Interim Condensed Consolidated Financial Statements

ABC Group Holdings Parent Inc.

For the three and nine months ended March 31, 2019

(Unaudited)

ABC Group Holdings Parent Inc.

Interim Condensed Consolidated Statements of Financial Position

(Expressed in thousands of United States dollars)

	Notes		March 31, 2019		June 30, 2018
Assets			(Unaudited)		
Current assets					
Cash and cash equivalents		**$**	**62,592**	$	36,785
Trade and other receivables	*4 and 15*		**110,373**		120,786
Inventories	*5*		**96,058**		90,767
Prepaid expenses and other			**15,768**		18,140
Total current assets			**284,791**		266,478
Property, plant and equipment	*6*		**297,573**		276,796
Intangible assets	*7*		**66,090**		59,009
Deferred income taxes			**2,742**		811
Investment in joint ventures			**48,277**		45,267
Derivative financial assets	*15*		**2,276**		3,506
Goodwill	*7*		**18,944**		18,944
Deferred financing costs for revolving credit facility			**2,197**		2,592
Total non-current assets			**438,099**		406,925
Total assets		**$**	**722,890**	$	673,403
Liabilities and equity					
Current liabilities					
Trade payables		**$**	**123,192**	$	106,685
Accrued liabilities and other payables			**84,336**		90,245
Provisions	*8*		**9,954**		17,698
Total current liabilities			**217,482**		214,628
Long-term debt	*9*		**296,516**		296,423
Provisions	*8*		**—**		7,089
Deferred income taxes			**25,438**		27,823
Derivative financial liabilities	*15*		**5,171**		2,155
Total long-term liabilities			**327,125**		333,490
Total liabilities			**544,607**		548,118
Equity					
Capital stock	*10*		**2,991**		2,991
Retained earnings			**180,336**		125,250
Foreign currency translation reserve			**(466)**		(1,116)
Cash flow hedge reserve, including cost of hedging	*15*		**(4,578)**		(1,840)
Total equity			**178,283**		125,285
Total liabilities and equity		**$**	**722,890**	$	673,403

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

ABC Group Holdings Parent Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

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

(Unaudited)	Notes	For the three months ended March 31, 2019	For the three months ended March 31, 2018	For the nine months ended March 31, 2019	For the nine months ended March 31, 2018
Sales		$ 287,928	$ 266,718	$ 776,072	$ 736,596
Cost of sales	*8*	240,527	214,508	642,919	598,736
Gross profit		47,401	52,210	133,153	137,860
Selling, general and administrative	*11*	22,702	20,744	69,193	66,507
Loss (gain) on disposal of assets held for sale	*3*	494	—	(14,486)	—
Loss (gain) on disposal of property, plant and equipment		373	22	(16)	22
Loss (gain) on derivative instruments	*15*	36	(3,454)	34	(708)
Share of income of joint ventures		(1,999)	(3,668)	(5,568)	(3,958)
Operating income		25,795	38,566	83,996	75,997
Interest expense		4,480	5,770	13,087	22,260
Earnings before income tax		21,315	32,796	70,909	53,737
Income tax expense (recovery)					
Current		5,610	3,462	18,328	16,097
Deferred		(561)	1,925	(2,505)	(7,345)
Total income tax expense		5,049	5,387	15,823	8,752
Net earnings		$ 16,266	$ 27,409	$ 55,086	$ 44,985
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net earnings:					
Foreign currency translation of foreign operations		(139)	266	650	1,823
Cash flow hedges, net of taxes	*15*	8,350	(4,594)	(2,330)	3,168
Cash flow hedges reclassified to net earnings, net of taxes	*15*	(203)	272	(895)	(138)
Other comprehensive income (loss)		$ 8,008	$ (4,056)	$ (2,575)	$ 4,853
Total comprehensive income for the period		$ 24,274	$ 23,353	$ 52,511	$ 49,838
Earnings per share - basic and diluted	*14*	$ 162.66	$ 274.09	$ 550.86	$ 449.85

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

ABC Group Holdings Parent Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(Expressed in thousands of United States dollars)

(Unaudited)	Notes	Capital stock	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Total
Balance, June 30, 2017		**$ 70,454**	**$ 71,903**	**$ 1,974**	**$ 1,683**	**$ 146,014**
Net earnings for the period		—	44,985	—	—	44,985
Other comprehensive income:						
Foreign currency translation of foreign operations		—	—	1,823	—	1,823
Cash flow hedges, net of reclassification to net earnings	*15*	—	—	—	3,030	3,030
Total comprehensive income		**$ —**	**$ 44,985**	**$ 1,823**	**$ 3,030**	**$ 49,838**
Return of capital	*10*	(67,463)	—	—	—	(67,463)
Dividends paid	*10*	—	(8,181)	—	—	(8,181)
Cash flow hedges reclassified to assets, net of taxes	*15*	—	—	—	(1,163)	(1,163)
Balance, March 31, 2018		**$ 2,991**	**$ 108,707**	**$ 3,797**	**$ 3,550**	**$ 119,045**
Balance, June 30, 2018		**$ 2,991**	**$ 125,250**	**$ (1,116)**	**$ (1,840)**	**$ 125,285**
Net earnings for the period		—	55,086	—	—	55,086
Other comprehensive income (loss):						
Foreign currency translation of foreign operations		—	—	650	—	650
Cash flow hedges, net of reclassification to net earnings	*15*	—	—	—	(3,225)	(3,225)
Total comprehensive income (loss)		**$ —**	**$ 55,086**	**$ 650**	**$ (3,225)**	**$ 52,511**
Cash flow hedges reclassified to assets, net of taxes	*15*				487	$ 487
Balance, March 31, 2019		**$ 2,991**	**$ 180,336**	**$ (466)**	**$ (4,578)**	**$ 178,283**

