating unit ("CGU") or an individual asset has been determined as the higher of the CGUs' or the asset's fair value less costs of disposal and its value in use. These calculations require the use of estimates and assumptions and are subject to change as new information becomes available. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGUs.

Development costs

Development costs are capitalized in accordance with the Company's accounting policies. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

3. Significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its consolidated financial statements:

3.1 Basis of consolidation

3.1.1 Subsidiaries

Subsidiaries are entities over which the Corporation has control. Subsidiaries' financial statements are included in the consolidated financial statements from the date of commencement of control until the date that control ceases. Subsidiaries' accounting policies have been changed, when necessary, to align with the policies adopted by ABC. These consolidated financial statements include the accounts of the Corporation and the accounts of its subsidiaries.

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

The significant subsidiaries of the Company include the following:

Legal name	% Ownership
ABC Automotive Systems, Inc.	100% wholly owned subsidiary
ABC Group Holdings, Inc.	100% wholly owned subsidiary
ABC Group Inc.	100% wholly owned subsidiary
ABC Plastics Limited	100% wholly owned subsidiary
ABC Technologies, Inc.	100% wholly owned subsidiary
Grupo ABC Corporativo De Mexico S.A.	100% wholly owned subsidiary
Grupo ABC De Mexico S.A. De C.V.	100% wholly owned subsidiary
Salga Plastics, Inc.	100% wholly owned subsidiary
Undercar Products Group Inc.	100% wholly owned subsidiary

3.1.2 Transactions eliminated on consolidation

Inter-company balances and transactions arising on consolidation are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency

Each subsidiary of the Company maintains its accounting records in its functional currency. A subsidiary's functional currency is the currency of the principal economic environment in which it operates.

3.2.1 Foreign currency transactions

Transactions carried out in foreign currencies are translated using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated at the exchange rate at that date. The foreign currency gain or loss on such monetary items is recognized as income or expense for the period. Non-monetary assets and liabilities denominated in a foreign currency are translated at the historical exchange rate prevailing at the transaction date.

3.2.2 Translation of financial statements of foreign operations

The assets and liabilities of subsidiaries whose functional currency is not the United States dollars are translated into United States dollars at the exchange rate prevailing at the reporting date. The income and expenses of foreign operations whose functional currency is not the United States dollar are translated to United States dollars at the exchange rate prevailing on the date of transaction. Foreign currency differences on translation are recognized in other comprehensive income in the foreign currency translation reserve net of income tax.

3.3 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its material revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

3.3.1 Sale of finished goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods as parts are shipped. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. The Company provides warranty provisions for specific claims. The Company does not provide any extended warranties or maintenance contracts to its customers.

3.3.2 Sale of tooling

Revenue from the sale of tooling is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually when the customer approves the tool for production readiness.

3.3.3 Rendering of services

Engineering services are accounted for as a separate revenue element only in circumstances where the engineering has value to the customer on a standalone basis. Revenues from significant engineering service contracts that qualify as separate revenue elements are recognized on a percentage of completion basis. Percentage of completion is generally determined based on the proportion of accumulated expenditures to date as compared to total anticipated expenditures. If estimated costs to completion indicate a loss on the contract, the loss is recognized immediately.

3.4 Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprises cash at banks and on hand, which are subject to an insignificant risk of changes in value.

Cash consists of cash as defined above, net of outstanding bank drafts.

3.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs of raw materials and spare parts include expenditure incurred in acquiring the inventories, production or conversion costs and other direct costs incurred in bringing each product to its present location and conditions, and are accounted for on a first-in, first-out basis. Finished goods and work in progress inventories includes the costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in Other Comprehensive Income ("OCI"), in respect of the purchases of raw materials and conversion costs of finished goods and work in progress.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. When significant components of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment and depreciated accordingly. Repair and maintenance costs are recognized in net earnings as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment	8 to 20 years
Building	15 to 40 years
Production tooling	3 to 4 years
Returnable containers	3 years
Leasehold improvements	Over lease term

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at least annually and adjusted prospectively, if appropriate.

Certain tooling is produced or purchased specifically for the purpose of manufacturing parts for customer orders, which are either not sold to the customer, or paid for by the customer as part of the piece price for the parts produced using that tool, which is not subject to volume guarantees. In accordance with IAS 16, *Property, Plant and Equipment*, this tooling is recognized as property, plant and equipment. It is depreciated to match the lesser of estimated useful life and life of the program.

3.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset or group of assets (CGUs) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Goodwill is tested annually for impairment.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from Company estimates for the next five years and do not include restructuring activities to which the Company is not yet committed or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rates used for extrapolation purposes.

The Company bases its impairment calculation on detailed budgets and forecasts that are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3.8 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Company leases certain of its operating facilities and equipment. Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

3.9 Intangible assets and goodwill

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The Company's intangible assets acquired from a business combination include customer relationships and contracts that are amortized over the period of expected future benefit, which is seven and thirteen years, respectively.

Internally generated intangible assets, excluding capitalized development costs (refer to note 3.9.1), are not capitalized, and the expenditure is recognized in the consolidated statements of comprehensive income when it is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each reporting period and more frequently if conditions warrant. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of comprehensive income in the expense category consistent with the function of the intangible assets.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment of goodwill is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

3.9.1 Development intangible assets

The Company incurs development costs in response to specific customer awarded programs to take them from concept at award to production readiness. This includes engineering design and development, construction and testing of automotive prototypes and models and the program management costs and directly attributable overhead required to support these programs. These internally generated intangible assets are amortized on a straight-line basis over five years, which represents the standard life of a program.

Development expenditures, including engineering, design and development costs on an individual project, are recognized as an intangible asset when the Company can demonstrate the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate technical, financial and other resources to complete the asset
- The ability to measure reliably the expenditure attributable to the asset during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the underlying program has gone into production. Amortization is recorded as amortization expense in selling, general and administrative expense.

3.9.2 Investment tax credits

The Company claims investment tax credits as a result of incurring scientific research and experimental development expenditures. Investment tax credits are recognized when there is reasonable assurance of their realization. Management has made estimates and assumptions in determining the expenditures eligible for the investment tax credit claim. It is possible that the allowed amount of the investment tax credit claim could be different from the recorded amount upon assessment by the relevant taxing authority. These credits are netted against the costs to which they relate.

