Consolidated Financial Statements

ABC Group Holdings Parent Inc.

For the years ended June 30, 2020 and 2019

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 shareholder, 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 shareholder.

(signed)
Todd Sheppelman
Chief Executive Officer

(signed)
David Smith
Chief Financial Officer

August 27, 2020

KPMG LLP
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Tel 905-265 5900
Fax 905-265 6390
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of ABC Group Holdings Parent Inc.

Opinion

We have audited the consolidated financial statements of ABC Group Holdings Parent Inc. (the "Entity"), which comprise:

- the consolidated statement of financial position as at June 30, 2020 and June 30, 2019;
- the consolidated statement of comprehensive income for the years then ended;
- the consolidated statement of changes in equity for the years then ended;
- the consolidated statement of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at June 30, 2020 and June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Change in Accounting Policy

We draw attention to Note 3.15 to the financial statements, which indicates that the Entity has changed its accounting policy for the impact of the adoption of IFRS 16 *Leases* and has applied that change using a modified retrospective approach.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

August 27, 2020

Vaughan, Canada

ABC Group Holdings Parent Inc.
Consolidated Statement of Financial Position
(Expressed in thousands of United States dollars)

	Notes		June 30, 2020		June 30, 2019
Assets					
Current assets					
Cash		$	**74,058**	$	64,594
Trade and other receivables	*5, 25*		**44,958**		101,828
Inventories	*6*		**71,364**		79,146
Prepaid expenses and other	*7, 25*		**30,748**		13,592
Total current assets			**221,128**		259,160
Property, plant and equipment	*8*		**343,135**		327,116
Right-of-use assets	*9*		**155,745**		—
Intangible assets	*10*		**75,701**		66,683
Deferred income taxes	*19*		**1,785**		1,161
Investment in joint ventures	*21*		**48,396**		46,635
Derivative financial assets	*25*		**—**		2,850
Goodwill	*10*		**18,944**		18,944
Deferred financing costs for revolving credit facilities			**1,901**		2,065
Other long-term assets			**4,400**		—
Total non-current assets			**650,007**		465,454
Total assets		$	**871,135**	$	724,614
Liabilities and equity					
Current liabilities					
Trade payables		$	**56,285**	$	125,610
Accrued liabilities and other payables	*11, 25*		**67,915**		65,442
Provisions	*12*		**14,539**		13,019
Current portion of long-term debt[1]	*13*		**379,200**		—
Current portion of lease liabilities	*14*		**8,926**		—
Total current liabilities			**526,865**		204,071
Long-term debt	*13*		**—**		296,632
Lease liabilities	*14*		**153,842**		—
Deferred income taxes	*19*		**25,110**		29,740
Derivative financial liabilities	*25*		**18,747**		4,487
Other long-term liabilities			**1,732**		—
Total non-current liabilities			**199,431**		330,859
Total liabilities			**726,296**		534,930
Equity					
Capital stock	*15*		**2,991**		2,991
Retained earnings			**164,286**		190,406
Foreign currency translation reserve			**(2,323)**		(732)
Cash flow hedge reserve, including cost of hedging	*25*		**(20,115)**		(2,981)
Total equity			**144,839**		189,684
Total liabilities and equity		$	**871,135**	$	724,614

[1] On July 30, 2020 the Company amended its Credit Facilities to provide relief for the effects of COVID-19 for the fourth quarter of 2020 and all of fiscal year 2021. With the amendment complete, $359,621 will be reclassified as long-term from July 30, 2020 onward.

COVID-19 outbreak (*note 2.5*)
Subsequent event (*note 13*)
Commitments and contingencies (*note 22*)

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 Statement of Comprehensive Income

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

	Notes	For the year ended June 30, 2020	2019
Sales		**$ 822,887**	$ 1,057,608
Cost of sales	*6, 16*	**723,856**	890,207
Gross profit		**99,031**	167,401
Selling, general and administrative	*16, 17*	**97,039**	89,590
Gain on disposal of Polybottle Group	*4*	**—**	(14,073)
Loss on disposal of property, plant and equipment		**1,122**	649
Loss on derivative financial instruments	*25*	**2,382**	225
Share of income of joint ventures	*21*	**(4,601)**	(8,973)
Operating income		**3,089**	99,983
Interest expense (net)	*18*	**31,518**	17,264
Earnings (loss) before income tax		**(28,429)**	82,719
Income tax expense (recovery)			
Current	*19*	**(2,903)**	15,406
Deferred	*19*	**594**	2,157
Total income tax expense (recovery)		**(2,309)**	17,563
Net earnings (loss)		**$ (26,120)**	$ 65,156
Other comprehensive income (loss)			
Items that may be recycled subsequently to net earnings:			
Foreign currency translation of foreign operations and other		**(1,591)**	384
Cash flow hedges, net of tax recovery of $7,083 (2019: $128)	*25*	**(21,248)**	(384)
Cash flow hedges recycled to net earnings, net of tax expense of $1,151 (2019: tax recovery of $487)	*25*	**3,453**	(1,460)
Other comprehensive loss		**$ (19,386)**	$ (1,460)
Total comprehensive income (loss) for the period		**$ (45,506)**	$ 63,696
Earnings (loss) per share - basic and diluted	*24*	**$ (261.20)**	$ 651.56

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

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

	Notes	Capital stock	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve[1]	Total
June 30, 2018		**$ 2,991**	**$ 125,250**	**$ (1,116)**	**$ (1,840)**	**$ 125,285**
Net earnings		—	65,156	—	—	65,156
Other comprehensive income (loss):						
Foreign currency translation of foreign operations		—	—	384	—	384
Cash flow hedges, net of reclassification to net earnings, net of taxes	*25*	—	—	—	(1,844)	(1,844)
Total comprehensive income (loss)		**$ —**	**$ 65,156**	**$ 384**	**$ (1,844)**	**$ 63,696**
Cash flow hedges recycled to assets, net of taxes	*25*	—	—	—	703	703
June 30, 2019		**$ 2,991**	**$ 190,406**	**$ (732)**	**$ (2,981)**	**$ 189,684**
Net loss		—	(26,120)	—	—	(26,120)
Other comprehensive loss:						
Foreign currency translation of foreign operations		—	—	(1,591)	—	(1,591)
Cash flow hedges, net of reclassification to net earnings, net of taxes	*25*	—	—	—	(17,795)	(17,795)
Total comprehensive loss		**$ —**	**$ (26,120)**	**$ (1,591)**	**$ (17,795)**	**$ (45,506)**
Cash flow hedges recycled to assets, net of taxes	*25*	—	—	—	661	661
June 30, 2020		**$ 2,991**	**$ 164,286**	**$ (2,323)**	**$ (20,115)**	**$ 144,839**

1. At June 30, 2020, the cash flow hedge reserve includes a loss of $2,305 (2019: gain of $2,323) due to the change in fair value of excluded components being accounted for as the cost of hedging.