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

ABC Group Holdings Parent Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

(Unaudited)	Notes	For the three months ended March 31, 2019	For the three months ended March 31, 2018	For the nine months ended March 31, 2019	For the nine months ended March 31, 2018
Cash flows from (used in) operating activities					
Net earnings		**$ 16,266**	$ 27,409	**$ 55,086**	$ 44,985
Adjustments for:					
Depreciation of property, plant and equipment	*6*	**8,120**	7,688	**24,488**	22,586
Amortization of intangible assets	*7*	**1,700**	2,136	**4,911**	5,845
Gain on disposal of property, plant and equipment		**373**	22	**(16)**	22
Unrealized loss on derivative instruments	*15*	**526**	(3,491)	**1,534**	(753)
Interest expense		**4,480**	5,770	**13,087**	22,260
Share of income of joint ventures		**(1,999)**	(3,668)	**(5,568)**	(3,958)
Income tax expense		**5,049**	5,387	**15,823**	8,752
Gain on disposal of assets held for sale	*3*	**494**	—	**(14,486)**	—
Reversal of non-tooling onerous contract provision	*8*	**—**	—	**(8,606)**	—
Changes in:					
Trade and other receivables and prepayments		**(38,632)**	(20,336)	**7,535**	18,365
Inventories		**16,075**	(11,839)	**(7,833)**	(39,220)
Trade and other payables and provisions		**14,604**	33,553	**(516)**	47,669
Cash generated from operating activities		**27,056**	42,631	**85,439**	126,553
Interest received		**257**	99	**875**	393
Income taxes paid		**(4,874)**	(514)	**(8,584)**	(12,152)
Interest paid		**(4,663)**	(5,289)	**(13,972)**	(15,461)
Net cash flows from operating activities		**17,776**	36,927	**63,758**	99,333
Cash flows from (used in) investing activities					
Purchase of property, plant and equipment		**(19,398)**	(15,212)	**(51,701)**	(45,895)
Proceeds from disposal of assets held for sale, net of transaction costs	*3*	**(464)**	—	**22,267**	—
Dividends received from joint ventures	*13*	**—**	—	**2,500**	2,500
Proceeds from disposals of property, plant and equipment		**—**	164	**1,124**	164
Additions to intangible assets		**(1,315)**	(5,435)	**(11,992)**	(13,846)
Net cash flows from (used in) investing activities		**(21,177)**	(20,483)	**(37,802)**	(57,077)
Cash flows from (used in) financing activities					
Proceeds from long-term debt	*9*	**—**	—	**—**	80,000
Financing costs		**—**	(141)	**—**	(3,801)
Repayment of long-term debt	*9*	**—**	(20,000)	**—**	(55,000)
Return of capital	*10*	**—**	—	**—**	(67,463)
Dividends paid	*10*	**—**	—	**—**	(8,181)
Net cash flows used in financing activities		**—**	(20,141)	**—**	(54,445)
Net increase (decrease) in cash and cash equivalents		**(3,401)**	(3,697)	**25,956**	(12,189)
Net foreign exchange difference		**(105)**	1,325	**(149)**	285
Cash and cash equivalents, beginning of period		**66,098**	36,443	**36,785**	45,975
Cash and cash equivalents, end of period		**$ 62,592**	$ 34,071	**$ 62,592**	$ 34,071

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

1. Corporate information

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

2. Basis of preparation

2.1. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34 — Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements have been prepared using the same accounting policies and standards as were used for ABC's annual audited consolidated financial statements for the year ended June 30, 2018, except for new standards adopted during the period as described in note 2.5. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended June 30, 2018.

2.2. Basis of measurement

The interim condensed consolidated financial statements have been measured on a historical cost basis, except as detailed in the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended June 30, 2018.

2.3. Presentation currency

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

2.4. Use of estimates, assumptions and judgments

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the interim condensed consolidated financial statements are described in the Company’s annual audited consolidated financial statements for the year ended June 30, 2018.

2.5. Recently adopted accounting standards and policies

IFRS 15 - Revenue from contracts with customers

On July 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") using the retrospective method, which sets out guidelines for the recognition of revenue. IFRS 15 replaces IAS 18 Revenue and presents a new single model for recognition of revenue from contracts with customers. The model features a contract-based five-step analysis of transactions to determine the nature of an entity’s obligation to perform and whether, how much, and when revenue is recognized.

