Consolidated Financial Statements

ABC Technologies Holdings Inc.

For the years ended June 30, 2022 and 2021

Management's responsibility for the consolidated financial statements

The management of ABC Technologies Holdings 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 shareholders, have prepared their report, which outlines the scope of their examination and expresses their opinion on the consolidated financial statements.

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

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

(signed)
Terry Campbell
President and Chief Executive Officer

(signed)
David Smith
Chief Financial Officer

September 2, 2022

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

	Notes		June 30, 2022		June 30, 2021
Assets					
Current assets					
Cash		$	**25,400**	$	14,912
Trade and other receivables	*4,5,25*		**123,429**		76,653
Inventories	*4,6*		**154,661**		82,170
Prepaid expenses and other	*4,7,25*		**42,094**		34,472
Assets held for sale	*4*		**54,351**		—
Total current assets			**399,935**		208,207
Property, plant and equipment	*4,8*		**371,294**		334,775
Right-of-use assets	*4,9*		**165,679**		153,628
Intangible assets	*4,10*		**156,844**		73,346
Deferred income taxes	*19*		**9,445**		5,237
Investment in joint ventures	*21*		**45,556**		47,412
Derivative financial assets	*25*		**3,996**		10,053
Goodwill	*4,10*		**109,131**		18,944
Other long-term assets	*9,13*		**16,392**		4,027
Total non-current assets			**878,337**		647,422
Total assets		$	**1,278,272**	$	855,629
Liabilities and equity					
Current liabilities					
Trade payables		$	**147,981**	$	118,723
Accrued liabilities and other payables	*4,11*		**97,712**		71,339
Provisions	*12*		**24,132**		16,063
Current portion of lease liabilities	*4,14*		**13,087**		10,351
Purchase option	*4*		**6,206**		—
Total current liabilities			**289,118**		216,476
Long-term debt	*13*		**400,000**		280,000
Lease liabilities	*4,14*		**175,940**		156,400
Deferred income taxes	*4,19*		**33,864**		32,673
Derivative financial liabilities	*25*		**1,453**		2,483
Other long-term liabilities			**2,137**		2,393
Total non-current liabilities			**613,394**		473,949
Total liabilities			**902,512**		690,425
Equity					
Capital stock	*15*		**291,960**		2,991
Other reserves	*15*		**3,094**		972
Retained earnings			**77,453**		151,936
Foreign currency translation reserve and other			**(7,524)**		276
Cash flow hedge reserve, including cost of hedging	*25*		**10,777**		9,029
Total equity			**375,760**		165,204
Total liabilities and equity		$	**1,278,272**	$	855,629

Commitment and contingencies (Note 22)
Subsequent event (Note 26)

Approved on behalf of the Board of Directors:

(signed)
Terry Campbell
Director
President and Chief Executive Officer

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

ABC Technologies Holdings Inc.

Consolidated Statement of Comprehensive Income (Loss)

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

	Notes		For the year ended June 30, 2022		2021
Sales		$	**971,878**	$	970,850
Cost of sales	*6,16*		**889,371**		811,333
Gross profit			**82,507**		159,517
Selling, general and administrative	*16,17*		**130,957**		132,100
Impairment of non-financial assets	*8*		**8,185**		—
Loss on disposal and write-down of assets			**1,794**		516
Gain on derivative financial instruments	*25*		**(2,525)**		(2,518)
Share of income of joint ventures	*21*		**(498)**		(5,669)
Operating income (loss)			**(55,406)**		35,088
Interest expense, net	*18*		**31,582**		46,336
Loss before income tax			**(86,988)**		(11,248)
Income tax expense (recovery)					
Current	*19*		**10,385**		6,106
Deferred	*19*		**(32,833)**		(5,693)
Total income tax expense (recovery)			**(22,448)**		413
Net loss		$	**(64,540)**	$	(11,661)
Other comprehensive income (loss)					
Items that may be recycled subsequently to net earnings (loss):					
Foreign currency translation of foreign operations and other			**(7,800)**		2,599
Cash flow hedges, net of tax expense of $844 (2021: $8,744)	*25*		**2,531**		26,232
Cash flow hedges recycled to net earnings, net of tax expense of $578 (2021: $974)	*25*		**1,733**		2,922
Other comprehensive income (loss)		$	**(3,536)**	$	31,753
Total comprehensive income (loss) for the period		$	**(68,076)**	$	20,092
Earnings (loss) per share - basic and diluted	*24*	$	**(0.85)**	$	(0.22)

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

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

	Notes	Capital stock	Other reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve[1]	Total
June 30, 2020		**$ 2,991**	**$ —**	**$ 164,286**	**$ (2,323)**	**$ (20,115)**	**$ 144,839**
Net loss		—	—	(11,661)	—	—	(11,661)
Share-based compensation expense	*15*	—	972	—	—	—	972
Other comprehensive income (loss):							
Foreign currency translation of foreign operations and other		—	—	—	2,599	—	2,599
Cash flow hedges, net of reclassification to net earnings, net of taxes	*25*	—	—	—	—	29,154	29,154
Dividends paid	*15*	—	—	(689)	—	—	(689)
Cash flow hedges recycled to assets, net of taxes	*25*	—	—	—	—	(10)	(10)
June 30, 2021		**$ 2,991**	**$ 972**	**$ 151,936**	**$ 276**	**$ 9,029**	**$ 165,204**
Net loss		—	—	(64,540)	—	—	(64,540)
Share-based compensation expense	*15*	—	2,238	—	—	—	2,238
Other comprehensive income (loss):							
Foreign currency translation of foreign operations and other		—	—	—	(7,800)	—	(7,800)
Cash flow hedges, net of reclassification to net earnings, net of taxes	*25*	—	—	—	—	4,264	4,264
Cash flow hedges recycled to assets, net of taxes	*25*	—	—	—	—	(2,516)	(2,516)
Dividends paid		—	—	(9,943)	—	—	(9,943)
Common shares issued for redemption of restricted share units ("RSUs")	*15*	116	(116)	—	—	—	—
Shares issued upon closing of rights offering, net of issuance cost	*15*	264,696	—	—	—	—	264,696
Shares issued upon closing of private placement, net of issuance cost	*15*	24,157	—	—	—	—	24,157
June 30, 2022		**$ 291,960**	**$ 3,094**	**$ 77,453**	**$ (7,524)**	**$ 10,777**	**$ 375,760**