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

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

	Notes	For the year ended June 30, 2020	2019
Cash flows from (used in) operating activities			
Net earnings (loss)		**$ (26,120)**	$ 65,156
Adjustments for:			
Depreciation of property, plant and equipment	*8*	**40,429**	33,179
Depreciation of right-of-use assets	*9*	**13,529**	—
Amortization of intangible assets	*10*	**12,437**	8,191
Loss on disposal of property, plant and equipment		**1,122**	649
Unrealized loss on derivative financial instruments	*25*	**2,938**	2,230
Interest expense	*18*	**31,518**	17,264
Share of income of joint ventures	*21*	**(4,601)**	(8,973)
Income tax expense (recovery)	*19*	**(2,309)**	17,563
Gain on disposal of Polybottle Group	*4*	**—**	(14,073)
Reversal of non-tooling onerous contract provision	*12*	**—**	(8,606)
Changes in:			
Trade and other receivables and prepaid expenses and other		**49,396**	14,553
Inventories		**7,067**	9,218
Trade payables, accrued liabilities and other payables, and provisions		**(57,388)**	(18,932)
Cash generated from operating activities		**68,018**	117,419
Interest received		**966**	1,170
Income taxes paid		**(6,624)**	(8,314)
Interest paid on leases		**(14,846)**	—
Interest paid on long-term debt and other		**(17,477)**	(18,335)
Net cash flows from operating activities		**30,037**	91,940
Cash flows from (used in) investing activities			
Purchases of property, plant and equipment		**(72,692)**	(79,108)
Proceeds from disposal of Polybottle Group, net of transaction costs	*4*	**—**	22,267
Payment of acquisition-related payable		**(5,455)**	—
Dividends received from joint ventures	*21*	**2,854**	7,500
Proceeds from disposals of property, plant and equipment		**263**	1,124
Additions to intangible assets		**(21,455)**	(15,865)
Net cash flows used in investing activities		**(96,485)**	(64,082)
Cash flows from (used in) financing activities			
Change in revolving credit facilities	*13*	**85,000**	—
Principal payments of lease liabilities		**(7,522)**	—
Financing costs		**(764)**	—
Net cash flows from financing activities		**76,714**	—
Net increase in cash		**10,266**	27,858
Net foreign exchange difference		**(802)**	(49)
Cash, beginning of year		**64,594**	36,785
Cash, end of year		**$ 74,058**	$ 64,594

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

1. Corporate information

ABC Group Holdings Parent Inc. and its subsidiaries (collectively, "ABC" or the "Company") is a tier one global automotive parts supplier that designs, engineers, manufactures and sells functional and decorative parts, as well as assemblies from injection, blow and polyurethane compression molding processes. The Company is incorporated and domiciled in Canada. The registered office is located at 2 Norelco Drive, Toronto, Ontario, Canada, M9L 2X6.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were approved by the Company's Board of Directors on August 27, 2020.

2.2 Basis of measurement

The consolidated financial statements have been measured on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

2.3. Presentation currency

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

2.4. Use of estimates and judgments

The 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

The determination of provisions is a complex process that involves judgments about the outcome of future events, the interpretation of laws and regulations, and estimates on the timing and amount of expected future cash flows and discount rates. Changes to these estimates due to factors including, but not limited to, manufacturing process improvements, sales volumes, sales prices, scrap levels, performance period, and required expenditures to fulfill contracts may have a material impact on the amounts presented.

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 judgment 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

Management applies judgment in assessing the existence of impairment indicators based on internal and external factors. The recoverable amount of a cash-generating unit ("CGU") or an individual asset has been determined as the higher of the CGU's or the asset's fair value less costs of disposal and its value in use. The key estimates the Company applies in determining the value in use include expected future sales, future operating costs, tax rates, discount rates, and terminal growth rate. Management may also be required to make judgments regarding the likelihood of occurrence of a future event. These estimates and assumptions 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

The recognition of development costs as intangible assets involves judgment to assess the division of activities between research and development, types of costs eligible for capitalization, technical feasibility, and future economic benefits.

Leases

The Company is required to measure the present value of lease liabilities using its weighted-average incremental borrowing rate. The estimation of weighted-average incremental borrowing rate is an inherently complex process and involves the exercise of professional judgment. Changes to the estimates and assumptions used to derive the weighted-average incremental borrowing rate could materially affect the balance of lease liabilities, right-of-use assets, depreciation of right-of-use assets, and interest expense.

2.5. COVID-19 outbreak

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

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

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

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

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities and when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

The accounting policies of subsidiaries have been aligned with the policies adopted by ABC . The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Significant subsidiaries of the Company include the following:

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

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. The parent company's functional currency is the USD.

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 USD are translated into USD at the exchange rate prevailing at the reporting date. The income and expenses of foreign operations whose functional currency is not the USD are translated to USD 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 when the Company satisfies its performance obligation by transferring an asset (ie. goods or services) to a customer. An asset is transferred when the customer obtains control of that asset.

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

3.3.1 Sale of finished goods

Revenue from the sale of goods is recognized at the point in time when control of the goods have passed to the buyer, usually 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.

3.3.2 Sale of tooling

Revenue from the sale of tooling is recognized at the point in time when control of the goods have passed to the buyer, which is usually when the customer approves the tool for production readiness. When the customer makes progress payments in advance of obtaining control of the tool, the Company recognizes a liability for the progress payments until the performance obligation is satisfied. Such payments generally do not contain a financing component.

3.4 Government grants

The Company recognizes government grants when there is reasonable assurance that the Company will comply with the conditions associated with the grant, and that the grant will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related expenses for which the grants are intended to compensate, as a deduction to the related expense.

3.5 Cash

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

3.6 Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and 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 profit or loss as incurred.

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

Machinery and equipment	2 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 profit or loss 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; these assets 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.

3.8 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 board approved five-year budgets and forecasts that are prepared separately for each of the Company's CGUs to which the individual assets are allocated. Cash flow estimates 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.

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 profit or loss.

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 useful lives of intangible assets are assessed as either finite or indefinite. 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.

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 profit or loss 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. 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 asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when it is available for use. These internally generated intangible assets are amortized on a straight-line basis over five years, which represents the standard life of a program.

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 profit or loss. 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 profit or loss is 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 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 statement 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 statement 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 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 in share of income of joint ventures in profit or loss.