3.9.3 Research costs

Research costs are expensed as incurred.

3.10 Taxes

3.10.1 Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

3.10.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable net income; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable in management's estimation that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable net income; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside net earnings is recognized outside net earnings. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.11 Investments in joint ventures

A joint venture ("JV") is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining whether the Company has significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company accounts for investments in its joint ventures using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost, which includes transaction costs. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date.

The consolidated statements of comprehensive income reflect the Company's share of the results of operations of the joint ventures. In addition, when there has been a change recognized directly in the equity of the joint venture, the Company recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture; unrealized losses are recognized in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

The aggregate of the Company's share of income or loss of a joint venture is shown on the face of the consolidated statements of comprehensive income and represents income after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint ventures are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies of the joint ventures in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. The Company determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the loss as share of income of joint ventures in the consolidated statements of comprehensive income.

Upon loss of significant influence of joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in income.

The joint ventures of the Company include the following automotive parts suppliers:

Legal name	Country of incorporation	% Ownership
ABC INOAC Exterior Systems Inc.	Canada	50% owned joint venture
ABC INOAC Exterior Systems, LLC	USA	50% owned joint venture
ABCOR Filters Inc.	Canada	50% owned joint venture
Ningbo ABC INOAC Huaxiang Automotive Parts Co. Ltd. ("INOAC Huaxiang")	China	50% owned joint venture

3.12 Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.12.1 Financial assets

3.12.1.1 Initial recognition and measurement

Trade receivables are initially recognized when they originate. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified, at initial recognition, as financial assets at fair value through net earnings, loans and receivables, available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through net earnings, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date on which the Company commits to purchase or sell the asset.

3.12.1.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

3.12.1.2.1 Financial assets at fair value through net earnings

Financial assets at fair value through net earnings include financial assets held for trading and financial assets designated upon initial recognition at fair value through net earnings. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through net earnings are carried in the consolidated statements of financial position at fair value, with net changes in fair value presented as loss (gain) on derivative instruments in the consolidated statements of comprehensive income. The Company has not designated any financial assets upon initial recognition as at fair value through net earnings.

Derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through net earnings. These embedded derivatives are measured at fair value, with changes in fair value recognized in the consolidated statements of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through net earnings.

3.12.2 Impairment of financial assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred “loss event”) have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.12.2.1 Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to earnings in the consolidated statements of comprehensive income.

3.12.3 Derecognition

The Company sells a portion of its receivables through a sale agreement. Under the agreement, the receivables are sold and the Company does not retain any credit risk in the event of insolvency or inability to pay. The collection of such receivable continues to be administered by the Company without charge to the purchaser. Consequently, the Company has derecognized the receivables as substantially all the risks and rewards of ownership of the assets have been transferred.

3.12.3 Financial liabilities

3.12.3.1 Initial recognition and measurement

Financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through net earnings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, accrued liabilities and other payables, long-term debt, provisions, derivative financial liabilities, and other long-term liabilities.

3.12.3.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as follows:

3.12.3.2.1 Financial liabilities at fair value through net earnings

Financial liabilities at fair value through net earnings include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through net earnings.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held-for-trading are recognized in the consolidated statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through net earnings are designated at the initial date of recognition. The Company has not designated any financial liabilities as at fair value through net earnings.

3.12.3.2.2 Other financial liabilities

Other financial liabilities include long-term debt, trade payables, and accrued liabilities and other payables. After initial recognition, trade payables, and accrued liabilities and other payables are subsequently measured at amortized cost, while long-term debt is subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized or when the Company adjusts the carrying amount of the liability to reflect actual and revised cash flows, as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the consolidated statements of comprehensive income.

3.12.3.3 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

3.12.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statements of financial position only if there is a current enforceable legal right to offset the recognized amounts and there is an intention to settle them on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.13 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3.14 Derivative financial instruments and hedge accounting

3.14.1 Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as forward currency contracts and collars to hedge its foreign currency risks and interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to net earnings, except for the effective portion of cash flow hedges, which is recognized in OCI. The amount recognized in OCI is later reclassified to net earnings when the hedge item affects net earnings (in the case of forecasted transactions that result in financial assets or financial liabilities) or the associated gains and losses are removed from OCI and included in the initial cost or other carrying amount of the asset or liability (in the case of a hedge of a forecast transaction that subsequently results in the recognition of a non-financial asset or non-financial liability).

3.14.2 Hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed both at inception of the hedge relationship and on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The Company makes an assessment for a cash flow hedge of a forecast transaction of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect earnings.

Currently, the Company has not designated any fair value hedge relationships nor designated hedges of net investments in foreign operations. Cash flow hedges that meet the above strict criteria for hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statements of comprehensive income.

The Company uses interest rate swaps as hedges of its exposure to interest rate risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency forward contracts and collars is recognized in foreign exchange differences.

The Company determines the amount of the exposure to which it applies hedge accounting by assessing the potential impact of changes in interest rates on the future cash flows. This assessment is performed using analytical techniques, such as cash flow sensitivity analysis. By using derivative financial instruments to hedge exposures to changes in interest rates and foreign currency exchange rates, the Company exposes itself to credit risk of the counterparties to the derivatives, which is not offset by the hedged items. This exposure is primarily managed by entering into derivative financial instruments with Canadian Schedule 1 banks that have investment grade credit ratings.

The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item prospectively and retrospectively using a regression analysis. Under the Company's policy, in order to conclude that the hedging relationship is effective, both the following criteria should be met:

- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 0.8; and
- The slope of the regression line is within a 0.8–1.25 range.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Company's own credit risk on the fair value of the derivative instruments, which is not reflected in the fair value of the hedged items attributable to the changes in interest rate and foreign currency;
- differences in maturities of the derivative instruments and the hedged items; and
- if the initial fair value of the hedging instrument is other than zero at the date of inception of the hedging relationship.

There were no other significant sources of ineffectiveness in these hedge relationships.

Amounts recognized as OCI are transferred to net earnings when the hedged transaction affects profit and loss, such as when the hedged interest expense is recognized. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. Any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met. However, if the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognized in OCI is reclassified from equity to net earnings as a reclassification adjustment.