1. At June 30, 2022, the cash flow hedge reserve includes a loss of $1,092 (2021: $2,573) 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 Technologies Holdings Inc.
Consolidated Statement of Cash Flows
(Expressed in thousands of United States dollars)

	Notes	For the year ended June 30, 2022	2021
Cash flows from (used in) operating activities			
Net loss		**$ (64,540)**	$ (11,661)
Adjustments for:			
Depreciation of property, plant and equipment	*8*	**53,344**	46,000
Depreciation of right-of-use assets	*9*	**15,570**	14,291
Amortization of intangible assets	*10*	**24,612**	18,324
Loss on disposal and write-down of assets		**1,794**	516
Unrealized loss (gain) on derivative financial instruments	*25*	**(2,695)**	95
Interest expense	*18*	**31,582**	46,336
Share of income of joint ventures	*21*	**(498)**	(5,669)
Income tax expense (recovery)	*19*	**(22,448)**	413
Share-based compensation expense	*15,17*	**2,576**	1,925
IPO related costs	*17*	**—**	8,278
Impairment of non-financial assets	*8*	**8,185**	—
Changes in:			
Trade and other receivables and prepaid expenses and other		**(10,142)**	(40,206)
Inventories		**(15,251)**	(10,448)
Trade payables, accrued liabilities and other payables, and provisions		**38,469**	75,534
Cash generated from operating activities		**60,558**	143,728
Interest received		**445**	385
Income taxes recovered (paid)		**(1,988)**	2,784
Interest paid on leases, net of interest income	*18*	**(13,629)**	(14,115)
Interest paid on long-term debt and other		**(18,581)**	(17,445)
Net cash flows from operating activities		**26,805**	115,337
Cash flows from (used in) investing activities			
Purchases of property, plant and equipment		**(44,118)**	(36,178)
Acquisition of subsidiaries, net of cash acquired	*4*	**(314,597)**	—
Dividends received from joint ventures	*21*	**1,884**	7,109
Proceeds from disposals of property, plant and equipment		**—**	171
Additions to intangible assets	*10*	**(21,818)**	(16,433)
Net cash flows used in investing activities		**(378,649)**	(45,331)
Cash flows from (used in) financing activities			
Net drawings on revolving credit facilities	*13*	**120,000**	195,000
Repayment of long-term debt	*13*	**—**	(305,000)
Principal payments of lease liabilities, net of sublease receipts		**(11,498)**	(8,800)
Financing costs	*13*	**(2,630)**	(1,835)
IPO related costs	*17*	**—**	(8,278)
Dividends paid to shareholders		**(9,943)**	(689)
Proceeds from issuance of shares, net of issuance cost	*15*	**288,853**	—
Repayment of acquired loan	*4,13*	**(21,376)**	—
Net cash flows from (used in) financing activities		**363,406**	(129,602)
Net increase (decrease) in cash		**11,562**	(59,596)
Net foreign exchange difference		**(1,074)**	450
Cash, beginning of period		**14,912**	74,058
Cash, end of period		**$ 25,400**	$ 14,912

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

1. Corporate information

ABC Technologies Holdings Inc. (previously ABC Group Holdings Parent Inc.) and its subsidiaries (collectively, "ABC" or the "Company") is a tier one global automotive parts supplier that designs, engineers, manufactures and sells functional and decorative parts, fluid management solutions, as well as assemblies from injection, blow and polyurethane compression molding processes. The Company also offers interior painting services, and high-quality finish exterior painting through its 50% owned joint ventures. The Company is incorporated and domiciled in Canada. The head office is located at 2 Norelco Drive, Toronto, Ontario, Canada, M9L 2X6.

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared 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 authorized for issue by the Company's Board of Directors on September 2, 2022.

2.2 Basis of measurement

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

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. Where the final tax outcome 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.

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.

Share-based compensation

Share-based compensation in the form of restricted share units ("RSUs"), deferred share units ("DSUs"), and stock options, have been provided to certain of our employees, directors, and others. Share-based compensation expense recognized in respect of these plans is based on the fair value of the awards. Generally, the share-based compensation expense is recognized on a straight-line basis over the vesting of the award subject to continued service with the Company through to the vesting date.

Share-based compensation expense related to stock option awards is recognized and measured based on the grant date fair value, which is determined using the Black-Scholes-Merton option pricing model. Some of the inputs in the Black-Scholes-Merton model are subjective, including the expected volatility of the price of the Company's common shares, the expected term of the options, expected dividend yield, and expected forfeiture rates. These estimates involve inherent uncertainties and are based on management judgment.

Tooling inventory

Management applies judgment in determining the appropriateness of costs included in tooling inventory.

Business combinations

At initial recognition, all identifiable assets and liabilities acquired in a business acquisition are measured at fair value at the date of acquisition. Estimates and assumptions are used to calculate the fair values of these assets and liabilities and fair value of consideration transferred. Changes to assumptions could significantly impact the fair values of certain assets, such as intangible assets like customer relationships, development intangibles, and trade name. The Company's significant assumptions used in determining the acquisition date fair values of intangible assets include forecast revenue and cash flows attributable to acquired intangible assets, customer attrition rates, discount rates, and royalty rates. These estimates are inherently uncertain and are based on management's past experience and future expectations.