The following should be read as a modification to the significant accounting policies in note 3 of the Company's annual audited consolidated financial statements for the year ended June 30, 2018:

Revenue from the sale of goods is recognized at the point in time when control of the goods has passed to the buyer, usually on delivery of the goods as parts are shipped. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts.

Revenue from the sale of tooling is recognized at the point in time when control of the goods has passed to the buyer, which is usually when the customer approves the tool for production readiness.

The adoption of IFRS 15 did not result in any restatement of the previously reported results and did not have a material impact on the consolidated financial statements.

IFRS 9 - Financial instruments

IFRS 9 Financial Instruments ("IFRS 9") replaces the provisions of IAS 39 Financial Instruments ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from July 1, 2018 resulted in changes in accounting policies described below but did not result in significant changes in classification, measurement or the carrying amount of financial assets and liabilities. As permitted by IFRS 9, ABC has elected to not restate any comparatives and there were no material adjustments on July 1, 2018. The following should be read as a modification to the significant accounting policies in note 3 of the Company's annual audited consolidated financial statements for the year ended June 30, 2018:

Classification and measurement

From 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 instruments are measured at fair value through profit or loss except those for which hedge accounting has been applied.

Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (ECL) model. The ECL model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The existing model aligns with the simplified approach under IFRS 9, which measures lifetime ECL and considers forward-looking information. 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. The adoption of IFRS 9 did not have a material impact on the Company’s policy for assessing impairment of financial assets.

Derivatives and hedging

The Company also adopted the new hedge accounting guidance in IFRS 9. The new hedge accounting guidance replaces strict quantitative tests of effectiveness with less restrictive assessments of how well the hedging instrument accomplishes the Company’s risk management objectives for financial and non-financial risk exposures. IFRS 9 also allows the Company to hedge risk components of non-financial items which meet certain measurability or identifiable characteristics.

On July 1, 2018, the Company applied hedge accounting to its Mexican Peso foreign exchange forwards and collars, which were not previously designated as cash flow hedges. Consequently, unrealized gains or losses from these hedges are recognized in other comprehensive income starting from July 1, 2018. The Company continues to apply hedge accounting to its Canadian Dollar foreign currency forwards and interest rate swaps. On July 1, 2018, after the adoption of IFRS 9, there is no material impact on the consolidated financial statements of the Company.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts accumulated in equity are reclassified 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 expires, or is sold or terminated, or when a hedge 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 reclassified to profit or loss.

On a quarterly basis, the Company assesses whether the derivative designated in each hedging relationship is expected to be, and has been, highly effective in offsetting changes in cash flows of the hedged item prospectively. Sources of ineffectiveness could be:

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

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.

2.6. Standards issued but not yet effective

IFRS 16 — Leases

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

The Company will adopt the standard on July 1, 2019 and has selected the modified retrospective transition approach. The Company has also elected to apply the optional exemptions for short-term and low-value leases. IFRS 16 will have a material impact on the consolidated financial statements of the Company. IFRS 16 requires the recognition of lease liabilities and right of use ("ROU") assets for all leases except for the optional exemptions for low-value assets and short-term leases. Consequently, total assets and total liabilities are expected to increase materially by the present value of the remaining lease payments discounted using the Company's incremental borrowing rate upon adoption. On the consolidated statements of comprehensive income, the Company is expecting an increase to depreciation expense due to the recognition of ROU assets, an increase to interest expense from the unwinding of the discounted value of the lease liabilities, and a decrease to selling, general, and administrative expense. The overall cash flow for the Company will be unchanged.

The impact of the adoption of IFRS 16 described above may change as the analysis of the impact will continue until adoption date.

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

3. Disposal of assets held for sale

On November 1, 2018, the Company completed a transaction to sell its packaging manufacturing facilities ("Polybottle Group") included as part of its North American segment, for $22,267 (CAD 29,755) including working capital adjustments. The Company realized a $14,486 gain from this transaction.

From July 1, 2018 to the closing date of the transaction, Polybottle Group generated $8,529 of sales, which include $133 of sales made to other subsidiaries of the Company. During the year ended June 30, 2018, Polybottle Group generated $24,174 (2017: $22,286) of sales, which include $334 (2017: $465) of sales made to other subsidiaries of the Company.

4. Trade and other receivables

	Notes		March 31, 2019		June 30, 2018
Trade receivables		**$**	**108,060**	$	116,358
Receivables from joint ventures	*13*		**2,313**		4,428
Total trade and other receivables		**$**	**110,373**	$	120,786

5. Inventories

		March 31, 2019		June 30, 2018
Raw materials and components	**$**	**31,564**	$	22,135
Finished goods and work in progress		**20,795**		13,249
Tooling		**43,699**		55,383
Total inventories	**$**	**96,058**	$	90,767