3.15 Provisions

3.15.1 General

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, cash flows reflecting the risks specific to the provision are discounted using a current pre-tax rate. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.15.2 Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the Company's obligations under a contract exceed the expected benefits to be received from a contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

3.15.3 Warranty provisions

Provisions for warranty-related costs are recognized for specific claims. The estimate of warranty-related costs is reviewed at each reporting date and adjusted as circumstances warrant.

3.16 Operating segments

An operating segment is a component of the Company whose operating results are routinely evaluated by the Company's chief operating decision maker ("CODM") to allocate resources and assess performance and for which discrete financial information is available. An operating segment engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

The Company's CODM is the Chief Executive Officer.

3.17 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 15 — Revenue from Contracts with Customer

In May 2014, the IASB issued IFRS 15, which introduces a single five-step model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company has completed its assessment of the impact of the adoption of IFRS 15. As part of the assessment, the Company analyzed the standard's impact on customer contracts, compared its historical accounting policies and practices to the requirements of the new standard, and identified potential differences from the application of the new standard's requirements. Based on the work performed, the Company does not expect that the adoption will have a material impact on its consolidated financial statements. As required by the standard, the Company expects to make additional disclosure related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 9 — Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and an updated approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new standard also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. The revised general hedge accounting standard will align hedge accounting more closely with risk management. The standard does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, but provides more hedging strategies that are used for risk management to qualify for hedge accounting as well as introduces more judgment to assess the effectiveness of a hedging relationship. New guidance on accounting for 'cost of hedging' is also introduced. IFRS 9 also significantly amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The standard is effective for annual periods beginning on or after January 1, 2018.

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

The Company has assessed the impact of IFRS 9 on the consolidated financial statements and does not expect it to have a material impact to the consolidated financial statements on the date of transition. Revised disclosures that are required by the IFRS 9 related amendments to IFRS 7 Financial Instruments: Disclosures, will be provided upon adoption of the standard on July 1, 2018.

IFRS 16 — Leases

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of IFRS 16 on its consolidated financial statements.

3.18 Comparative information

In order to enhance the presentation of the consolidated financial statements and allow for the users of the consolidated financial statements to more easily identify key measures important in the understanding of the business, certain figures have been reclassified to conform to the current year presentation.

4. Trade and other receivables

	Notes	2018	2017
Trade receivables		**$ 116,358**	$ 158,285
Receivables from joint ventures	*16*	**4,428**	9,151
Total trade and other receivables		**$ 120,786**	$ 167,436

Trade receivables are non-interest bearing and are generally on terms of 30–90 days from invoice date. The Company's customers are largely composed of large Original Equipment Manufacturers ("OEMs") and large tier one suppliers to those OEMs where products are shipped with high frequency, often daily, to customer production lines on continuous flow requirement contracts.

As at June 30, 2018, trade receivables with an initial carrying value of $377 were impaired and fully provided for (2017: $636).

During the year ended June 30, 2018, the Company began selling a portion of its receivables through a sale agreement with a financial institution. Under the agreement, the receivables are sold and the Company does not retain any credit risk in the event of insolvency or inability to collect. The Company continues to administer the collection of such receivables without charging fees for the service. Consequently, the Company has derecognized the receivables as substantially all the risks and rewards of ownership of the assets have been transferred.

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 20.4.2.

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

5. Inventories

		2018		2017
Raw materials and components	**$**	**22,135**	$	28,362
Finished goods and work in progress		**13,249**		17,460
Tooling		**55,383**		46,502
Total inventories	**$**	**90,767**	$	92,324

During the year ended June 30, 2018, inventories of $804,989 (2017: $792,526) were recognized in cost of sales.

During the year ended June 30, 2017, the Company recognized a loss of $8,300 in cost of sales related to the reversal of an inventory valuation adjustment from the determination of the fair values of the net identifiable assets of ABC Group Inc. on the acquisition date of June 30, 2016.

6. Prepaid expenses and other

	Notes		2018		2017
Recoverable value-added taxes, net		**$**	**2,206**	$	1,060
Income taxes recoverable			**6,420**		7,993
Current portion of derivative financial assets	20		**3,641**		3,305
Insurance			**1,217**		810
Other			**4,656**		3,024
Total prepaid expenses and other		**$**	**18,140**	$	16,192

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

7. Property, plant and equipment

	Land	Building	Machinery and equipment	Production tooling	Returnable containers	Leasehold improvements	Total
Cost							
As at June 30, 2016	$ 1,258	$ 3,188	$ 160,192	$ 48,043	$ 2,923	$ —	$215,604
Additions	—	2,465	40,712	7,524	1,306	941	52,948
Disposals	—	—	(693)	—	—	—	(693)
Foreign exchange	30	45	401	43	6	3	528
As at June 30, 2017	**$ 1,288**	**$ 5,698**	**$ 200,612**	**$ 55,610**	**$ 4,235**	**$ 944**	**$268,387**
Additions	—	1,225	57,691	3,868	1,320	2,535	66,639
Disposals	—	—	(755)	—	—	—	(755)
Foreign exchange	—	(99)	(700)	(3)	(13)	(3)	(818)
As at June 30, 2018	**$ 1,288**	**$ 6,824**	**$ 256,848**	**$ 59,475**	**$ 5,542**	**$ 3,476**	**$333,453**
Accumulated depreciation							
As at June 30, 2016	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Depreciation	—	141	20,497	3,426	1,564	31	25,659
Disposals	—	—	(48)	—	—	—	(48)
Foreign exchange	—	—	(70)	(12)	(6)	—	(88)
As at June 30, 2017	**$ —**	**$ 141**	**$ 20,379**	**$ 3,414**	**$ 1,558**	**$ 31**	**$ 25,523**
Depreciation	—	186	27,161	3,022	1,316	145	31,830
Disposals	—	—	(628)	—	—	—	(628)
Foreign exchange	—	(10)	(74)	20	(4)	—	(68)
As at June 30, 2018	**$ —**	**$ 317**	**$ 46,838**	**$ 6,456**	**$ 2,870**	**$ 176**	**$ 56,657**
Net book value							
As at June 30, 2018	**$ 1,288**	**$ 6,507**	**$ 210,010**	**$ 53,019**	**$ 2,672**	**$ 3,300**	**$276,796**
As at June 30, 2017	$ 1,288	$ 5,557	$ 180,233	$ 52,196	$ 2,677	$ 913	$242,864