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

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

Due to ongoing production disruptions at OEMs caused by semiconductor shortages and the resultant decrease in sales by the Company, the Company worked with its syndicate of lenders to amend its Credit Agreement to provide financial covenant relief due to conditions caused by COVID-19. On September 29, 2021, the Company amended its Credit Agreement to provide greater flexibility in the calculation of certain financial covenants over the following five fiscal quarters due to the conditions caused by the ongoing supply chain challenges driven by COVID-19.

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

2.6 Oaktree acquired a minority share in the Company

On November 10, 2021, the Company announced the closing of the sale of a minority share in the Company by ABC Group Canada LP ("ABC LP"), an affiliate of funds managed by Cerberus Capital Management, L.P. ("Cerberus") to certain funds affiliated with Oaktree Capital Management, L.P. (the "Oaktree Funds"), pursuant to a share purchase agreement dated September 13, 2021 between ABC LP and the Oaktree Funds.

Under the terms of the agreement, the Oaktree Funds purchased approximately 13.9 million common shares of ABC (the "ABC Shares") (representing approximately 25.6% of the fully diluted ABC Shares) from ABC LP at the USD equivalent of $9.00 Canadian dollars ("CAD") per ABC Share.

Upon closing this transaction, (i) the Oaktree Funds directly or indirectly, beneficially owned or controlled approximately 13.9 million ABC shares, representing approximately 26.4% of the issued and outstanding ABC Shares (or 25.6% of the issued and outstanding ABC Shares on a fully-diluted basis), and (ii) ABC LP no longer owned or controlled any of the issued and outstanding ABC Shares.

During the year ended June 30, 2022, the Company distributed $2,363 out of the Value Creation Plan ("VCP") in connection with the Oaktree transaction. These costs were recorded in selling, general and administrative expenses. Refer to note 15.4 for details on the VCP.

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.

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

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 Technologies Inc. (Ontario)	100% wholly owned subsidiary	USD
ABC Technologies Inc. (Tennessee)	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
dlhBowles, Inc.	100% wholly owned subsidiary	USD
ABC Plastic Moulding Group GmbH	100% wholly owned subsidiary	Euro

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 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 ("OCI") 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 (i.e. good or service) to a customer. An asset is transferred when the customer obtains control of that asset. Costs incurred to obtain or fulfil a contract with a customer are amortized over the life of the program as a reduction to sales.

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 has 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, 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 has 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 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.

3.5 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, including directly attributable labour and overhead, and other costs incurred in bringing the inventories to their present location and condition. Impairment losses are recognized on the basis of net realizable value.

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

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and 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	12 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.

3.7 Impairment of non-financial assets

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

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the board approved next fiscal year's budget and management's five-year 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.

3.8 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 and internally generated include customer relationships, customer contracts, development intangibles, and trade name that are amortized over the period of expected future benefit, which are as follows:

Customer relationships	13 years
Customer contracts	7 years
Development intangibles	5 to 10 years
Trade name	10 years

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.

3.8.1 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 the life of the program.

3.8.2 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.

3.8.3 Research costs

Research costs are expensed as incurred.

3.9 Taxes

3.9.1 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.

3.9.2 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.

3.10 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 reflects 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 information disclosed related to 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.

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

3.11 Financial instruments

3.11.1 Classification and measurement

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through 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.

3.11.1.1 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.

3.11.1.2 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.

3.11.1.3 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.

3.11.1.4 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.

3.11.2 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.

3.11.3 Derivative financial instruments and hedge accounting

3.11.3.1 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 forecast 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).

3.11.3.2 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:

3.11.3.3 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.

3.11.3.4 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 forecast 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.

3.12 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.

3.13 Provisions

3.13.1 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.

3.13.2 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.

3.14 Leases

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.

3.15 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.

3.16 Recently adopted accounting standards and policies

Adoption of IFRS 3 - Business Combinations

As a result of recent acquisitions (refer to note 4.1), the Company has adopted Business Combination - IFRS 3 from January 1, 2022. The Company has applied the following policy:

Business combinations are accounted for using the acquisition method at the acquisition date. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any liability and equity interests issued by the Company on the date at which the control of the acquired company is obtained. The consideration transferred includes the fair value of any asset or a liability resulting from a contingent consideration arrangement. Contingent consideration is subsequently remeasured at fair value, with any resulting gain or loss recognized and included in the consolidated statements of comprehensive income (loss) and changes in equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company measures goodwill as the fair value for the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized immediately in the consolidated statement of comprehensive income (loss) as a gain from a bargain purchase.

To estimate the fair values of the intangible assets, management uses various valuation techniques and methodologies which include the income method, relief from royalty method, multi-period excess earnings method, and the cost approach. If the final purchase price allocations for a business combination is incomplete, the Company reports provisional amounts for the items for which the accounting is incomplete. Provisional amounts are adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amount recognized at that date. The measurement period is the period from the acquisition date to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Transaction costs, other than those associated with the issue of debt or equity securities, and other direct costs of a business combination are not considered part of the business acquisition transaction and are expensed as incurred and recorded under selling, general and administrative expenses in the consolidated statement of comprehensive income (loss).

Adoption of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

An asset is classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

A sale is highly probable if:

- the appropriate level of management is committed to a plan to sell the assets;
- an active programme to locate a buyer and complete the plan has been initiated;
- the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification; and
- actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Such an asset is measured at the lower of its carrying amount and fair value less costs to sell. Any impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

When the Company acquires assets exclusively with a view to subsequent resale, the sale is expected to occur within one year of the acquisition date and any other of the highly probable criteria not met at acquisition date are expected to be met within a three-month period therefrom.

Once classified as held-for-sale, intangible assets, property plant and equipment and right-of-use assets are no longer amortized or depreciated.

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

The Company adopted IBOR reform - Phase 2 - Amendments to IFRS 9, Financial Instruments ("IFRS 9"), IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") and IFRS 7, Financial Instruments: Disclosures ("IFRS 7") (the "Phase 2 amendments") from July 1, 2021.