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

6. Property, plant and equipment

	Land	Building	Machinery and equipment	Production tooling	Returnable containers	Leasehold improvements	Total
Cost							
As at June 30, 2017	$ 1,288	$ 5,698	$ 200,612	$ 55,610	$ 4,235	$ 944	$268,387
Additions	—	1,225	57,691	3,868	1,320	2,535	66,639
Disposals	—	—	(755)	—	—	—	(755)
Foreign exchange	—	(99)	(700)	(3)	(13)	(3)	(818)
As at June 30, 2018	**$ 1,288**	**$ 6,824**	**$ 256,848**	**$ 59,475**	**$ 5,542**	**$ 3,476**	**$333,453**
Additions	—	104	40,845	6,736	435	1,934	50,054
Disposals	(575)	(37)	(3,956)	(143)	—	(517)	(5,228)
Foreign exchange	(23)	(117)	(834)	(74)	(4)	(9)	(1,061)
As at March 31, 2019	**$ 690**	**$ 6,774**	**$ 292,903**	**$ 65,994**	**$ 5,973**	**$ 4,884**	**$377,218**
Accumulated depreciation							
As at June 30, 2017	$ —	$ 141	$ 20,379	$ 3,414	$ 1,558	$ 31	$ 25,523
Depreciation	—	186	27,161	3,022	1,316	145	31,830
Disposals	—	—	(628)	—	—	—	(628)
Foreign exchange	—	(10)	(74)	20	(4)	—	(68)
As at June 30, 2018	**$ —**	**$ 317**	**$ 46,838**	**$ 6,456**	**$ 2,870**	**$ 176**	**$ 56,657**
Depreciation	—	160	20,850	2,398	862	218	24,488
Disposals	—	(1)	(1,133)	(85)	—	(11)	(1,230)
Foreign exchange	—	(12)	(238)	(14)	(6)	—	(270)
As at March 31, 2019	**$ —**	**$ 464**	**$ 66,317**	**$ 8,755**	**$ 3,726**	**$ 383**	**$ 79,645**
Net book value							
As at March 31, 2019	**$ 690**	**$ 6,310**	**$ 226,586**	**$ 57,239**	**$ 2,247**	**$ 4,501**	**$297,573**
As at June 30, 2018	$ 1,288	$ 6,507	$ 210,010	$ 53,019	$ 2,672	$ 3,300	$276,796

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

7. Intangible assets and goodwill

	Customer contracts	Customer relationships	Development intangibles	Total Intangible Assets	Goodwill
Cost					
As at June 30, 2017	$ 24,795	$ 14,495	$ 15,463	$ 54,753	$ 18,944
Additions	—	—	18,900	18,900	—
As at June 30, 2018	**$ 24,795**	**$ 14,495**	**$ 34,363**	**$ 73,653**	**$ 18,944**
Additions	—	—	11,992	11,992	—
As at March 31, 2019	**$ 24,795**	**$ 14,495**	**$ 46,355**	**$ 85,645**	**$ 18,944**
Accumulated amortization					
As at June 30, 2017	$ 3,542	$ 1,115	$ 1,359	$ 6,016	$ —
Amortization	3,542	1,115	3,971	8,628	—
As at June 30, 2018	**$ 7,084**	**$ 2,230**	**$ 5,330**	**$ 14,644**	**$ —**
Amortization	2,657	836	1,418	4,911	—
As at March 31, 2019	**$ 9,741**	**$ 3,066**	**$ 6,748**	**$ 19,555**	**$ —**
Net book value					
As at March 31, 2019	**$ 15,054**	**$ 11,429**	**$ 39,607**	**$ 66,090**	**$ 18,944**
As at June 30, 2018	$ 17,711	$ 12,265	$ 29,033	$ 59,009	$ 18,944

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

8. Provisions

The following table provides a continuity of the provision balances for the nine months ended March 31, 2019 and the year ended June 30, 2018:

		Onerous contracts		Other provisions		Total
As at June 30, 2017	$	11,062	$	13,564	$	24,626
Additions during the year		74		8,715		8,789
Utilized		(660)		(7,486)		(8,146)
Reversals		(591)		—		(591)
Accretion expense		109		—		109
As at June 30, 2018	**$**	**9,994**	**$**	**14,793**	**$**	**24,787**
Additions during the period		1,459		9,283		10,742
Utilized		(272)		(9,415)		(9,687)
Reversals		(10,304)		(5,625)		(15,929)
Accretion expense		41		—		41
As at March 31, 2019	**$**	**918**	**$**	**9,036**	**$**	**9,954**
As at March 31, 2019						
Current portion	$	918	$	9,036	$	9,954
As at June 30, 2018						
Current portion	$	2,905	$	14,793	$	17,698
Non-current portion		7,089		—		7,089

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

During the second quarter of 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 interim condensed consolidated statements of comprehensive income.

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

9. Long-term debt

	Maturity		March 31, 2019		June 30, 2018
Interest-bearing loans and borrowings					
Term facility	May 9, 2023	**$**	**305,000**		305,000
Less: Unamortized deferred financing costs on term facility			**8,484**		8,577
		$	**296,516**	$	296,423

The Company has $150,000 of revolving credit facility available, which also matures on May 9, 2023. There was no amount drawn on the revolving credit facility as at March 31, 2019 and June 30, 2018.