Upon loss 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 joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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

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

3.12.1 Classification and measurement

As of July 1, 2018, the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

Financial liabilities are classified and measured based on two categories: amortized cost or fair value through profit or loss.

The classification of financial assets depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Derivative financial instruments are measured at fair value through profit or loss except those for which hedge accounting has been applied.

3.12.1.1 Fair value through profit or loss ("FVTPL")

Financial assets purchased and financial liabilities incurred with the intention of generating earnings in the near term, and derivatives other than cash flow hedges, are classified as FVTPL. This category includes certain trade receivables to be sold to a financial institution and derivative financial instruments that do not qualify for hedge accounting. For items classified as FVTPL, the Company initially recognizes such financial assets on the consolidated statement of financial position at fair value and recognizes subsequent changes in profit or loss. Transaction costs incurred are expensed.

3.12.1.2 Fair value through OCI

Subsequent to initial recognition, financial assets classified as fair value through OCI are measured at fair value on the consolidated statement of financial position and changes therein are recognized in OCI. When a financial asset is derecognized, the accumulated gain or loss in OCI is recycled to profit or loss.

3.12.1.3 Amortized cost

Financial assets held to collect contractual cash flows are classified as amortized cost. This category includes cash and trade and other receivables. The Company initially recognizes the carrying amount of such assets, other than trade receivables, on the consolidated statement of financial position at fair value with directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate ("EIR") method, less any impairment losses. Trade receivables are initially measured at transaction price.

3.12.1.4 Other financial liabilities

Financial liabilities that are not classified as FVTPL are classified as other financial liabilities, which include trade payables, accrued liabilities and other payables, provisions, and long-term debt. These financial liabilities are recorded at amortized cost on the consolidated statement of financial position.

3.12.2 Impairment of financial assets

The expected credit loss ("ECL") model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The Company's allowance is determined by historical experiences, and considers factors including the aging of the balances, the customer's credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets or location of customers.

3.12.3 Derivative financial instruments and hedge accounting

3.12.3.1 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 profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI. The amount recognized in OCI is later recycled to profit or loss when the hedge item affects profit or loss (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).

3.12.3.2 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 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, at minimum, at each reporting date or upon significant change, to determine that they are expected to be 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 criteria for hedge accounting are accounted for as described below:

3.12.3.3 Cash flow hedges

The Company determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis at inception. The Company considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Company evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as benchmark interest rate or foreign currency. The Company further supports this qualitative assessment by using regression analysis at inception to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the present value of the hedged item. 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 profit or loss.

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.

At each reporting date, the Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item prospectively. Sources of ineffectiveness include:

- the effect of the counterparty and the Company's own credit risk on the fair value of the derivative financial 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 financial 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.

Amounts accumulated in equity are recycled in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset, such as inventory, the deferred hedging gains and losses and cost of hedging, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss through cost of sales.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss within interest expense at the same time as the interest expense on the hedged borrowings.
- The gain or loss relating to the effective portion of the foreign currency forwards or collars, and cost of hedging, to mitigate the impact of loss from fluctuations in currencies in certain costs within selling, general and administrative expense is recognized in profit or loss at the same time as the forecast transaction affects profit or loss.

When a hedging instrument no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately recycled to profit or loss.

3.12.3.4 Cost of hedging reserve

The Company uses forward exchange contracts and collars to hedge the variability in cash flows arising from changes in foreign exchange rates on forecasted transactions. The Company designates only the forward element of the forward exchange contracts and the intrinsic value of the options as the hedging instrument in the cash flow hedging relationships. Foreign currency basis adjustments and time value of options are excluded from the hedging instruments and recognized in OCI and accumulated in a cost of hedging reserve, as a separate component within equity. The gains or losses in the reserve are removed and accounted for similar to cash flow hedges that qualify for hedge accounting as described above.

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 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 Provisions

3.14.1 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 statement 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.

3.14.2 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 Leases

Prior to July 1, 2019, leases were recognized as finance leases when the Company had substantially all the risks and rewards of ownership of the underlying assets. All other leases were classified as operating leases. Operating lease payments were recognized as a selling, general, and administrative expense on a straight-line basis over the lease term.

The following policy is applied to contracts entered into, or changed, on or after July 1, 2019:

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

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low value assets

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

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 Adoption of new IFRS Standards

IFRS 16 - Leases

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

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

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

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

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

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

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

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

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

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

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

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

3.18 Standards issued but not yet effective

Amendments to hedge accounting requirements - phase 1

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

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

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

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

Amendments to IAS 1

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020 the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

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

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

4. Disposal of Polybottle Group

On November 1, 2018, the Company completed a transaction to sell all of its shares in its packaging manufacturing facilities ("Polybottle Group") included as part of its North American segment, for $22,267 including working capital adjustments. The Company realized a $14,073 gain from this transaction.

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

5. Trade and other receivables

	Notes		June 30, 2020		June 30, 2019
Trade receivables		**$**	**42,485**	$	99,646
Receivables from joint ventures	*21*		**2,473**		2,182
Total trade and other receivables		**$**	**44,958**	$	101,828

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 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, 2020, trade receivables with an initial carrying value of $916 were impaired and fully provided for (2019: $133).

The Company has an agreement with a financial institution to sell a portion of its receivables. 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. 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 25.4.2.

6. Inventories

		June 30, 2020		June 30, 2019
Raw materials and components	**$**	**27,068**	$	32,883
Finished goods and work in progress		**20,195**		20,601
Tooling		**24,101**		25,662
Total inventories	**$**	**71,364**	$	79,146

During the year ended June 30, 2020, inventories of $722,574 (2019: $887,954) were recognized in cost of sales.