The Company has applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Company has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

The Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Company applies the following reliefs as and when uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

- the Company amends the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship;
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

While uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, the Company continues to apply the existing accounting policies.

These amendments did not have a material impact on the consolidated financial statements.

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

3.17 Standards issued but not yet effective

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

- *Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*, specifying costs an entity should include in determining the "cost of fulfilling" a potential onerous contract. The amendments are effective for annual periods beginning on or after January 1, 2022, and apply to contracts existing at the date when the amendments are first applied.
- *Amendments to IFRS 3, Business Combinations - Updating a Reference to the Conceptual Framework*, updating a reference to the Conceptual Framework. The amendments are effective for annual periods beginning on or after January 1, 2022.
- *Amendments to IAS 1, Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 8, Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates". The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 12, Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrowing the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023.
- *Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent*, clarifying requirements for the classification of liabilities as non-current. The effective date of the amendments was deferred to no earlier than January 1, 2024 but no final date has yet been set.

For the amendments that are effective for annual periods beginning on or after January 1, 2022, the Company does not expect these amendments to have a material impact on its financial statements. For the amendments that are effective for annual periods on or after January 1, 2023, the Company is currently assessing the impact, if any, on its consolidated financial statements.

4. Business combinations

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

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

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

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

The preliminary details of the business combinations as at the date of acquisition based on the best information available to the Company are as follows:

	dlhBOWLES	Etzel[1]
Fair value of consideration transferred		
Amount settled in cash	$ 258,093	$ 68,372
Fair value of purchase option	—	6,586
Total consideration transferred	**$ 258,093**	**$ 74,958**

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

	dlhBOWLES	Etzel[1]
Recognized amounts of identifiable net assets		
Cash and cash equivalents	$ 4,720	$ 7,148
Trade and other receivables	24,764	17,542
Inventories	38,259	20,953
Prepaid expenses and other assets	3,973	764
Assets held for sale	—	58,058
Total current assets	**$ 71,716**	**$ 104,465**
Property, plant and equipment	44,523	15,204
Intangible assets	86,500	—
Right-of-use assets	19,688	5,473
Deferred income taxes	1,091	—
Other long-term assets	24	—
Total non-current assets	**$ 151,826**	**$ 20,677**
Trade payables	7,835	7,335
Accrued liabilities and other payables	2,301	4,379
Provisions	2,140	4,564
Current portion of lease liabilities	1,803	136
Current portion of loan[2]	—	21,376
Total current liabilities	**$ 14,079**	**$ 37,790**
Deferred income taxes	23,752	7,199
Lease liabilities	17,685	5,338
Total non-current liabilities	**$ 41,437**	**$ 12,537**
Identifiable net assets	**$ 168,026**	**$ 74,815**
Goodwill on acquisition	**$ 90,067**	**$ 143**
Consideration transferred settled in cash	258,093	68,372
Cash and cash equivalents acquired	(4,720)	(7,148)
Net cash outflow on acquisitions	**$ 253,373**	**$ 61,224**

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

Consideration transferred

The acquisition of dlhBOWLES and Etzel (collectively, "Acquirees") were settled in cash amounting to $258,093 and $68,372 equivalent to Euro ("EUR") 60,943, respectively.

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

The EUR 5,870 ($6,586) fair value of purchase option represents the present value of the Company's probability weighted estimate of the exercise price. It reflects management's estimate of the timing of option exercise and the expected results of operations of Etzel in the relevant period. As at June 30, 2022, there have been no changes in the estimated liability since the acquisition date.

Acquisition-related costs amounting to $5,100 are not included as part of consideration transferred and have been recognized as an expense in the consolidated statement of comprehensive income (loss), as part of selling, general and administrative expense.

Goodwill

Goodwill of $90,067 for dlhBOWLES and $143 for Etzel is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Facts that make up the amount of goodwill recognized include the application of the Company's operating practices to improve the operations of Acquirees, synergies with existing businesses of the Company, and other intangible assets that do not qualify for separate recognition, including assembled workforce. dlhBOWLES and Etzel goodwill have been allocated to the North America and the Rest of the World segment respectively. Goodwill is not expected to be deductible for tax purposes.

Identifiable net assets

As of the acquisition date, the fair value of acquired trade and other receivables for dlhBowles and Etzel amounted to $24,764 and $17,542, with a gross contractual amount of $25,557 and $18,216, respectively. The Company's best estimate of the contractual cash flow not expected to be collected amounted to $1,467.

The purchase price allocations is not final as the Company continues to obtain and verify information required to determine the fair value of certain assets and liabilities and the amount of deferred income taxes arising on their recognition. The Company estimated the preliminary purchase price allocations as of the date of the acquisition based on information that was available. Revisions to the allocations may occur as new information that existed at the date of acquisitions become available.

Contribution to the Company results

dlhBOWLES contributed revenues of $41,925 and net loss of $5,143 to the Company for the period from March 1, 2022 to June 30, 2022. Etzel contributed revenues of $29,325 and net income of $545 to the Company for the period from March 4, 2022 to June 30, 2022.

If the acquisitions had occurred on July 1, 2021, consolidated pro-forma revenue and net income for the year ended June 30, 2022 would have been $212,326 and $11,183, respectively. These amounts have been calculated using the Acquirees' results and adjusting them for:

- the intercompany sales and purchases between the Company and the Acquirees,
- acquisition costs incurred by the Company and the Acquirees,
- the interest cost on old debt of Acquirees,
- additional interest cost on the loan drawn by the Company to fund these acquisitions,
- fair value adjustments pertaining to the purchase price allocations,
- material differences in the accounting policies between the Company and the Acquirees, and
- consequential tax effects of all the above-listed adjustments.

4.2 Assets held for sale and sale and leaseback

The Company classified $58,058 of related real estate properties as assets held for sale as at the date of acquisition. On April 29, 2022, the Company entered into an agreement for the sale and leaseback of all of its real estate properties located in Mühlacker, Germany obtained through the recent acquisition of Etzel. Refer to Note 26 for more details. As at June 30, 2022, the assets held for sale amount to $54,351.