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

8. Intangible assets and goodwill

	Customer contracts	Customer relationships	Development intangibles	Total Intangible Assets	Goodwill
Cost					
As at June 30, 2016	$ 24,795	$ 14,495	$ —	$ 39,290	$ 18,944
Additions	—	—	15,463	15,463	—
As at June 30, 2017	**$ 24,795**	**$ 14,495**	**$ 15,463**	**$ 54,753**	**$ 18,944**
Additions	—	—	18,900	18,900	—
As at June 30, 2018	**$ 24,795**	**$ 14,495**	**$ 34,363**	**$ 73,653**	**$ 18,944**
Accumulated amortization					
As at June 30, 2016	$ —	$ —	$ —	$ —	$ —
Amortization	3,542	1,115	1,359	6,016	—
As at June 30, 2017	**$ 3,542**	**$ 1,115**	**$ 1,359**	**$ 6,016**	**$ —**
Amortization	3,542	1,115	3,971	8,628	—
As at June 30, 2018	**$ 7,084**	**$ 2,230**	**$ 5,330**	**$ 14,644**	**$ —**
Net book value					
As at June 30, 2018	**$ 17,711**	**$ 12,265**	**$ 29,033**	**$ 59,009**	**$ 18,944**
As at June 30, 2017	$ 21,253	$ 13,380	$ 14,104	$ 48,737	$ 18,944

The Company allocated $18,944 of goodwill to its North American operating segment. During the fourth quarter of 2018, the Company performed a goodwill impairment test, and the recoverable amounts of all CGUs were determined to be higher than their carrying values. The recoverable amounts of the CGUs for the year ended June 30, 2018 were determined under their values in use, which were calculated using key assumptions including a 5 year forecast period, 0% terminal growth rate and a 14% discount rate. A reasonable change in these assumptions would not have resulted in impairment.

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

9. Accrued liabilities and other payables

	2018	2017
Value-added taxes payable, net	**$ 3,518**	$ 3,137
Unearned tooling revenue	**20,234**	14,721
Accrued payroll and employee benefits	**27,953**	22,125
Acquisition-related payable	**10,651**	—
Current portion of derivative liability	**1,202**	—
Income taxes payable	**1,836**	—
Other	**24,851**	15,881
Total accrued liabilities and other payables	**$ 90,245**	$ 55,864

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20.4.2.

10. Provisions

	2018			2017		
	Onerous contracts	Other provisions	Total	Onerous contracts	Other provisions	Total
Balance, beginning of year	$ 11,062	$ 13,564	$ 24,626	$ 12,940	$ 9,424	$ 22,364
Additions during the year	74	8,715	8,789	1,221	5,946	7,167
Utilized	(660)	(7,486)	(8,146)	(2,397)	(1,806)	(4,203)
Reversals	(591)	—	(591)	(755)	—	(755)
Accretion expense	109	—	109	53	—	53
Balance, end of year	**$ 9,994**	**$ 14,793**	**$ 24,787**	$ 11,062	$ 13,564	$ 24,626
Less current portion	$ 2,905	$ 14,793	$ 17,698	$ 5,442	$ 13,564	$ 19,006
Non-current portion	$ 7,089	$ —	$ 7,089	$ 5,620	$ —	$ 5,620

On June 30, 2018 and 2017, the Company had onerous contract loss provisions associated with tooling contracts and an onerous contract related to production of an automotive part.

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)

11. Long-term debt

	Maturity		2018		2017
Interest-bearing loans and borrowings					
Term facility	May 9, 2023	**$**	**305,000**	$	345,000
Less: Unamortized deferred financing costs on term facility			**8,577**		11,170
		$	**296,423**	$	333,830

On June 30, 2016, the Company entered into a credit agreement for a $375,000 term facility as well as a $100,000 revolving credit facility maturing on June 30, 2021 (the "Credit Facility"). The Credit Facility was amended on February 10, 2017, pursuant to which the term facility was increased to $400,000. Borrowings under the Credit Facility bear interest at short-term floating rates plus a fixed spread, which varies in accordance with the Company's net debt to EBITDA ratio, as defined in the Credit Facility agreement. The Company has hedged a portion of this interest rate position (refer to note 20).

On August 31, 2017, the Company amended and extended its Credit Facility. With the amendment, the maturity was extended by one year to June 30, 2022. The Company increased the term amount borrowed up to $425,000 and used the proceeds to make a distribution to its shareholders.

On May 9, 2018, the Company further amended its Credit Facility to extend the maturity date to May 9, 2023, reduce interest rates, and increase the revolving credit portion of the facility from $100,000 to $150,000. As at June 30, 2018, there was no amount drawn on the revolving credit facility.

For the year ended June 30, 2018, the average outstanding borrowings under the Credit Facility were $378,122 (2017: $362,214) with a weighted average interest rate of 5.34% (2017: 4.71%).

As at June 30, 2018, $5,097 (2017: $1,105) in letters of credit had been issued against the Credit Facility.

The Credit Facility is collateralized by a security agreement over all property and assets of the Company and a majority of its subsidiaries.

The Credit Facility requires the Company to maintain certain financial covenants and contains certain other covenants that, subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create security interests, incur additional indebtedness or dispose of all or substantially all of their assets. At June 30, 2018 and 2017, the Company was in compliance with all of its covenants.

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

The Credit Facility is repayable in quarterly installments starting on December 31, 2019 in accordance with the terms of the credit agreement. Principal repayments required on the credit agreement as at June 30, 2018 are as follows:

Payments		
Within one year	$	—
2 - 3 years		38,000
4 - 5 years		267,000
	$	**305,000**

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

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

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

		2018		2017
Long-term debt – beginning of year	**$**	**333,830**	$	375,000
Proceeds from long-term debt		**80,000**		72,700
Increase in deferred financing costs		**(4,338)**		(18,289)
Repayment of long-term debt		**(120,000)**		(102,700)
Loss on settlement of long-term debt		**1,905**		3,453
Amortization of deferred financing costs		**5,026**		3,666
Long-term debt – end of year	**$**	**296,423**	$	333,830

12. Capital stock

		2018		2017
100,000 common shares	**$**	**2,991**	$	70,454

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

During the years ended June 30, 2018 and 2017, the Company returned capital to its shareholders in the amounts of $67,463 and $179,585, respectively. Capital was returned by way of cash consideration.