7. Prepaid expenses and other

	Notes		June 30, 2020		June 30, 2019
Recoverable value-added taxes, net		**$**	**8,983**	$	1,736
Income taxes recoverable			**12,300**		1,655
Current portion of derivative financial assets	*25*		**599**		3,027
Government grant receivable	*16*		**2,939**		—
Other			**5,927**		7,174
Total prepaid expenses and other		**$**	**30,748**	$	13,592

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

8. Property, plant and equipment

	Land and Building	Machinery and equipment	Construction in Progress	Production tooling	Returnable containers	Leasehold improvements	Total
Cost							
June 30, 2018	$ 8,112	$ 267,605	$ 35,609	$ 13,109	$ 5,542	$ 3,476	$ 333,453
Additions / transfers	231	60,365	15,882	7,961	1,369	2,735	88,543
Disposals	(612)	(4,825)	—	(2,790)	—	(517)	(8,744)
Foreign exchange	(86)	(385)	(141)	(16)	(2)	(9)	(639)
June 30, 2019	**$ 7,645**	**$ 322,760**	**$ 51,350**	**$ 18,264**	**$ 6,909**	**$ 5,685**	**$ 412,613**
Additions	273	1,051	55,474	1,952	7	230	58,987
Transfers	70	63,429	(77,940)	9,174	3,483	1,784	—
Disposals	—	(2,383)	—	(11)	(117)	—	(2,511)
Foreign exchange	(345)	(2,083)	(114)	(17)	(24)	(5)	(2,588)
June 30, 2020	**$ 7,643**	**$ 382,774**	**$ 28,770**	**$ 29,362**	**$ 10,258**	**$ 7,694**	**$ 466,501**
Accumulated depreciation							
June 30, 2018	$ 317	$ 46,838	$ —	$ 6,456	$ 2,870	$ 176	$ 56,657
Depreciation	234	28,443	—	3,111	1,111	280	33,179
Disposals	(1)	(1,376)	—	(2,732)	—	(11)	(4,120)
Foreign exchange	(9)	(196)	—	(9)	(5)	—	(219)
June 30, 2019	**$ 541**	**$ 73,709**	$ —	**$ 6,826**	**$ 3,976**	**$ 445**	**$ 85,497**
Depreciation	225	34,910	—	3,414	1,413	467	40,429
Disposals	—	(1,096)	—	—	(30)	—	(1,126)
Foreign exchange	(53)	(1,344)	—	(9)	(27)	(1)	(1,434)
June 30, 2020	**$ 713**	**$ 106,179**	$ —	**$ 10,231**	**$ 5,332**	**$ 911**	**$ 123,366**
Net book value							
June 30, 2020	**$ 6,930**	**$ 276,595**	**$ 28,770**	**$ 19,131**	**$ 4,926**	**$ 6,783**	**$ 343,135**
June 30, 2019	$ 7,104	$ 249,051	$ 51,350	$ 11,438	$ 2,933	$ 5,240	$ 327,116

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

9. Right-of-use assets

	Land and Building	Machinery and equipment	Total
Cost			
June 30, 2019	$ —	$ —	$ —
Initial recognition on transition to IFRS 16	161,277	914	162,191
Additions	5,297	1,831	7,128
Exchange differences	(43)	(29)	(72)
June 30, 2020	**$ 166,531**	**$ 2,716**	**$ 169,247**
Accumulated depreciation			
June 30, 2019	$ —	$ —	$ —
Depreciation	12,749	780	13,529
Exchange differences	(11)	(16)	(27)
June 30, 2020	**$ 12,738**	**$ 764**	**$ 13,502**
Net book value			
June 30, 2020	**$ 153,793**	**$ 1,952**	**$ 155,745**
June 30, 2019	$ —	$ —	$ —

10. Intangible assets and goodwill

	Customer contracts	Customer relationships	Development intangibles	Total Intangible Assets	Goodwill
Cost					
June 30, 2018	$ 24,795	$ 14,495	$ 34,363	$ 73,653	$ 18,944
Additions	—	—	15,865	15,865	—
June 30, 2019	**$ 24,795**	**$ 14,495**	**$ 50,228**	**$ 89,518**	**$ 18,944**
Additions	—	—	21,455	21,455	—
June 30, 2020	**$ 24,795**	**$ 14,495**	**$ 71,683**	**$ 110,973**	**$ 18,944**
Accumulated amortization					
June 30, 2018	$ 7,084	$ 2,230	$ 5,330	$ 14,644	$ —
Amortization	3,542	1,115	3,534	8,191	—
June 30, 2019	**$ 10,626**	**$ 3,345**	**$ 8,864**	**$ 22,835**	**$ —**
Amortization	3,542	1,115	7,780	12,437	—
June 30, 2020	**$ 14,168**	**$ 4,460**	**$ 16,644**	**$ 35,272**	**$ —**
Net book value					
June 30, 2020	**$ 10,627**	**$ 10,035**	**$ 55,039**	**$ 75,701**	**$ 18,944**
June 30, 2019	$ 14,169	$ 11,150	$ 41,364	$ 66,683	$ 18,944

The Company allocated $18,944 of goodwill to its North American operating segment. During the fourth quarter of 2020, 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, 2020 were determined under their values in use, which were calculated using key assumptions including a 5 year forecast period, 2.0% terminal growth rate and an after-tax discount rate of 14.2%. A reasonable change in these assumptions would not have resulted in impairment.

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

11. Accrued liabilities and other payables

	June 30, 2020	June 30, 2019
Accrued payroll and employee benefits	**$ 28,996**	$ 21,549
Unearned tooling revenue	**12,729**	5,438
Tooling-related accruals	**2,714**	10,238
Acquisition-related payable	**—**	8,798
Income taxes payable	**—**	884
Current portion of derivative liability	**7,645**	1,022
Value-added taxes payable, net	**32**	968
Other	**15,799**	16,545
Total accrued liabilities and other payables	**$ 67,915**	$ 65,442

Unearned tooling revenue relates to advance consideration received for tooling contracts, for which revenue recognition criteria are not met at the reporting date. During the year ended June 30, 2020, the Company recognized $5,211 (2019: $20,234) of revenues that was included in unearned tooling revenue liability at the beginning of the year.

12. Provisions

The following table provides a continuity of the provision balances for the years ended June 30, 2020 and 2019:

	Onerous contracts	Other provisions	Total
June 30, 2018	$ 9,994	$ 14,793	$ 24,787
Additions during the year	1,459	17,295	18,754
Utilized	(272)	(11,522)	(11,794)
Reversals	(10,581)	(8,188)	(18,769)
Accretion expense	41	—	41
June 30, 2019	**$ 641**	**$ 12,378**	**$ 13,019**
Additions during the period	90	17,663	17,753
Utilized	(601)	(8,725)	(9,326)
Reversals	—	(6,907)	(6,907)
June 30, 2020	**$ 130**	**$ 14,409**	**$ 14,539**

During fiscal 2019, the Company reversed $8,606 of provision related to the production of an automotive part since the cost to fulfill the contract no longer exceeded the expected economic benefit due to manufacturing process improvements. This reversal was included in cost of sales in the consolidated statement of comprehensive income. As at June 30, 2020 and 2019, the remaining onerous contract provision relates to certain tooling contracts.