Net proceeds from the transaction, after commissions and fees, are expected to be EUR 51,750. The Company entered into a foreign currency contract to hedge the net proceeds from the transaction and expects to receive approximately $58,267. The lease is for an initial fifteen-year period with options to renew for two additional five-year periods. Lease payments are expected to be EUR 2,048 ($2,147) in the first year of the lease, increasing by 3% in each of the second and third years, with subsequent increases based on a variable rate linked with the German Consumer Price Index. As at June 30, 2022, these assets are presented within the total assets of the Rest of World segment in note 20.

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

4.3 Acquisition of Continental's Washer Systems product line

On June 28, 2022, the Company entered into an agreement to acquire the Washer Systems product line of Continental Automotive GmbH for approximately EUR 20,500 ($21,488) (the "Continental Washer System Acquisition"). The Washer Systems product line produces complete washer systems for vehicles. The portfolio consists of water reservoirs, pump systems, hoses, connectors, different types of nozzles as well as cleaning systems for headlight, cameras and sensors. The closing of this transaction is subject to the approval of antitrust authorities and certain other customary closing conditions. The transaction is expected to close in the second quarter of fiscal year 2023.

5. Trade and other receivables

	Notes		June 30, 2022		June 30, 2021
Trade receivables		**$**	**113,456**	$	73,662
Receivables from joint ventures	*21*		**9,973**		2,991
Total trade and other receivables		**$**	**123,429**	$	76,653

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, 2022, the allowance for credit loss recognized against trade receivables amounts to $2,548 (2021: $711).

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 25.3.2.

6. Inventories

		June 30, 2022		June 30, 2021
Raw materials and components	**$**	**51,155**	$	32,053
Finished goods and work in progress		**40,944**		23,735
Tooling		**62,562**		26,382
Total inventories	**$**	**154,661**	$	82,170

During the year ended June 30, 2022, inventories of $887,329 (2021: $809,510) were recognized in cost of sales.

7. Prepaid expenses and other

	Notes		June 30, 2022		June 30, 2021
Recoverable value-added taxes, net		**$**	**7,635**	$	13,110
Income taxes recoverable			**5,210**		4,421
Current portion of derivative financial assets	*25*		**8,236**		5,524
Insurance			**3,541**		1,877
Advance to suppliers			**5,986**		1,326
Scientific Research and Experimental Development tax credit receivable			**4,738**		3,283
Other			**6,748**		4,931
Total prepaid expenses and other		**$**	**42,094**	$	34,472

(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 improve-ments	Total
Cost							
June 30, 2020	$ 7,643	$ 382,774	$ 28,770	$ 29,362	$ 10,258	$ 7,694	$ 466,501
Additions	31	1,162	35,314	—	250	209	36,966
Transfers	—	17,460	(35,561)	14,735	2,640	726	—
Disposals	(86)	(1,012)	—	(166)	(74)	—	(1,338)
Exchange differences	267	897	189	141	6	1	1,501
June 30, 2021	**$ 7,855**	**$ 401,281**	**$ 28,712**	**$ 44,072**	**$ 13,080**	**$ 8,630**	**$ 503,630**
Additions	296	400	42,694	—	93	334	43,817
Transfers	29	14,409	(36,660)	15,346	5,585	1,291	—
Disposals	—	(5,429)	(371)	(509)	(108)	(12)	(6,429)
Assets acquired through business combinations (note 4)	2,850	44,318	6,605	5,175	—	779	59,727
Exchange differences	(560)	(3,811)	(450)	(346)	(34)	(4)	(5,205)
June 30, 2022	**$ 10,470**	**$ 451,168**	**$ 40,530**	**$ 63,738**	**$ 18,616**	**$ 11,018**	**$ 595,540**
Accumulated depreciation and impairment							
June 30, 2020	$ 713	$ 106,179	$ —	$ 10,231	$ 5,332	$ 911	$ 123,366
Depreciation	228	36,660	—	6,120	2,412	580	46,000
Disposals	—	(1,013)	—	(6)	(41)	—	(1,060)
Exchange differences	19	464	—	57	11	(2)	549
June 30, 2021	**$ 960**	**$ 142,290**	$ —	**$ 16,402**	**$ 7,714**	**$ 1,489**	**$ 168,855**
Depreciation	332	40,220	—	9,436	2,612	744	53,344
Disposals	—	(4,270)	—	(198)	(108)	(2)	(4,578)
Impairment	—	6,215	788	1,149	—	33	8,185
Exchange differences	(86)	(1,291)	—	(162)	(20)	(1)	(1,560)
June 30, 2022	**$ 1,206**	**$ 183,164**	**$ 788**	**$ 26,627**	**$ 10,198**	**$ 2,263**	**$ 224,246**
Net book value							
June 30, 2022	**$ 9,264**	**$ 268,004**	**$ 39,742**	**$ 37,111**	**$ 8,418**	**$ 8,755**	**$ 371,294**
June 30, 2021	$ 6,895	$ 258,991	$ 28,712	$ 27,670	$ 5,366	$ 7,141	$ 334,775

During the year ended June 30, 2022, the Company identified certain qualitative factors that resulted in the specific impairment testing of Poland CGU. Due to the recent increase in raw material prices, instability in the region, and lower expectation of business recovery, the Poland CGU's carrying value exceeded its recoverable amount by $8,185. Therefore, impairment loss of the same amount was recorded and allocated to property, plant and equipment during the year. The recoverable amount was determined as value in use, which was calculated using key assumptions, including a five-year forecast period, 2.0% terminal growth rate and a discount rate of 14.9%.