Dividends of $8,181 ($81.81 per share) were declared and paid to the shareholders for the year ended June 30, 2018 (2017: $nil).

13. Selling, general and administrative expense

		2018		2017
Wages and benefits	**$**	**48,959**	$	45,831
Key management personnel severance		**6,999**		—
Transactional and recruitment bonuses		**3,684**		4,198
Gain on change in employee benefit plan		**(1,065)**		—
Professional fees		**4,178**		1,887
Business transformation related consulting fees		**10,067**		6,164
Depreciation and amortization		**10,690**		6,987
Information technology		**3,627**		3,032
Freight and duty		**2,168**		1,825
Travel expense		**1,783**		1,727
Bank charges		**1,205**		1,038
Foreign exchange gain		**(1,111)**		(1,024)
Other		**5,213**		3,235
Total selling, general, and administrative expense	**$**	**96,397**	$	74,900

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

14. Income taxes

The major components of the provision for (recovery of) income taxes for the year ended June 30, 2018 and 2017 are as follows:

Consolidated statements of income (loss) and comprehensive income (loss)

		2018		2017
Current income tax				
Current income tax expense	**$**	**18,079**	$	21,520
Adjustments in respect of current income tax of previous year		**(322)**		80
		17,757		21,600
Deferred income tax				
Relating to origination and reversal of temporary differences		**(7,019)**		(3,828)
Provision for income taxes	**$**	**10,738**	$	17,772

Reconciliation between the provision for income taxes and the product of accounting earnings multiplied by the Company's domestic tax rate for the year ended June 30, 2018 and 2017 is as follows:

		2018		2017
Earnings before income tax	**$**	**72,266**	$	93,881
At ABC's statutory income tax rate of 26.5% (2017: 26.5%)		**19,150**		24,878
Adjustments in respect to current income tax of previous years		**(322)**		80
Manufacturing and processing profits deduction		**(346)**		(1,785)
Losses not benefitted		**1,531**		1,973
Non-deductible (taxable) expenses for tax purposes		**(5,377)**		1,798
Effect of foreign tax rates in other tax jurisdictions		**884**		75
Effects of United States tax reform		**(3,694)**		—
Non-taxable gain on sale of real estate		—		(10,424)
Impact of foreign exchange		**(572)**		505
Other		**(516)**		672
At the effective income tax rate of 14.28% (2017: 18.93%)	**$**	**10,738**	$	17,772

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

Deferred tax

Deferred tax assets (liabilities) relate to the following:

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income		Translation and other	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Accelerated depreciation for tax purposes on property, plant and equipment	**$ (22,141)**	$ (24,935)	**$ (5,292)**	$ (13,044)	$ 2,500	$ 0
Accelerated amortization for tax purposes on other assets	**(14,793)**	(14,619)	**174**	(112)	—	0
Liabilities currently not deductible for tax	**8,428**	8,924	**496**	7,335	—	0
Revaluation of derivative financial instruments	**(898)**	(3,600)	**(1,528)**	2,993	(1,175)	607
Deferred financing costs	902	450	**(452)**	(926)	—	0
Losses available for offsetting against future taxable income	1,831	1,652	**(179)**	(652)	—	0
Other	**(341)**	(578)	**(238)**	578	—	0
Deferred tax expense (recovery)			**$ (7,019)**	$ (3,828)	**$ 1,325**	$ 607

Deferred income tax liabilities, net	**$ (27,012)**	$ (32,706)
Reflected in the consolidated statements of financial position as follows:		
Deferred income tax assets	**811**	926
Deferred income tax liabilities	**(27,823)**	(33,632)
Deferred income tax liabilities, net	**$ (27,012)**	$ (32,706)

The Company has accumulated approximately $20,715 (2017: $22,830) in non-capital losses to reduce taxable income in future years. If unused, these losses will expire as follows:

Year	
2020 to 2038	$ 9,960
Indefinite	10,755
	$ 20,715

As at June 30, 2018, tax losses in foreign jurisdictions in the amount of $13,370 (2017: $17,970) have not been recognized in the consolidated financial statements.

The amount of temporary differences associated with investments in subsidiaries (outside basis) for which deferred tax liabilities have not been recognized in the Company is $51,133 as at June 30, 2018 (2017: $nil).

On December 22, 2017, the United States made extensive changes to the United States tax system via the Tax Cuts and Jobs Act, which reduces the US federal corporate tax rate from 35% to 21% beginning January 1, 2018. As a result of this change the deferred tax liability in the United States was decreased by $3,694, with a corresponding non-cash decrease to income tax expense.

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

15. Segmented information

The Company is a tier one global automotive parts supplier that designs, engineers, manufactures and sells functional and decorative parts and assemblies from injection, blow and polyurethane compression molding processes.

The Company's sales depend primarily upon light vehicle production in the North American market, European 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, infrastructure, legislative changes, environmental emission and safety issues, and labour and/or trade relations.

Given the differences between the regions in which the Company operates, the Company's segments are segregated on a geographic basis between North America and Rest of World. The Rest of World segment includes operating segments that are not individually reportable. In addition, given that the CODM regularly reviews the operating results and performance of the equity-accounted joint ventures and is responsible for making resource allocation decisions to the joint ventures, the Company has also identified its joint ventures as a segment. The joint ventures have been aggregated into one reportable segment given that they hold similar economic characteristics, customers and products. The accounting policies of the segments are the same as those described in the significant accounting policies of the consolidated financial statements.