As at March 31, 2019, the weighted average effective interest rate on the credit facility was 5.00% (June 30, 2018: 5.34%), and $4,624 (June 30, 2018: $5,097) of letters of credit were issued against the credit facility.

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

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

The credit facility requires ABC Technologies Inc. to maintain certain financial covenants and contains certain other covenants that, subject to certain exceptions, restrict the ability of ABC Technologies Inc. and its subsidiaries to create security interests, incur additional indebtedness or dispose of all or substantially all of their assets. At March 31, 2019 and June 30, 2018, ABC Technologies Inc. was in compliance with all of its covenants.

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

Payments:		
Within one year	$	8,000
2 - 3 years		48,000
4 - 5 years		249,000
	$	**305,000**

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

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

		Long-Term Debt
As at June 30, 2017	**$**	**333,830**
Proceeds from long-term debt		80,000
Increase in deferred financing costs		(4,338)
Repayment of long-term debt		(120,000)
Impact of changes in expected cash flow on deferred financing costs		1,905
Amortization of deferred financing costs		5,026
As at June 30, 2018	**$**	**296,423**
Impact of changes in expected cash flow on deferred financing costs		(2,877)
Amortization of deferred financing costs		2,970
As at March 31, 2019	**$**	**296,516**

10. Capital stock

		March 31, 2019	**June 30, 2018**
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.

During the three and nine months ended March 31, 2019 the Company did not return any capital to its shareholder. During the three and nine months ended March 31, 2018, the Company returned capital to its shareholder in the amounts of $nil and $67,463, respectively. Capital was returned by way of cash consideration.

No dividends were declared to the shareholder for the three and nine months ended March 31, 2019. During the three and nine months ended March 31, 2018, the Company declared dividends of $nil and $8,181 ($81.81 per share), respectively.

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

11. Selling, general and administrative expense

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	**2018**	**2019**	**2018**
Wages and benefits	**$ 12,129**	$ 12,343	**$ 34,680**	$ 36,476
Transactional and recruitment bonuses	**284**	419	**284**	4,686
Professional fees	**1,451**	333	**5,585**	2,247
Business transformation related consulting fees	**1,679**	1,862	**5,516**	7,138
Depreciation and amortization	**2,267**	2,136	**6,602**	5,845
Information technology	**1,011**	957	**3,130**	2,567
Freight and duty	**469**	546	**1,560**	1,627
Travel expense	**539**	360	**1,477**	1,199
Bank charges	**272**	182	**797**	888
Foreign exchange loss (gain)	**605**	(1,326)	**3,735**	(2,708)
Other	**1,996**	2,932	**5,827**	6,542
Total selling, general, and administrative expense	**$ 22,702**	$ 20,744	**$ 69,193**	$ 66,507

12. Segmented information

The Company’s sales depend primarily upon light vehicle production in the North American market and the rest of the world. OEM production volumes in each of these regions may be impacted by a number of geographic factors, including general economic conditions, interest rates, consumer credit availability, fuel prices and availability, infrastructure, legislative changes, environmental emission and safety issues, and labour and/or trade relations.

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

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

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

The following financial information is presented by segment and is reconciled to the consolidated financial statements, except for Adjusted EBITDA, a non-IFRS measure:

For the three months ended March 31, 2019	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 267,161	$ 20,767	$ 29,551	$ 317,479	$ (29,551)	$ 287,928
Inter-segment revenues	1,960	209	1,962	4,131	(4,131)	—
Total revenue	**$ 269,121**	**$ 20,976**	**$ 31,513**	**$ 321,610**	**$ (33,682)**	**$ 287,928**
Capital additions	21,739	1,094	1,047	23,880	(1,047)	22,833
Adjusted EBITDA[3]	$ 42,552	$ 1,253	$ 3,116	$ 46,921	$ —	$ 46,921

For the nine months ended March 31, 2019	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 730,954	$ 45,118	$ 90,631	$ 866,703	$ (90,631)	$ 776,072
Inter-segment revenues	6,762	702	3,945	11,409	(11,409)	—
Total revenue	**$ 737,716**	**$ 45,820**	**$ 94,576**	**$ 878,112**	**$ (102,040)**	**$ 776,072**
Capital additions	47,634	2,420	2,332	52,386	(2,332)	50,054
Adjusted EBITDA[3]	$ 113,919	$ 3,663	$ 9,416	$ 126,998	$ —	$ 126,998

As at March 31, 2019	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 699,463	$ 56,617	$ 92,684	$ 848,764	$ (125,874)	$ 722,890
Total liabilities	530,029	49,811	49,631	629,471	(84,864)	544,607

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. Adjusted EBITDA is a non-IFRS measure.