(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, 2020	$ 166,531	$ 2,716	$ 169,247
Additions	63	820	883
Modifications/reassessments	12,378	(155)	12,223
Termination/derecognition of leases	(337)	(1,450)	(1,787)
Exchange differences	267	23	290
June 30, 2021	**$ 178,902**	**$ 1,954**	**$ 180,856**
Additions	4,282	253	4,535
Acquired through business combinations (note 4)	25,161	—	25,161
Modifications/reassessments	7,174	7	7,181
Termination/derecognition of leases	(10,377)	(444)	(10,821)
Exchange differences	(631)	(28)	(659)
June 30, 2022	**$ 204,511**	**$ 1,742**	**$ 206,253**
Accumulated depreciation			
June 30, 2020	$ 12,738	$ 764	$ 13,502
Depreciation	13,546	745	14,291
Termination/derecognition of leases	(171)	(715)	(886)
Exchange differences	291	30	321
June 30, 2021	**$ 26,404**	**$ 824**	**$ 27,228**
Depreciation	14,826	744	15,570
Termination/derecognition of leases	(1,506)	(444)	(1,950)
Exchange differences	(264)	(10)	(274)
June 30, 2022	**$ 39,460**	**$ 1,114**	**$ 40,574**
Net book value			
June 30, 2022	**$ 165,051**	**$ 628**	**$ 165,679**
June 30, 2021	$ 152,498	$ 1,130	$ 153,628

During the year ended June 30, 2022, the Company subleased one of its properties due to the relocation of its plant. Net book value of $6,909 was derecognized and a corresponding lease receivable was recognized. As at June 30, 2022, $8,858 of lease receivable was classified under other long-term assets.

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

10. Intangible assets and goodwill

	Customer contracts	Customer relationships	Development intangibles	Trade name	Total Intangible Assets	Goodwill
Cost						
June 30, 2020	$ 24,795	$ 14,495	$ 71,683	$ —	$ 110,973	$ 18,944
Additions	—	—	16,433	—	16,433	—
Write-off of assets	—	—	(464)	—	(464)	—
June 30, 2021	**$ 24,795**	**$ 14,495**	**$ 87,652**	**$ —**	**$ 126,942**	**$ 18,944**
Additions	—	—	21,818	—	21,818	—
Acquired through business combinations (note 4)	—	53,000	20,400	13,100	86,500	90,210
Write-off of assets	—	—	(208)	—	(208)	—
Exchange differences	—	—	—	—	—	(23)
June 30, 2022	**$ 24,795**	**$ 67,495**	**$ 129,662**	**$ 13,100**	**$ 235,052**	**$ 109,131**
Accumulated amortization						
June 30, 2020	$ 14,168	$ 4,460	$ 16,644	$ —	$ 35,272	$ —
Amortization	3,542	1,115	13,667	—	18,324	—
June 30, 2021	**$ 17,710**	**$ 5,575**	**$ 30,311**	**$ —**	**$ 53,596**	**$ —**
Amortization	3,542	2,470	18,109	491	24,612	—
Exchange differences	—	—	—	—	—	—
June 30, 2022	**$ 21,252**	**$ 8,045**	**$ 48,420**	**$ 491**	**$ 78,208**	**$ —**
Net book value						
June 30, 2022	**$ 3,543**	**$ 59,450**	**$ 81,242**	**$ 12,609**	**$ 156,844**	**$ 109,131**
June 30, 2021	$ 7,085	$ 8,920	$ 57,341	$ —	$ 73,346	$ 18,944

The Company allocated $109,011 and $120 of its goodwill to the North American and the German CGUs, respectively. During the fourth quarter of 2022, the Company performed a goodwill impairment test, and the recoverable amount of the North American CGU was determined to be higher than the carrying value. The recoverable amount of the North American CGU for the year ended June 30, 2022 was determined as value in use, which was calculated using key assumptions, including a five-year forecast period, 2.0% terminal growth rate and a discount rate of 14.9%. A reasonable change in these assumptions would not have resulted in impairment.

11. Accrued liabilities and other payables

	June 30, 2022	June 30, 2021
Accrued payroll and employee benefits	**$ 20,597**	$ 30,768
Unearned tooling revenue	**33,959**	13,709
Tooling-related accruals	**8,270**	5,476
Income tax payable	**1,470**	—
Current portion of derivative liability	**2,406**	2,972
Consulting and legal accrual	**7,882**	1,319
Other	**23,128**	17,095
Total accrued liabilities and other payables	**$ 97,712**	$ 71,339

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

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, 2022, the Company recognized $11,619 (2021: $10,648) of revenues that were 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, 2022 and 2021:

	Notes		Provisions
June 30, 2020		$	14,539
Additions during the year			20,837
Utilized			(12,287)
Reversals			(7,026)
June 30, 2021		**$**	**16,063**
Additions during the year			11,252
Utilized			(2,389)
Reversals			(7,197)
Acquired through business combinations	*4*		6,704
Exchange differences			(301)
June 30, 2022		**$**	**24,132**

As at June 30, 2022 and 2021, provisions include estimated amounts owed as a result of modifications to contractual terms of customer contracts, warranties, and onerous contract provisions relating to certain tooling contracts.

13. Long-term debt

	Maturity		June 30, 2022		June 30, 2021
Revolving credit facilities	February 24, 2027		400,000		280,000
Total long-term debt		**$**	**400,000**	$	280,000

On February 22, 2021, immediately after the closing of the initial public offering (the "IPO"), the Company amended its credit agreement with a syndicate of lenders (the "Credit Agreement") to increase the size of its Credit Facilities to $450,000, inclusive of two swingline facilities in the aggregate amount of $20,000.

On September 29, 2021, the Company amended its Credit Agreement to provide greater flexibility in the calculation of its Total Net Debt to EBITDA covenant over the next five fiscal quarters due to the conditions caused by the ongoing supply chain challenges driven by COVID-19. The amendment waived the former requirement to maintain a minimum Total Net Debt to EBITDA ratio for the period from July 1, 2021 to March 30, 2022. Furthermore, EBITDA for financial covenant purposes has been excluded for the fiscal quarters ended September 30, 2021 and December 31, 2021, and is to be annualized accordingly for the remaining quarters in relevant periods. The amendment also required the Company to maintain liquidity of no less than $50,000 until delivery of the compliance certificate for the quarter ended March 31, 2022.