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

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

13. Long-term debt

	Maturity	June 30, 2020	June 30, 2019
Term facility			
Principal outstanding	May 9, 2023	**$ 305,000**	$ 305,000
Less: Unamortized deferred financing costs on term facility		**10,800**	8,368
Total term facility		**$ 294,200**	$ 296,632
Revolving credit facilities		85,000	—
Total long-term debt		**$ 379,200**	$ 296,632
Less: Current portion		**$ 379,200**	$ —
Non-current portion		$ —	$ 296,632

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 Facilities"). Borrowings under the Credit Facilities bear interest at short-term floating rates plus a fixed spread, which varies in accordance with the Company's net debt to EBITDA ratio, as defined in the Credit Facilities agreement. The Company has hedged a portion of this interest rate position (refer to note 25).

On May 9, 2018, the Company amended its Credit Facilities 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 ("Revolver A").

On April 16, 2020, the Company amended its Credit Facilities to include an additional $50,000 revolving credit facility ("Revolver B"). The Revolver B is available until April 16, 2021.

As at June 30, 2020, the average interest rate on the Credit Facilities was 3.36% (2019: 5.25%) and $2,455 (2019: $2,130) of letters of credit were issued against the Credit Facilities.

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

The Credit Facilities require the Company to maintain certain financial covenants and contain 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. During the months of May and June 2020, the Company worked with its lenders to amend the Credit Facilities to provide covenant relief due to conditions caused by COVID-19. At June 30, 2020, a term sheet had been agreed with the Agent Bank as well as a timeline to complete an amendment by July 2020. As at June 30, 2020, the Company obtained a suspension of compliance with its covenants until July 31, 2020 in full anticipation of successfully completing the amendment. On July 30, 2020, the Company completed the amendment to its Credit Facilities providing financial covenant relief over the following 12 months. The Company has not experienced an event of default or a breach of its covenants under its credit agreement, for which it has not been provided a suspension, during the years ended June 30, 2019 and 2020.

In accordance with IFRS, the Company is required to present this debt as a current liability because at June 30, 2020 it had not completed the amendment. As of July 30, 2020, upon obtaining the amendment, an amount of $359,921 related to the Credit Facilities was re-classified to long-term debt. At all times the maturity of the Credit Facilities was May 2023.

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

The Credit Facilities are repayable in quarterly installments in accordance with the terms of the credit agreement. Principal repayments per the credit agreement as at June 30, 2020 are as follows:

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

Payments:		
Within one year	$	23,000
2 years		26,000
3 years		341,000
	$	**390,000**

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

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

		Long-Term Debt
June 30, 2018	**$**	**296,423**
Impact of changes in expected cash flow on deferred financing costs		(3,747)
Amortization of deferred financing costs		3,956
June 30, 2019	**$**	**296,632**
Increase in deferred financing costs		(328)
Impact of changes in expected cash flow on deferred financing costs		(5,921)
Amortization of deferred financing costs		3,817
Increase in revolving credit facilities		85,000
Re-classification to current		(379,200)
June 30, 2020	**$**	**—**

14. Lease liabilities

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

		Lease liabilities
June 30, 2019	**$**	**—**
Initial recognition on transition to IFRS 16		163,495
Additions		7,128
Payments		(22,368)
Accretion		14,846
Exchange differences		(333)
June 30, 2020	**$**	**162,768**
Less: Current portion	$	8,926
Non-current portion	$	153,842

Principal repayments of lease liabilities as at June 30, 2020 are as follows:

Payments:		
Within one year	$	23,179
2 - 3 years		44,368
4 - 5 years		41,769
Thereafter		180,941

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

15. Capital stock

	June 30, 2020	June 30, 2019
100,000 common shares	**$ 2,991**	$ 2,991

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

16. Government grants

In response to COVID-19 (see *note 2.5*), many governments around the world have provided various subsidy programs to assist companies during the pandemic. The Company received government assistance in regions where such assistance was available and where the Company was eligible for the subsidy programs.

The Company participated in the Canada Emergency Wage Subsidy ("CEWS") program in Canada, which was announced in March 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. As at June 30, 2020, the Company has recovered $11,550 through the CEWS program, of which $2,939 remains outstanding as a receivable. This benefit has been recorded in the statement of comprehensive income as a deduction to the related expenses.

17. Selling, general and administrative expense

	For the year ended June 30,	
	2020	**2019**
Wages and benefits	**$ 47,896**	$ 44,639
Professional fees	**11,016**	10,660
Depreciation and amortization	**14,964**	10,513
Business transformation related costs	**6,221**	4,452
Information technology	**4,735**	4,423
Foreign exchange loss	**2,946**	3,957
Travel expense	**1,920**	2,479
Freight and duty	**1,700**	2,043
Bank and payroll service charges	**1,110**	1,157
Adjustment to acquisition-related payable	**(3,343)**	—
Transactional and recruitment bonuses	**733**	358
Other	**7,141**	4,909
Total selling, general, and administrative expense	**$ 97,039**	$ 89,590

18. Interest expense

		For the year ended June 30,	
	Notes	**2020**	**2019**
Interest on long-term debt		**$ 16,113**	$ 14,832
Impact of changes in expected cash flow on deferred financing costs		**(5,921)**	(3,747)
Amortization of deferred financing costs		**3,817**	3,956
Interest on lease liability	*14*	**14,846**	—
Other		**2,663**	2,223
Total interest expense		**$ 31,518**	$ 17,264

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

19. Income taxes

The major components of the provision for (recovery of) income taxes for the year ended June 30, 2020 and 2019 are as follows:

Consolidated statement of comprehensive income

		2020		2019
Current income tax				
Current income tax expense (recovery)	**$**	**(3,799)**	$	15,852
Adjustments in respect of current income tax of previous year		**896**		(446)
		(2,903)		15,406
Deferred income tax				
Relating to origination and reversal of temporary differences		**594**		2,157
Provision for income taxes	**$**	**(2,309)**	$	17,563

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, 2020 and 2019 is as follows:

		2020		2019
Earnings (loss) before income tax	**$**	**(28,429)**	$	82,719
At ABC's statutory income tax rate of 26.5% (2019: 26.5%)		**(7,534)**		21,921
Adjustments in respect to current income tax of previous years		**896**		(446)
Manufacturing and processing profits deduction		**(348)**		(735)
Losses not benefitted		**3,092**		222
Non-deductible (taxable) expenses for tax purposes		**2,208**		(5,282)
Effect of foreign tax rates in other tax jurisdictions		**(435)**		1,777
Other		**(188)**		106
At the effective income tax rate of 8.12% (2019: 21.23%)	**$**	**(2,309)**	$	17,563

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

Deferred tax

Deferred tax assets (liabilities) relate to the following:

	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income		Translation and other	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Accelerated depreciation for tax purposes on property, plant and equipment	**$ (32,993)**	$ (29,983)	**$ 2,038**	$ 8,383	**$ 972**	$ (541)
Accelerated amortization for tax purposes on other assets	**(18,382)**	(16,567)	**1,815**	1,774	**—**	—
Right of use asset	**1,409**	—	**(1,409)**	—	**—**	—
Liabilities currently not deductible for tax	**8,778**	7,713	**(1,643)**	715	**578**	—
Revaluation of derivative financial instruments	**6,455**	(93)	**(616)**	(756)	**(5,932)**	(49)
Deferred financing costs	**(1,976)**	(207)	**1,769**	1,109	**—**	—
Losses available for offsetting against future taxable income	**12,670**	9,068	**(3,602)**	(7,237)	**—**	—
Other	**714**	1,490	**2,242**	(1,831)	**(1,466)**	—
Deferred tax expense (recovery)			**$ 594**	$ 2,157	**$ (5,848)**	$ (590)
Deferred income tax liabilities, net	**$ (23,325)**	$ (28,579)				
Reflected in the consolidated statement of financial position as follows:						
Deferred income tax assets	**1,785**	1,161				
Deferred income tax liabilities	**(25,110)**	(29,740)				
Deferred income tax liabilities, net	**$ (23,325)**	$ (28,579)				

The Company has accumulated approximately $72,025 (2019: $56,855) in non-capital losses to reduce taxable income in future years. If unused, these losses will expire as follows:

Year	
Within one year	$ 451
2 - 5 years	6,278
Thereafter (until 2040)	5,173
Indefinite	60,123
	$ 72,025

As at June 30, 2020, tax losses of $18,498 (2019 $14,627) in foreign jurisdictions and unrealized foreign exchange losses of $10,722 (2019: $2,763) have not been recognized in the consolidated financial statements. Additionally, $5,329 (2019: $3,445) of tax credits related to research and development activities have not been recognized.

The amount of temporary differences associated with investments in subsidiaries (outside basis) for which deferred tax liabilities have not been recognized in the consolidated financial statements is $29,763 as at June 30, 2020 (2019: $80,155).

20. Segmented information

The Company's sales depend primarily upon light vehicle production in the North American market and the rest of the world. OEM production volumes in each of these regions may be impacted by a number of geographic factors, including general economic conditions, interest rates, consumer credit availability, fuel prices and availability, 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.

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

The Company measures segment performance based on Adjusted EBITDA, as this is the basis for the CODM to evaluate the performance of each of the Company's segments. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, and other reconciling items described in a table below. For the joint venture segment, information is presented on a proportionate consolidation basis, as this is the basis upon which the CODM makes strategic decisions.

The following financial information is presented by segment and comes from the consolidated financial statements, except for Adjusted EBITDA, a non-IFRS measure, which is reconciled to net earnings below.

June 30, 2020	**North America**	**Rest of World**	**Joint Ventures[1]**	**Total**	**Adjustments[2]**	**Total Reportable Segments**
Revenue						
External customers[3]	$ 775,879	$ 47,008	$ 112,049	$ 934,936	$ (112,049)	$ 822,887
Inter-segment revenues	7,279	2,320	5,196	14,795	(14,795)	—
Total revenue	**$ 783,158**	**$ 49,328**	**$ 117,245**	**$ 949,731**	**$ (126,844)**	**$ 822,887**
Capital additions	$ 55,926	$ 3,061	$ 9,774	$ 68,761	$ (9,774)	$ 58,987
Adjusted EBITDA[4]	82,123	(2,680)	9,583	89,026	—	89,026
Total assets	$ 814,153	$ 44,049	$ 90,217	$ 948,419	$ (77,284)	$ 871,135
Total liabilities	712,623	48,930	41,823	803,376	(77,080)	726,296

1. The joint venture segment is presented on a 50% basis which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%, with the exception of Adjusted EBITDA.
3. External customer revenues include tooling revenues of $47,785 for the Company.
4. Adjusted EBITDA is a non-IFRS measure.

June 30, 2019	**North America**	**Rest of World**	**Joint Ventures[1]**	**Total**	**Adjustments[2]**	**Total Reportable Segments**
Revenue						
External customers[3]	$ 997,815	$ 59,793	$ 125,084	$ 1,182,692	$ (125,084)	$ 1,057,608
Inter-segment revenues	10,004	911	6,605	17,520	(17,520)	—
Total revenue	**$ 1,007,819**	**$ 60,704**	**$ 131,689**	**$ 1,200,212**	**$ (142,604)**	**$ 1,057,608**
Capital additions	$ 84,603	$ 3,940	$ 3,424	$ 91,967	$ (3,424)	$ 88,543
Adjusted EBITDA[4]	151,555	4,809	14,053	170,417	—	170,417
Total assets	$ 703,474	$ 55,544	$ 96,059	$ 855,077	$ (130,463)	$ 724,614
Total liabilities	522,849	48,563	49,427	620,839	(85,909)	534,930

1. The joint venture segment is presented on a 50% basis which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%, with the exception of Adjusted EBITDA.
3. External customer revenues include tooling revenues of $98,987 for the Company.
4. Adjusted EBITDA is a non-IFRS measure.

For the year ended June 30, 2020, the Company's three largest customers account for 61.0%, 11.3%, and 10.3% (2019: 59.4%, 11.0%, and 10.4%) of total revenue across all segments.

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

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

	Notes	For the year ended June 30, 2020	2019
Adjusted EBITDA[1]		**$ 89,026**	**$ 170,417**
Adjustments:			
Depreciation of property, plant and equipment	*8*	(40,429)	(33,179)
Depreciation of right-of-use assets	*9*	(13,529)	—
Amortization of intangible assets	*10*	(12,437)	(8,191)
Loss on disposal of property, plant and equipment		(1,122)	(649)
Unrealized loss on derivative financial instruments	*25*	(2,938)	(2,230)
Impact of GM strike[2]		(10,001)	—
Transactional and recruitment bonuses	*17*	(733)	(358)
Adjustment to acquisition-related payable	*17*	3,343	—
Business transformation related costs[3]	*17*	(6,221)	(4,452)
Additional launch and related costs[4]		(20,865)	(38,547)
Interest expense	*18*	(31,518)	(17,264)
Share of income of joint ventures	*21*	4,601	8,973
EBITDA from joint ventures[5]		(7,974)	(14,053)
Income tax expense	*19*	2,309	(17,563)
Gain on disposal of Polybottle Group	*4*	—	14,073
Changes to non-tooling onerous contracts	*12*	—	8,179
Lease payments	*14*	22,368	—
Net earnings (loss)		**$ (26,120)**	**$ 65,156**

1. Adjusted EBITDA is a non-IFRS measure.
2. Represents an estimate of lost revenues and costs associated with the General Motors strike which began on September 16, 2019 and ended on October 25, 2019.
3. Represents costs including consulting fees associated with enhancing business operations, organizational capability and related processes. These costs also include services provided by Cerberus Operations and Advisory LLC and some of ABC's directors in the amount of $1,808 (2019: $1,720).
4. Represents estimated additional launch costs associated with large programs included in cost of sales and selling, general and administrative expense.
5. EBITDA from joint ventures represents earnings before interest, taxes, and depreciation for the joint venture segment. This excludes any adjustment for the impact of the General Motors strike.