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

For the three months ended March 31, 2018	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 249,886	$ 16,832	$ 37,898	$ 304,616	$ (37,898)	$ 266,718
Inter-segment revenues	2,181	215	655	3,051	(3,051)	—
Total revenue	**$ 252,067**	**$ 17,047**	**$ 38,553**	**$ 307,667**	**$ (40,949)**	**$ 266,718**
Capital additions	22,655	1,716	1,846	26,217	(1,846)	24,371
Adjusted EBITDA[3]	$ 43,676	$ (142)	$ 5,750	$ 49,284	$ —	$ 49,284

For the nine months ended March 31, 2018	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers	$ 693,573	$ 43,023	$ 101,314	$ 837,910	$ (101,314)	$ 736,596
Inter-segment revenues	8,045	703	1,842	10,590	(10,590)	—
Total revenue	**$ 701,618**	**$ 43,726**	**$ 103,156**	**$ 848,500**	**$ (111,904)**	**$ 736,596**
Capital additions	45,815	3,954	7,186	56,955	(7,186)	49,769
Adjusted EBITDA[3]	$ 112,108	$ (472)	$ 9,546	$ 121,182	$ —	$ 121,182

As at June 30, 2018	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 659,007	$ 53,466	$ 94,856	$ 807,329	$ (133,926)	$ 673,403
Total liabilities	532,295	56,895	49,589	638,779	(90,661)	548,118

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. Adjusted EBITDA is a non-IFRS measure.

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

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

	Notes	For the three months ended March 31, 2019	For the three months ended March 31, 2018	For the nine months ended March 31, 2019	For the nine months ended March 31, 2018
Adjusted EBITDA[1]		**$ 46,921**	**$ 49,284**	**$ 126,998**	**$ 121,182**
Adjustments:					
Depreciation of property, plant and equipment	6	(8,120)	(7,688)	(24,488)	(22,586)
Interest expense		(4,480)	(5,770)	(13,087)	(22,260)
Transactional and recruitment bonuses[2]	11	(284)	(419)	(284)	(4,686)
Business transformation related consulting fees[3]	11	(1,679)	(1,862)	(5,516)	(7,138)
Gain on disposal of assets held for sale	3	(494)	—	14,486	—
Additional launch costs[4]		(6,833)	—	(25,102)	—
Changes to non-tooling onerous contracts		—	—	8,179	(73)
Income tax expense		(5,049)	(5,387)	(15,823)	(8,752)
Amortization of intangible assets	7	(1,700)	(2,136)	(4,911)	(5,845)
Unrealized loss on derivative instruments		(526)	3,491	(1,534)	753
Gain on disposal of property, plant and equipment		(373)	(22)	16	(22)
EBITDA from joint ventures[5]		(3,116)	(5,750)	(9,416)	(9,546)
Share of income of joint ventures		1,999	3,668	5,568	3,958
Net earnings		**$ 16,266**	**$ 27,409**	**$ 55,086**	**$ 44,985**

1. Adjusted EBITDA is a non-IFRS measure.
2. Represents employee bonuses paid upon the successful refinancing of long-term debt and signing bonuses paid to newly hired employees.
3. Represents costs including consulting fees associated with enhancing business operations, organizational capability and related processes.
4. Represents additional launch costs associated with large programs included in cost of sales and selling, general, and administrative expense.
5. EBITDA from joint ventures represents earnings before interest, taxes, and depreciation for the joint venture segment.

The Company operates in the following main geographical areas:

Revenue[1] for the three months ended March 31,	**Canada**	**United States**	**Mexico**	**Rest of World**	**Consolidated financial statements**
2019	$ 77,244	$ 106,693	$ 83,224	$ 20,767	$ 287,928
2018	95,886	82,964	71,036	16,832	266,718

Revenue[1] for the nine months ended March 31,	**Canada**	**United States**	**Mexico**	**Rest of World**	**Consolidated financial statements**
2019	$ 233,788	$ 272,447	$ 224,719	$ 45,118	$ 776,072
2018	258,754	236,579	198,240	43,023	736,596

	Canada	**United States**	**Mexico**	**Rest of World**	**Consolidated financial statements**
Non-current assets[2] as at March 31, 2019	$ 131,112	$ 110,545	$ 114,900	$ 26,050	$ 382,607
Non-current assets[2] as at June 30, 2018	130,458	89,378	107,593	27,320	354,749

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

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

13. Related party transactions

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

	For the three months ended March 31, 2019		For the nine months ended March 31, 2019		As at March 31, 2019	
	Purchases from JVs	Sales to JVs	Purchases from JVs	Sales to JVs	Trade payables to JVs	Trade receivables from JVs
Joint venture in which the Company is a venturer:						
ABC INOAC Exterior Systems Inc.	$ 2,255	$ 1,854	$ 3,167	$ 4,996	$ 431	$ 1,761
ABC INOAC Exterior Systems LLC	—	12	—	63	—	27
ABCOR Filters	1,669	—	4,722	6	922	101
INOAC Huaxiang	—	93	—	157	—	424

	For the three months ended March 31, 2018		For the nine months ended March 31, 2018		As at June 30, 2018	
	Purchases from JVs	Sales to JVs	Purchases from JVs	Sales to JVs	Trade payables to JVs	Trade receivables from JVs
Joint venture in which the Company is a venturer:						
ABC INOAC Exterior Systems Inc.	$ —	$ 1,948	$ —	$ 6,722	$ 223	$ 3,388
ABC INOAC Exterior Systems LLC	—	165	—	675	—	394
ABCOR Filters	1,311	—	3,684	—	520	151
INOAC Huaxiang	—	62	—	115	—	495

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

During the three and nine months ended March 31, 2019, the Company received dividends from ABC INOAC Exterior Systems LLC in the amount of $nil (2018: $nil) and $2,500 (2018: $2,500), respectively.