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

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

The Company incurred $2,630 of financing fees during the year ended June 30, 2022, which have been capitalized as deferred financing costs and are included in other long-term assets. As at June 30, 2022, $2,363 of deferred financing cost was classified under other long-term assets.

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

At June 30, 2022, the Company had aggregate amounts outstanding under the Credit Facilities of $400,000, maturing February 24, 2027. There was no amount outstanding under Revolving Facility B. As at June 30, 2022, the Company had $148,035 available on its 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 Total Net Debt to EBITDA Ratio (as defined in the Credit Agreement). The Company has hedged a portion of this interest rate position (refer to note 25). As at June 30, 2022, the average interest rate on the Credit Facilities was 3.89% (June 30, 2021: 3.38%) and $1,965 (June 30, 2021: $863) of letters of credit were issued against the Credit Facilities.

The Credit Facilities require the Company to maintain certain financial covenants and contain other covenants that, subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create security interests, incur additional indebtedness or dispose of all or substantially all of its assets. As at June 30, 2022, the Company was in compliance with its covenants.

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

The unamortized deferred financing costs related to the revolving credit facilities are being amortized straight-line over the term of the underlying Credit Agreement.

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

	Notes		Long-term debt
June 30, 2020		**$**	**379,200**
Repayment of long-term debt			(305,000)
Increase in deferred financing costs			(648)
Impact of changes in expected cash flow on deferred financing costs[1]			9,035
Amortization of deferred financing costs			2,413
Net drawings on revolving credit facilities			195,000
June 30, 2021		**$**	**280,000**
Net drawings on revolving credit facilities			120,000
Loan acquired on the acquisition of Etzel	*3*		21,376
Repayment of the acquired loan	*3*		(21,376)
June 30, 2022		**$**	**400,000**

1. Includes the write-off of deferred financing costs as a result of amendments made to the Credit Agreement upon IPO. $9,279 of unamortized deferred financing cost related to the former term facility was written off during the year ended June 30, 2021. Additionally, $1,339 of unamortized deferred financing cost related to the former revolving credit facilities previously classified as a non-current asset was also written off during the year ended June 30, 2021.

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 for the years ended June 30, 2022 and 2021:

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

		Lease liabilities
June 30, 2020	**$**	**162,768**
Additions		882
Modifications/Reassessments		12,223
Payments		(22,915)
Accretion		14,115
Termination of leases		(956)
Exchange differences		634
June 30, 2021		**166,751**
Additions		4,535
Acquired through business combinations		24,962
Modifications/Reassessments		7,181
Payments[1]		(25,438)
Accretion		13,969
Termination of leases		(1,994)
Exchange differences		(939)
June 30, 2022		**189,027**
Less: Current portion	$	13,087
Non-current portion	$	175,940

1. Excludes sublease receipts of $311.

Principal repayments of lease liabilities as at June 30, 2022 are as follows:

Payments:		
Within one year	$	27,178
1 - 3 years		51,517
3 - 5 years		46,386
Thereafter		173,579

15. Capital stock

15.1. Share Capital

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

As of February 22, 2021, 100,000 common shares were outstanding. Prior to the IPO closing, the Company effected a stock split on a one-to-525.22392 basis (the "Pre-Closing Capital Change"), such that immediately prior to the IPO, there were 52,522,392 common shares outstanding.

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

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

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

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

	Common Shares		
	Number of shares		$
As at June 30, 2020	100,000	$	2,991
Pre-Closing Capital Change	52,422,392		—
As at June 30, 2021	52,522,392	$	2,991
Shares issued upon redemption of RSUs	14,030		116
Shares issued upon closing of rights offering, net of issuance cost	57,790,064		264,696
Shares issued upon closing of private placement, net of issuance cost	5,253,642		24,157
As at June 30, 2022	**115,580,128**	**$**	**291,960**

15.2. Stock Options and RSUs

Subsequent to the closing of IPO, the Company established the Omnibus Plan to attract, retain and motivate key employees and consultants, align the interest of such individuals with Company's shareholders and encourage ownership of the Company's common shares by such individuals. The total number of common shares that can be issued in the form of awards is 6,040,075.

Stock Options

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

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

	Options		Weighted Average exercise price (CAD$)
Share options outstanding June 30, 2020	—		—
Granted	1,110,769		10.00
Forfeited	16,071		10.00
Share options outstanding June 30, 2021	1,094,698	$	10.00
Granted	10,282		10.00
Forfeited	220,688		10.00
Share options outstanding June 30, 2022	**884,292**	**$**	**10.00**
Vested share options, June 30, 2022	—		

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

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

Expected volatility was determined based upon the historical average volatility of comparable public companies. The fair value of the options is recognized as share-based compensation expense over the vesting period. During the year ended June 30, 2022, the Company recorded an expense of $1,005 (2021: $508) related to stock options as share-based compensation within selling, general and administrative expenses.

Restricted share units ("RSUs")

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

During the year ended June 30, 2021, 617,781 RSUs were granted to eligible participants, 6,805 units were redeemed, and 5,954 units were forfeited. As at June 30, 2021, 605,022 RSUs were outstanding.

During the year ended June 30, 2022, 8,675 RSUs were granted, 103,112 RSUs were forfeited and 38,903 RSUs were redeemed as share capital or were paid in cash. As at June 30, 2022, 471,682 RSUs were outstanding. During the year ended June 30, 2022, the Company recorded an expense of $1,233 (2021: $514) related to RSUs as share-based compensation within selling, general and administrative expenses.

15.3. Deferred share units ("DSUs")

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

During the year ended June 30, 2021, 124,254 DSUs were granted to non-employee directors under the deferred share unit plan.