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

2018	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 973,701	$ 54,635	$ 124,685	$1,153,021	$ (124,685)	$ 1,028,336
Inter-segment revenues	12,119	912	2,661	15,692	(15,692)	—
Total revenue	**$ 985,820**	**$ 55,547**	**$ 127,346**	**$1,168,713**	**$ (140,377)**	**$ 1,028,336**
Total assets	659,007	53,466	94,856	807,329	(133,926)	673,403
Total liabilities	532,295	56,895	49,589	638,779	(90,661)	548,118
Capital additions	61,750	4,889	7,682	74,321	(7,682)	66,639
Adjusted EBITDA[3]	$ 160,575	$ (1,959)	$ 13,490	$ 172,106	$ —	$ 172,106

2017	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 951,549	$ 48,667	$ 123,317	$1,123,533	$ (123,317)	$ 1,000,216
Inter-segment revenues	21,200	1,017	2,730	24,947	(24,947)	—
Total revenue	**$ 972,749**	**$ 49,684**	**$ 126,047**	**$1,148,480**	**$ (148,264)**	**$ 1,000,216**
Total assets	672,733	55,923	91,543	820,199	(127,710)	692,489
Total liabilities	530,897	53,737	45,800	630,434	(83,959)	546,475
Capital additions	48,426	4,522	8,561	61,509	(8,561)	52,948
Adjusted EBITDA[3]	$ 151,001	$ 1,011	$ 13,164	$ 165,176	$ —	$ 165,176

1. The joint venture segment is presented on a 50% proportionate consolidation basis which corresponds to the Company's proportionate share of ownership in the JVs.
2. The adjustments and eliminations include the reversal of the impact of the proportionate consolidation of the joint ventures at 50%, with the exception of Adjusted EBITDA.
3. Adjusted EBITDA is a non-IFRS measure.

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

The Company's three largest customers account for 53.4%, 12.5% and 11.2% of total revenue across all segments for the year ended June 30, 2018.

The following table provides a reconciliation of Net income to Adjusted EBITDA[1]:

	Notes	2018	2017
Adjusted EBITDA[1]		**$ 172,106**	**$ 165,176**
Adjustments:			
Depreciation of property, plant and equipment	7	(31,830)	(25,659)
Interest expense		(27,885)	(25,835)
Key management personnel severance[2]	13	(6,999)	—
Business transformation related consulting fees[3]	13	(10,067)	(6,164)
Transactional and recruitment bonuses[4]	13	(3,684)	(4,198)
Reversal of inventory revaluation adjustment related to purchase price	5	—	(8,300)
Gain on change in employee benefit plan[5]	13	1,065	—
Reversal of onerous contracts	10	591	755
Provision for income taxes	14	(10,738)	(17,772)
Amortization of intangible assets	8	(8,628)	(6,016)
Unrealized gain (loss) on derivative instruments	20	(5,098)	11,296
Loss on disposal of property, plant and equipment		(127)	(4,237)
EBITDA from joint ventures[6]		(13,490)	(13,164)
Share of income of joint ventures		6,312	10,227
Net income		**$ 61,528**	**$ 76,109**

1. Adjusted EBITDA is a non-IFRS measure.
2. Represents severances expensed related to key management personnel as a result of organizational changes during the year ended June 30, 2018.
3. Represents costs including consulting fees associated with enhancing business operations, organizational capability and related processes.
4. Represents employee bonuses paid upon the successful refinancing of long-term debt and signing bonuses paid to newly hired employees.
5. Represents a one-time benefit received from changing the employee benefit plan to an Administrative Service Only plan during the year ended June 30, 2018.
6. EBITDA from joint ventures represents earnings before interest, taxes, and depreciation for the joint venture segment.

The Company operates in the following main geographical areas:

For the year ended June 30, 2018	**Canada**	**United States**	**Mexico**	**Rest of World**	**Consolidated financial statements**
Revenue[1]	$ 382,812	$ 320,252	$ 270,637	$ 54,635	$ 1,028,336
Non-current assets[2]	130,458	89,378	107,593	27,320	354,749

For the year ended June 30, 2017	**Canada**	**United States**	**Mexico**	**Rest of World**	**Consolidated financial statements**
Revenue[1]	$ 432,453	$ 328,304	$ 190,792	$ 48,667	$ 1,000,216
Non-current assets[2]	115,582	80,406	88,183	26,374	310,545

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

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

16. Interest in joint ventures

The Company's interests in joint ventures are accounted for using the equity method.

Summarized financial information of the joint ventures, based on their IFRS financial statements, and reconciliations with the carrying amounts of the investments in the consolidated financial statements are set out below:

As at June 30, 2018	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems LLC	Abcor Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Financial Position					
Cash and cash equivalents	$ 3,361	$ 9,779	$ 944	$ 4,376	$ 18,460
Prepaid expenses	2,331	638	111	457	3,537
Current assets	37,468	23,999	2,377	12,399	76,243
Loan receivable	—	46,374	—	—	46,374
Non-current assets	54,318	56,250	50	2,851	113,469
Current liabilities	25,578	17,022	1,560	7,750	51,910
Loan payable	46,374	—	—	—	46,374
Non-current liabilities	47,078	190	—	—	47,268
Other comprehensive income	794	—	—	220	1,014
Equity	**$ 19,130**	**$ 63,037**	**$ 867**	**$ 7,500**	**$ 90,534**
Proportion of the Company's ownership	50%	50%	50%	50%	50%
Carrying amount of the investments	**$ 9,565**	**$ 31,518**	**$ 434**	**$ 3,750**	**$ 45,267**

For the year ended June 30, 2018	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems LLC	Abcor Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Comprehensive Income					
Revenue	$ 103,155	$ 124,106	$ 6,864	$ 20,567	$ 254,692
Cost of sales	99,134	102,449	6,739	17,849	226,171
Administrative expenses	6,683	7,495	129	499	14,806
Interest expense	1,556	—	—	—	1,556
Interest income	34	1,540	3	3	1,580
Earnings (loss) before income taxes	**$ (4,184)**	**$ 15,702**	**$ (1)**	**$ 2,222**	**$ 13,739**
Income tax expense	477	58	—	579	1,114
Earnings (loss) for the year	**$ (4,661)**	**$ 15,644**	**$ (1)**	**$ 1,643**	**$ 12,625**
Proportion of the Company's ownership	50%	50%	50%	50%	50%
Company's share of earnings (loss) for the year	**$ (2,331)**	**$ 7,822**	**$ (1)**	**$ 822**	**$ 6,312**

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

As at June 30, 2017	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems LLC	Abcor Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Financial Position					
Cash and cash equivalents	$ 3,185	$ 10,095	$ 704	$ 2,404	$ 16,388
Prepaid expenses	4,925	576	84	280	5,865
Current assets	40,717	38,440	1,858	10,558	91,573
Loan Receivable	—	9,793	—	—	9,793
Non-current assets	49,994	38,496	650	2,373	91,513
Current liabilities	67,428	15,174	1,069	7,483	91,154
Non-current liabilities	446	—	—	—	446
Other comprehensive income (loss)	(691)	0	1	(37)	(727)
Equity	**$ 22,837**	**$ 61,762**	**$ 1,439**	**$ 5,448**	**$ 91,486**
Proportion of the Company's ownership	50%	50%	50%	50%	50%
Carrying amount of the investments	**$ 11,418**	**$ 30,881**	**$ 720**	**$ 2,724**	**$ 45,743**