14. Earnings per share

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

	For the three months ended March 31,		For the nine months ended March 31,	
	2019	2018	2019	2018
Net earnings	**$ 16,266**	$ 27,409	**$ 55,086**	$ 44,985
Weighted average number of ordinary shares	**100,000**	100,000	**100,000**	100,000
Earnings per share - basic and diluted	**$ 162.66**	$ 274.09	**$ 550.86**	$ 449.85

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

15. Financial assets and financial liabilities

15.1 Financial assets

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. The carrying values of the Company's financial instruments approximate their fair values.

15.2 Financial liabilities

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

15.3 Fair values

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

The Company measures its derivative financial instruments at fair value. The following table provides the fair value, determined as at March 31, 2019 and June 30, 2018, and fair value measurement hierarchy of these derivative financial instruments:

	March 31, 2019	June 30, 2018	Fair value hierarchy
Derivative assets (liabilities)			
Derivatives designated as cash flow hedging instruments:			
Interest-rate swaps – USD LIBOR	**$ 1,205**	$ 3,080	Level 2
Foreign exchange forward contracts – Canadian dollar	**(7,086)**	(1,843)	Level 2
Foreign exchange forward contracts and collars – Mexican Peso	**3,592**	—	Level 2
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts and collars – Mexican Peso	**—**	2,553	Level 2
Total derivative assets, net	**$ (2,289)**	$ 3,790	
Total current[1]	**$ 606**	$ 2,439	
Total non-current	**$ (2,895)**	$ 1,351	

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

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

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

15.4 Financial instruments risk management objectives and policies

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

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

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

15.4.1 Hedging activities and derivatives

Foreign currency contracts

The Company uses revenue denominated in foreign currency and foreign exchange forward contracts and collars to manage some of its exposure on foreign currency denominated transactions. The foreign exchange forward contracts and collars are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 51 months.

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

	Maturity			
	Less than 3 months	**3–12 months**	**1–5 years**	**Total**
Designated as hedging instruments:				
Foreign currency forwards				
Canadian dollars	$ 28,411	$ 83,044	$ 220,117	**$ 331,572**
Average USD-CAD exchange rate	1.30	1.30	1.29	
Foreign currency collars				
Mexican pesos	$ 2,980	$ 7,563	$ 11,982	**$ 22,525**
Floor: average USD-MXN exchange rate	22.00	23.00	23.79	
Cap: average USD-MXN exchange rate	25.07	26.26	27.31	
Foreign currency forwards				
Mexican pesos	$ 5,157	$ 13,147	$ 63,159	**$ 81,463**
Average USD-MXN exchange rate	20.05	20.54	22.37	

On July 1, 2017, the Company began to designate its USD-CAD foreign currency forwards as cash flow hedges. The cash flow hedges of USD-CAD foreign currency forwards were assessed to be effective and the Company recognized an unrealized gain of $7,720 (2018: loss of $6,994) in OCI for the three months ended March 31, 2019, and recognized an unrealized loss of $4,482 (2018: gain of $1,599) in OCI for the nine months ended March 31, 2019. On the same instruments, the Company realized net losses of $586 (2018: net gains of $1,054) for the three months ended March 31, 2019 and net losses of $947 (2018: net gains of $2,471) for the nine months ended March 31, 2019. Of these amounts, realized losses of $680 (2018: gains of $707) during the three months ended March 31, 2019 and realized losses of $1,349 (2018: gains of $1,582) during the nine months ended March 31, 2019 were reclassified from OCI to inventories and included as part of the cost of inventories that were recognized in cost of sales. Additionally, realized losses of $164 (2018: $514) for the three months ended March 31, 2019 and realized losses of $325 (2018: $398) for the nine months ended March 31, 2019 were reclassified from OCI to profit or loss and included in selling, general and administrative expenses.

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

On July 1, 2018, the Company began to designate its USD-MXN foreign currency forwards and collars as cash flow hedges. The cash flow hedges of USD-MXN forwards and collars were assessed to be effective and the Company recognized an unrealized gain of $3,902 (2018: $nil) in OCI for the three months ended March 31, 2019, and recognized an unrealized gain of $1,813 (2018: $nil) in OCI for the nine months ended March 31, 2019. On the same instruments, the Company realized gains of $598 (2018: $476) for the three months ended March 31, 2019, and realized gains of $1,412 (2018: $1,454) for the nine months ended March 31, 2019. Of these amounts, realized gains of $307 (2018: $nil) during the three months ended March 31, 2019 and realized gains of $538 (2018: $nil) during the nine months ended March 31, 2019 were reclassified from OCI to inventories and included as part of the cost of inventories that were recognized in cost of sales. Additionally, realized gains of $57 (2018: $nil) for the three months ended March 31, 2019 and realized gains of $100 (2018: $nil) for the nine months ended March 31, 2019 were reclassified from OCI to profit or loss and included in selling, general and administrative expenses.