The Company operates in the following main geographical areas:

Revenue[1] for the year ended,	Canada	United States	Mexico	Rest of World	Consolidated financial statements
June 30, 2020	$ 243,316	$ 297,044	$ 235,519	$ 47,008	$ 822,887
June 30, 2019	318,080	376,689	303,046	59,793	1,057,608

Non-current assets[2] as at	Canada	United States	Mexico	Rest of World	Consolidated financial statements
June 30, 2020	$ 255,412	$ 166,265	$ 142,070	$ 29,778	$ 593,525
June 30, 2019	136,612	129,064	119,660	27,407	412,743

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

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

21. Interest in joint ventures

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

Summarized select 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:

June 30, 2020	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems, LLC	Abcor Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Financial Position					
Cash	$ 3,384	$ 17,560	$ 1,763	$ 4,679	$ 27,386
Prepaid expenses	2,967	574	90	211	3,842
Current assets	31,386	36,683	3,692	13,826	85,587
Loan receivable	—	39,795	—	—	39,795
Non-current assets	36,118	55,599	42	3,088	94,847
Current liabilities	19,485	14,806	1,339	6,592	42,222
Loan payable	39,795	—	—	—	39,795
Non-current liabilities	41,282	142	—	—	41,424
Other comprehensive loss	794	—	—	707	1,501
Equity	**$ 6,737**	**$ 77,334**	**$ 2,395**	**$ 10,322**	**$ 96,788**
Proportion of the Company's ownership	50%	50%	50%	50%	50%
Carrying amount of the investments	**$ 3,369**	**$ 38,667**	**$ 1,199**	**$ 5,161**	**$ 48,396**

For the year ended June 30, 2020	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems, LLC	Abcor Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Comprehensive Income					
Revenue	$107,631	$107,141	$ 8,163	$ 20,217	$243,152
Cost of sales	94,547	101,399	7,171	14,671	217,788
Administrative expenses	9,366	6,701	81	2,057	18,205
Interest expense	1,454	1	—	—	1,455
Interest income	97	1,461	133	31	1,722
Earnings before income taxes	**$ 2,361**	**$ 501**	**$ 1,044**	**$ 3,520**	**$ 7,426**
Income tax expense (recovery)	(4,171)	1,120	317	958	(1,776)
Earnings for the year	**$ 6,532**	**$ (619)**	**$ 727**	**$ 2,562**	**$ 9,202**
Proportion of the Company's ownership	50%	50%	50%	50%	50%
Company's share of earnings for the year	**$ 3,266**	**$ (310)**	**$ 364**	**$ 1,281**	**$ 4,601**

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

June 30, 2019	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems, LLC	Abcor Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Financial Position					
Cash	$ 5,300	$ 11,068	$ 1,381	$ 2,431	$ 20,180
Prepaid expenses	2,332	608	120	284	3,344
Current assets	37,580	32,225	3,374	11,650	84,829
Loan receivable	—	43,395	—	—	43,395
Non-current assets	51,891	52,407	237	2,754	107,289
Current liabilities	24,020	22,660	1,804	5,861	54,345
Loan payable	43,395	—	—	—	43,395
Non-current liabilities	44,256	253	—	—	44,509
Other comprehensive income	—	—	—	(221)	(221)
Equity	**$ 21,195**	**$ 61,719**	**$ 1,807**	**$ 8,543**	**$ 93,264**
Proportion of the Company's ownership	50%	50%	50%	50%	50%
Carrying amount of the investments	**$ 10,598**	**$ 30,860**	**$ 905**	**$ 4,272**	**$ 46,635**

For the year ended June 30, 2019	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems, LLC	Abcor Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Comprehensive Income					
Revenue	$ 108,166	$ 128,942	$ 8,736	$ 17,534	$ 263,378
Cost of sales	96,240	108,580	7,864	13,356	226,040
Administrative expenses	7,673	8,006	209	2,342	18,230
Interest expense	1,620	—	—	—	1,620
Interest income	129	1,614	19	29	1,791
Earnings before income taxes	**$ 2,762**	**$ 13,970**	**$ 682**	**$ 1,865**	**$ 19,279**
Income tax expense (recovery)	824	179	(270)	601	1,334
Earnings for the year	**$ 1,938**	**$ 13,791**	**$ 952**	**$ 1,264**	**$ 17,945**
Proportion of the Company's ownership	50%	50%	50%	50%	50%
Company's share of earnings for the year	**$ 969**	**$ 6,896**	**$ 476**	**$ 632**	**$ 8,973**

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

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

	For the year ended June 30, 2020		As at June 30, 2020	
	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.	$ 5,009	$ 5,011	$ 599	$ 1,816
ABC INOAC Exterior Systems, LLC	—	47	—	159
ABCOR Filters	5,382	34	671	68
INOAC Huaxiang	—	145	—	430

	For the year ended June 30, 2019		As at June 30, 2019	
	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.	$ 6,699	$ 6,784	$ 988	$ 1,683
ABC INOAC Exterior Systems, LLC	—	69	—	—
ABCOR Filters	6,510	10	758	117
INOAC Huaxiang	—	273	—	382

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

During the year ended June 30, 2020, the Company received dividends from ABC INOAC Exterior Systems, LLC in the amount of $2,854 (2019: $7,500).

22. Commitments and contingencies

Commitments

The Company has committed to purchase, within the next 12 months, machinery and equipment for $5,472.

Contingencies

From time to time, the Company becomes involved in 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.

23. 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 $1,808 was charged to profit or loss during the year ended June 30, 2020 (2019: $1,720) related to these services. As at June 30, 2020, an amount due to related parties of $325 (2019: $211) was included in trade payables and accrued liabilities and other payables.

Transactions that have been entered into with the Company's joint ventures are disclosed in note 21.

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.

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

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

	2020	2019
Compensation and short-term benefits	**$ 6,369**	$ 3,330

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. Amounts in 2020 include termination benefits for key management personnel that were incurred due to organizational changes.