For the year ended June 30, 2017	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems LLC	Abcor Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Comprehensive Income					
Revenue	$ 82,361	$ 141,168	$ 6,354	$ 22,211	$ 252,094
Cost of sales	78,372	108,711	6,585	19,609	213,277
Administrative expenses	7,062	8,747	137	658	16,604
Interest expense	1,045	—	—	—	1,045
Interest income	21	1,035	1	—	1,057
Earnings (loss) before income taxes	**$ (4,097)**	**$ 24,745**	**$ (367)**	**$ 1,944**	**$ 22,225**
Income tax expense	985	406	—	381	1,772
Earnings (loss) for the year	**$ (5,082)**	**$ 24,339**	**$ (367)**	**$ 1,563**	**$ 20,453**
Proportion of the Company's ownership	50%	50%	50%	50%	50%
Company's share of earnings (loss) for the year	**$ (2,541)**	**$ 12,170**	**$ (184)**	**$ 782**	**$ 10,227**

The following table provides the total amount of transactions that have been entered into with the joint ventures for June 30, 2018 and 2017:

2018	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.	$ —	$ 9,579	$ 223	$ 3,388
ABC INOAC Exterior Systems LLC	—	842	—	394
ABCOR Filters	5,321	8	520	151
INOAC Huaxiang	—	252	—	495

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

2017	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.	$ —	$ 16,504	$ 99	$ 7,723
ABC INOAC Exterior Systems LLC	—	1,203	—	351
ABCOR Filters	5,459	10	446	178
INOAC Huaxiang	—	366	—	899

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

During the year ended June 30, 2018, the Company received dividends from ABC INOAC Exterior Systems LLC in the amount of $5,000 (2017: $4,000).

17. Commitments and contingencies

Commitments

The Company leases certain premises and machinery and equipment under operating leases. The aggregate expected payments towards those leases are as follows:

2019	$ 22,115
2020	21,439
2021	20,182
2022	18,846
2023	18,713
Thereafter	204,841

The Company has committed to purchase, within the next 12 months, machinery and equipment for $11,827.

Contingencies

From time to time, the Company becomes involved in various claims and litigations as part of its normal course of business. While the final outcome thereof cannot be predicted, based on the information currently available, the Company does not believe that the claims and litigations will have a material impact on the Company's consolidated financial statements.

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

18. Related party disclosures

Cerberus Operations and Advisory LLC, a company under common control with ABC and some of ABC's directors provide consulting services to the Company. An amount of $3,265 was charged to the consolidated statement of comprehensive income during the year ended June 30, 2018 (2017: $3,232) related to these services.

During the year ended June 30, 2018, the Company returned $67,463 of capital to the shareholders the Company (2017: $179,585).

Transactions that have been entered into with the Company's joint ventures are disclosed in note 16.

Compensation of key management personnel of the Company

Key management personnel include senior executives and officers of the Company that are primarily responsible for planning, directing and controlling the Company's business activities.

The compensation expense associated with key management personnel are as follows:

	2018	2017
Compensation and short-term benefits	**$ 8,430**	$ 8,955
Termination benefits[1]	**6,999**	—
Total	**$ 15,429**	$ 8,955

1. During the year ended June 30, 2018, the Company incurred termination benefits for certain senior executives and officers as a result of organizational changes. The termination benefits are payable over an approximate term of 24 months ending in October 2019. These termination benefits were expensed during the year and recorded in selling, general and administrative expense.

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

19. Earnings per share

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

	2018	2017
Net earnings	**$ 61,528**	$ 76,109
Weighted average number of ordinary shares	**100,000**	100,000
Earnings per share - basic and diluted	**$ 615.28**	$ 761.09

20. Financial assets and financial liabilities

20.1 Financial assets

Trade and other receivables are non-derivative financial assets carried at amortized cost that generate a fixed or variable interest income for the Company. The fair value may be affected by changes in the credit risk of the counterparties. The carrying values of the Company's financial instruments approximate their fair values.

20.2 Financial liabilities

Financial liabilities at amortized cost represent financial liabilities not held for trading. They 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 relate to the duration of the loan, and as a result are amortized over the expected life using an EIR consistent with the base interest rate.

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

20.3 Fair values

Management assessed that the fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying values largely due to the short-term maturities of these instruments. The carrying value of long-term debt approximates its fair value as the balance represents a floating rate term loan. The Company's other long-term liabilities are non-interest bearing and carried at redemption value which approximates their fair value.

The Company measures its derivative financial instruments at fair value. The following table provides the fair value, determined as at June 30, 2018 and 2017, and fair value measurement hierarchy of these derivative financial instruments:

		2018		2017	Fair value hierarchy
Derivative assets (liabilities)					
Derivatives designated as cash flow hedging instruments:					
Interest-rate swaps – US$ LIBOR	**$**	**3,080**	$	2,290	Level 2
Foreign exchange forward contracts – Canadian dollar		**(1,843)**		—	Level 2
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts – Canadian dollar		**—**		4,970	Level 2
Foreign exchange forward contracts and collars – Mexican Peso		**2,553**		6,326	Level 2
Total derivative assets, net	**$**	**3,790**	$	13,586	
Total current	**$**	**2,439**	$	3,305	
Total non-current	**$**	**1,351**	$	10,281	

The Company enters into derivative financial instruments with Canadian Schedule 1 banks that have investment grade credit ratings. Interest rate swaps, foreign exchange forward contracts and collars are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves. Changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and the fair value recognized on derivative financial instruments.

20.4 Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise long-term debt and trade 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 and cash equivalents, and short-term deposits 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 oversees the management of these risks. 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:

20.4.1 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 Mexican Peso foreign exchange forward contracts and Mexican Peso collars are not designated as cash flow hedges but are, nevertheless, used to reduce the level of foreign currency risk from future transactions. The foreign exchange forward contracts and collars are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 48 months.

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

The notional amounts of the derivative financial instruments are detailed below.