Interest rate swaps

The Company uses interest rate swaps to hedge the interest rate risks in respect of benchmark interest rates. To maximize hedge effectiveness, the Company's policy is to only hedge the risk in respect of benchmark interest rates and the credit risk spread on the hedged item is excluded.

At March 31, 2019, the Company had an interest rate swap agreement with a notional amount of $158,203 (June 30, 2018: $168,750) whereby the Company pays a fixed rate of interest of 0.924% (June 30, 2018: 0.924%) and receives interest at a floating rate equal to 1-month USD LIBOR on the notional amount. The swap is being used to hedge the exposure to variable interest payments on the interest-bearing liability that the Company pays USD LIBOR plus an applicable margin. The interest rate swap agreement matures on September 30, 2019.

The notional amounts of the interest rate swap agreement as at March 31, 2019 is detailed below.

		Maturity	
	Interest paid by the Company	**Less than 3 months**	**3–12 months**
Designated as hedging instruments:			
Notional amount	Fixed	$ 158,203	$ 154,688
Average fixed interest rate		0.924%	0.924%

The cash flow hedges of the expected interest payments were assessed to be effective and a net unrealized loss of $702 (2018: gain of $409) during the three months ended March 31, 2019 and a net unrealized loss of $1,875 (2018: gain of $942) during the nine months ended March 31, 2019 relating to the hedging instruments were included in OCI. The Company realized gains of $625 (2018: $291) during the three months ended March 31, 2019 and realized gains of $1,711 (2018: $586) during the nine months ended March 31, 2019 on the interest rate swaps designated as cash flow hedges. The same amounts of realized gains were reclassified from OCI during the respective periods and reclassified to profit or loss, and included in interest expense.

15.4.2 Other risks

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as commodity risk. Financial instruments affected by market risk include cash and cash equivalents, 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 position as at March 31, 2019 and June 30, 2018.

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.

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

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 March 31, 2019, after taking into account the effect of interest rate swaps, approximately 52% (June 30, 2018: 55%) 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 three months ended March 31, 2019 of $381 (2018: $463), and $1,144 (2018: $1,388) for the nine months ended March 31, 2019 on an unhedged basis, and vice versa.

Foreign currency risk and sensitivity

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

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.

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

	For the three months ended March 31,		**For the nine months ended March 31,**	
	2019	**2018**	**2019**	**2018**
Impact on pre-tax income gain (loss):				
Canadian dollar	**$ 974**	$ 809	**$ 2,895**	$ 1,157
Mexican peso	**268**	1,747	**735**	1,623

A weakening would have had the equal but opposite effect, on the basis that all other variables remain constant. The Company's exposure to foreign currency changes for all other currencies is not material.

Commodity price risk and sensitivity

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

A 5% increase in the price of resin (all other variables held constant) would have a negative impact on pre-tax earnings for the three months ended March 31, 2019 of $1,989 (2018: $2,168), and $6,075 (2018: $6,504) for the nine months ended March 31, 2019, and vice versa.

Credit risk

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

Trade receivables

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

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

The aging analysis of trade receivables, based on invoice due date, is as follows:

	Total	Current and <30 days	30–60 days	61–90 days	>90 days
As at March 31, 2019	**$ 110,373**	**$ 108,079**	**$ 1,032**	**$ 412**	**$ 850**
As at June 30, 2018	120,786	119,265	1,155	71	295

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 15.1. The Company does not hold collateral as security. The Company is exposed to concentration of risk with respect to trade receivables. As at March 31, 2019, the Company's three largest customers accounted for 56.2%, 6.9% and 5.5%, respectively, of all receivables owing (June 30, 2018: 51.2%, 6.7% and 6.3%, respectively).

Deposits with banks and financial institutions

Credit risk from balances with banks and financial institutions is managed in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. Cash and cash equivalents and derivative financial instruments are primarily held with large financial institutions with investment-grade credit ratings. The Company's maximum exposure to credit risk for deposits with banks and financial institutions and derivative financial instruments is their carrying amounts. The Company does not hold collateral as security.

Liquidity risk

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

Concentration risk

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

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

Master netting and similar agreements

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

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

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

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

As at March 31, 2019	**Current assets**	**Non-current assets**	**Current liabilities**	**Long-term liabilities**
Interest-rate swaps – USD LIBOR	$ 1,205	$ —	$ —	$ —
Foreign exchange forward contracts and collars – Mexican Peso	1,960	2,276	—	644
Foreign exchange forward contracts – Canadian dollar	—	—	2,559	4,527

As at June 30, 2018	**Current assets**	**Non-current assets**	**Current liabilities**	**Long-term liabilities**
Interest-rate swaps – USD LIBOR	$ 2,369	$ 711	$ —	$ —
Foreign exchange forward contracts and collars – Mexican Peso	1,124	1,919	144	346
Foreign exchange forward contracts – Canadian dollar	148	876	1,058	1,809