24. Earnings (loss) per share

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

	For the year ended June 30,	
	2020	**2019**
Net earnings (loss)	**$ (26,120)**	$ 65,156
Weighted average number of ordinary shares	**100,000**	100,000
Earnings (loss) per share - basic and diluted	**$ (261.20)**	$ 651.56

25. Financial instruments

25.1 Financial assets

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

25.2 Financial liabilities

Financial liabilities at amortized cost are initially measured at fair value less transaction costs. The difference between the initial carrying amount and the redemption value is recognized in profit or loss over the duration of the contract using the EIR method. Term loan issuance costs are capitalized when incurred and amortized over the expected life of the loan using the EIR method.

25.3 Fair values

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

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

The Company measures its derivative financial instruments at fair value. The following table provides the fair value, determined as at June 30, 2020 and 2019, and fair value measurement hierarchy of these derivative financial instruments:

		June 30, 2020		June 30, 2019	Fair value hierarchy
Derivative assets (liabilities)					
Derivatives designated as cash flow hedging instruments:					
Interest-rate swaps – USD LIBOR	**$**	**(8,948)**	$	(1,759)	Level 2
Foreign exchange forward contracts – Canadian Dollar ("CAD")		**(11,490)**		(2,711)	Level 2
Foreign exchange forward contracts and collars – Mexican Peso ("MXN")		**(5,355)**		4,838	Level 2
Total derivative assets (liabilities), net	**$**	**(25,793)**	$	368	
Total current[1]	**$**	**(7,046)**	$	2,005	
Total non-current	**$**	**(18,747)**	$	(1,637)	

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

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

25.4 Financial instruments risk management objectives and policies

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

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

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

25.4.1 Hedging activities and derivatives

Foreign currency contracts

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

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

The notional amounts and maturities of the derivative financial instruments as at June 30, 2020 are detailed below.

	Maturity			
	Less than 3 months	**3–12 months**	**1–5 years**	**Total**
Designated as hedging instruments:				
Foreign currency forwards				
CAD	$ 18,414	$ 78,518	$ 207,356	**$ 304,288**
Average USD-CAD exchange rate	1.37	1.30	1.31	
Foreign currency collars				
MXN	$ 2,365	$ 7,096	$ —	**$ 9,461**
Floor: average USD-MXN exchange rate	24.00	24.00	—	
Cap: average USD-MXN exchange rate	27.59	27.59	—	
Foreign currency forwards				
MXN	$ 3,898	$ 11,452	$ 51,597	**$ 66,947**
Average USD-MXN exchange rate	21.04	21.48	23.00	

The Company designates certain of its USD-CAD foreign currency forwards as cash flow hedges. During the year ended June 30, 2020, these hedges were assessed to be effective. The Company recorded the following gains and losses relating to these hedges:

	For the year ended June 30,	
	2020	**2019**
Unrealized loss in OCI	**$ (12,182)**	$ (2,416)
Realized loss recognized in profit or loss	**(2,348)**	(1,779)
Loss recycled from OCI to profit or loss	**(638)**	(528)
Loss recycled from OCI to inventories	**(1,710)**	(2,276)
Loss recycled from OCI to profit or loss due to de-designation	**(3,086)**	—

The Company designates certain of its USD-MXN foreign currency forwards and collars as cash flow hedges. During the year ended June 30, 2020, these hedges were assessed to be effective. The Company recorded the following gains and losses relating to these hedges:

	For the year ended June 30,	
	2020	**2019**
Unrealized gain (loss) in OCI	**$ (8,977)**	$ 4,412
Realized gain recognized in profit or loss	**1,320**	2,132
Gain recycled from OCI to profit or loss	**115**	143
Gain recycled from OCI to inventories	**1,205**	1,009
Loss recycled from OCI to profit or loss due to de-designation	**(1,011)**	—

Interest rate swaps

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

At June 30, 2020, the Company had interest rate swap agreements with a total notional amount of $225,000 (June 30, 2019: $154,688) whereby the Company pays a weighted average fixed interest rate of 1.56% (June 30, 2019: 0.92%) and receives interest at a floating rate equal to 1-month USD LIBOR on the total notional amount. The interest rate swap agreements mature in May 2023.

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

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

	For the year ended June 30,	
	2020	**2019**
Unrealized loss in OCI	**$ (7,172)**	$ (2,509)
Gain recycled from OCI to profit or loss	**17**	2,331

25.4.2 Other risks

Market risk

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

The sensitivity analysis in the following sections relate to the financial position as at June 30, 2020 and 2019.

Interest rate risk and sensitivity

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and floating rate loans and borrowings. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. At June 30, 2020, after taking into account the effect of interest rate swaps, approximately 58% (2019: 51%) 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, 2020 $1,616 (2019: $1,525) on an unhedged basis, and vice versa.

Foreign currency risk and sensitivity

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

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

Excluding the impact of hedge accounting, a 5% strengthening of the CAD against the USD would have decreased earnings before income tax by approximately $3.5 million for the year ended June 30, 2020 (2019: $3.7 million). A 5% strengthening of the MXN against the USD would have decreased earnings before income tax by approximately $2.7 million for the year ended June 30, 2020 (2019: $2.5 million). A weakening would have had the equal but opposite effect, on the basis that all other variables remain constant. The Company’s exposure to foreign currency changes for all other currencies is not material.

Commodity price risk and sensitivity

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

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

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 ended June 30, 2020 of $7,016 (2019: $8,362), and vice versa.

Credit risk

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

Trade receivables

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

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

	Total	Current and <30 days	30–60 days	61–90 days	>90 days
June 30, 2020	**$ 44,958**	**$ 42,737**	**$ 1,526**	**$ 243**	**$ 452**
June 30, 2019	101,828	100,318	845	324	341

An impairment analysis is performed at each reporting date on an individual basis for each customer. The calculation is based on actual incurred historical data and forward-looking information available. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. 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, 2020, the Company's three largest customers accounted for 22.7%, 13.7%, and 2.6%, respectively, of all receivables owing (2019: 44.3%, 6.5%, and 2.8%, 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 Audit and Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. Cash and derivative financial instruments are primarily held with large financial institutions with investment-grade credit ratings. The Company's maximum exposure to credit risk for deposits with banks and financial institutions and derivative financial instruments is their carrying amounts. The Company does not hold collateral as security.

Liquidity risk

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

Concentration risk

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

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

Master netting and similar agreements

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

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

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

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

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

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

25.4.3 Capital management

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

Management monitors 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 Facilities. As at June 30, 2019, the Company was in compliance with all of its covenants. Refer to note 13 for discussion on covenants as at June 30, 2020.