	Maturity			
	Less than 3 months	3–12 months	1–5 years	Total
Designated as hedging instruments:				
Foreign currency forwards				
Canadian dollars	$ 25,937	$ 77,811	$ 248,704	**$ 352,452**
Average US-CAD exchange rate	1.30	1.30	1.29	
Not designated as hedging instruments:				
Foreign currency collars				
Mexican pesos	$ 2,980	$ 8,939	$ 19,545	**$ 31,464**
Floor: average US-MXN exchange rate	22.00	22.00	23.49	
Cap: average US-MXN exchange rate	25.07	25.07	26.92	
Foreign currency forwards				
Mexican pesos	$ 2,423	$ 7,068	$ 22,366	**$ 31,857**
Average US-MXN exchange rate	19.71	20.27	22.52	

On July 1, 2017, the Company designated its USD-CAD foreign currency forwards as cash flow hedges. During the year ended June 30, 2018, the cash flow hedges of USD-CAD foreign currency forwards were assessed to be highly effective and the Company recognized an unrealized loss of $5,489 (2017: $nil) in OCI. The Company realized gains of $2,790 (2017: $nil) on the same instruments. Of this amount, realized gains of $1,509 (2017 - $nil) was reclassified from OCI to inventories during the year and included as part of the cost of inventories that were recognized in cost of sales. Additionally, realized gains of $364 were reclassified from OCI to net earnings and included in selling, general and administrative expenses.

During the year ended June 30, 2018, the Company recognized an unrealized loss of $5,098 (2017: unrealized gain of $11,296) and net realized gain of $1,717 (2017: net realized loss of $2,071) on foreign exchange instruments not designated as cash flow hedges.

Interest rate swaps

The Company uses interest rate swaps to hedge the interest rate risks in respect of benchmark interest rates. 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 June 30, 2018, the Company had an interest rate swap agreement with a notional amount of $169,000 (2017: $180,000) whereby the Company pays a fixed rate of interest of 0.924% (2017: 0.924%) and receives interest at a floating rate equal to 1-month USD LIBOR on the notional amount. The swap is being used to hedge the exposure to variable interest payments on the interest-bearing liability that the Company pays USD LIBOR plus an applicable margin. The interest rate swap agreement matures on September 30, 2019.

The notional amounts of the interest rate swap agreement is detailed below.

		Maturity		
	Interest paid by the Company	Less than 3 months	3–12 months	1–2 years
Designated as hedging instruments:				
Notional amount	Fixed	$ 168,750	$ 161,719	$ 154,688
Average fixed interest rate		0.924%	0.924%	0.924%

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

The cash flow hedges of the expected interest payments were assessed to be highly effective and a net unrealized gain of $790 (2017: net unrealized gain of $2,290) relating to the hedging instruments is included in OCI for the current year. During the year ended June 30, 2018, the Company realized gains of $1,020 (2017: $203) on the interest rate swaps designated as cash flow hedges. The same amount of realized gains was reclassified from OCI during the year and reclassified to net earnings, and included in interest expense.

20.4.2 Other risks

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument 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 affected by market risk include cash and cash equivalents, accrued liabilities and other payables, long-term debt, and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at June 30, 2018 and 2017.

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 June 30, 2018, after taking into account the effect of interest rate swaps, approximately 55% (2017: 50%) of the Company's borrowings are at a fixed rate of interest.

With all other variables held constant, an increase in interest rate of 50 basis points would have a negative impact on pre-tax earnings for the year ended June 30, 2018 of $1,525 (2017: $1,725) on an unhedged basis, and vice versa.

Foreign currency risk and sensitivity

The non-US dollar functional currency operations of the Company's foreign operations are primarily Canadian dollars, euros, Chinese renminbi, Brazilian real and Japanese yen. Generally, purchases and borrowings are denominated in the functional currencies of the underlying operations of the Company. Therefore, the Company does not have significant foreign currency exposure.

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

The following table demonstrates the sensitivity to a 5% strengthening of the following currencies in which the Company conducts significant business against the functional currency of the Company. This sensitivity analysis excludes any impact of hedge accounting.

		2018		2017
Impact on pre-tax income loss (gain):				
Canadian dollar	**$**	**2,167**	$	3,582
Mexican peso		**1,229**		1,709

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)

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.
For the year ended June 30, 2018, a 5% increase in the price of resin (all other variables held constant) would have a negative impact on pre-tax earnings for the year of $8,672 (2017: $7,866), 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) and 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 invoice due date, is as follows:

	Total	<30 days	30–60 days	61–90 days	91–120 days	>120 days
As at June 30, 2018	**$ 120,786**	**$ 119,265**	**$ 1,155**	**$ 71**	**$ 47**	**$ 248**
As at June 30, 2017	167,436	165,035	1,812	192	79	318

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 20.1. The Company does not hold collateral as security. The Company is exposed to concentration of risk with respect to trade receivables. As at June 30, 2018, the Company's three largest customers accounted for 51.2%, 6.7% and 6.3%, respectively, of all receivables owing (2017: 56.3%, 7.4% and 4.1%, respectively).

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 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 cash equivalents and derivative financial instruments are primarily held with large financial institutions with investment-grade credit ratings. The Company's maximum exposure to credit risk for deposits with banks and financial institutions and derivative financial instruments is their carrying amounts. The Company does not hold collateral as security.

Liquidity risk

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

Concentration risk

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

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

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 consolidated statements of financial position. This is because the Company does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as a default or other credit events.

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

2018	Current assets	Non-current assets	Current liabilities	Long-term liabilities
Interest-rate swaps – US$ LIBOR	$ 2,369	$ 711	$ —	$ —
Foreign exchange forward contracts and collars – Mexican Peso	1,124	1,919	144	346
Foreign exchange forward contracts – Canadian dollar	148	876	1,058	1,809

2017	Current assets	Non-current assets	Current liabilities	Long-term liabilities
Interest-rate swaps – US$ LIBOR	$ 1,018	$ 1,272	$ —	$ —
Foreign exchange forward contracts and collars – Mexican Peso	1,830	4,496	—	—
Foreign exchange forward contracts – Canadian dollar	457	4,513	—	—

20.4.3 Capital Management

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

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

The company is subject to certain covenants on its credit facility, which include a net debt to EBITDA ratio and a fixed charge coverage ratio. As at June 30, 2018 and 2017, ABC was in compliance with the above covenants.