During the year ended June 30, 2022, 107,765 DSUs were granted and 102,529 DSUs were redeemed. As at June 30, 2022, 129,490 DSUs were outstanding. During the year ended June 30, 2022, the Company recorded expense of $338 (2021: $902) related to DSUs as share-based compensation expense within selling, general and administrative expenses.

15.4. Value Creation Plan

The Company has a Value Creation Plan ("VCP") to motivate and retain certain individuals to contribute to the attainment of the long-term performance goals of the Company and ABC LP. Pursuant to the terms of the VCP, eligible participants may be issued units ("Participant Units") to receive certain cash distributions from a designated pool (the "VCP Pool") based on net cash distributions over an established threshold amount. The Participant Units are non-voting and are not convertible into any equity or voting securities. During the year ended June 30, 2022, distributions of $2,363 (2021: $6,945) were made from the VCP Pool. As of June 30, 2022, the VCP Pool has a balance of $nil (2021: $12).

15.5. ABC Group Canada LP Equity Incentive Plan

ABC LP has an equity structure comprised of Class A interests, owned by an investment fund managed by Cerberus, and Class P interests, held by certain directors and officers of the Company and others. The Class P interests are entitled to receive a proportionate share of distributable profits of ABC LP after the Class A interest holders have received distributions ("ABC LP Equity Incentive Plan"), in aggregate, equal to (a) the capital contributions represented by the Class A interests and (b) 10% per annum compounded rate of return in respect of (a). Although the ABC LP Equity Incentive Plan is considered a group-based payment plan, the Company does not have obligations to either participants or to ABC LP under the plan. Therefore, no amounts related to the ABC LP Plan have been recorded in the Company's consolidated financial statements as at June 30, 2022. ABC LP is no longer affiliated with the Company as of November 10, 2021.

16. Government grants

In response to COVID-19 many governments around the world have provided various subsidy programs to assist companies during the pandemic. The Company has received government assistance in regions where such assistance is available and where the Company is eligible for the subsidy programs.

The Company participated in the Canada Emergency Wage Subsidy (“CEWS”) program in Canada, which was announced in March 2020 and ended in October 2021. CEWS provided 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

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

COVID-19. Through the CEWS program, the Company has recovered $nil for the year ended June 30, 2022 (2021: $12,849), of which $nil remains receivable as at June 30, 2022 (June 2021: $nil). This benefit is recorded in the consolidated statement of comprehensive income (loss) as a deduction to the related expenses. Of the amount recorded during the year ended June 30, 2021, $10,266 was applied to cost of sales for the year. The remainder was applied to selling general and administrative expenses for the year ended June 30, 2021.

17. Selling, general and administrative expense

	For the year ended June 30, 2022	2021
Wages and benefits	**$ 49,365**	$ 50,372
Professional fees	**9,868**	7,634
Depreciation and amortization	**27,751**	21,231
Business transformation related costs	**11,867**	6,059
IPO related costs	**—**	8,278
Information technology	**6,644**	5,830
Foreign exchange loss	**152**	2,776
Travel expense	**1,222**	475
Freight and duty	**3,759**	1,495
Bank and payroll service charges	**1,600**	1,362
Directors' and officers' insurance expense	**2,877**	814
Transactional, recruitment, and other bonuses	**2,374**	14,653
Acquisitions related costs	**5,100**	—
Share-based compensation expense	**2,576**	1,925
Apollo transaction costs	**—**	3,553
Other	**5,802**	5,643
Total selling, general, and administrative expense	**130,957**	132,100

During the year ended June 30, 2022, $2,363 of transactional, recruitment, and other bonuses were paid by the Company out of the VCP in connection with the Oaktree transaction, and $5,100 of costs were incurred related to the acquisitions of dlhBowles and Etzel (refer to note 4.1).

During the year ended June 30, 2021, $13,660 of transactional, recruitment, and other bonuses were paid to management related to the IPO and Apollo transactions. In addition, $8,278 of IPO related expenses were incurred, consisting mainly of underwriter and professional fees, and $3,553 of transaction costs consisting mainly of advisory fees that were paid to unrelated parties in connection with the Apollo transaction.

18. Interest expense

	Notes	For the year ended June 30, 2022	2021
Interest on long-term debt		**$ 15,989**	$ 16,665
Impact of changes in expected cash flow on deferred financing costs[1]		**—**	11,561
Amortization of deferred financing costs[2]		**279**	2,413
Interest on lease liability, net of interest income on sublease[3]	*14*	**13,629**	14,115
Other		**1,685**	1,582
Total interest expense		**$ 31,582**	$ 46,336

1. Includes the write-off of unamortized deferred financing costs on the former credit facilities and financing costs incurred as a result of amendments made to the Credit Agreement upon IPO. $9,279 and $1,339 of unamortized deferred financing costs were written

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off related to the former term facility, and the former revolving credit facilities, respectively, and financing costs of $1,193 were incurred related to the amendment of the Credit Agreement during the year ended June 30, 2021.

2. The corresponding financing fees are capitalized as deferred financing costs and are included in other long-term assets.

3. Net of interest income pertaining to sublease of $340 (2021: $nil).

19. Income taxes

The major components of the provision for (recovery of) income taxes for the years ended June 30, 2022 and 2021 are as follows:

Consolidated statement of comprehensive income

		2022		2021
Current income tax				
Current income tax expense	$	9,549	$	5,004
Adjustments in respect of income tax of previous year		836		1,102
		10,385		6,106
Deferred income tax				
Relating to origination and reversal of temporary differences		(32,833)		(5,693)
Provision for income taxes	$	(22,448)	$	413

Reconciliation between the provision for income taxes and the product of accounting earnings multiplied by the Company's domestic tax rate for the years ended June 30, 2022 and 2021 is as follows:

		2022		2021
Loss before income tax	$	(86,988)	$	(11,248)
At ABC's statutory income tax rate of 26.5% (2021: 26.5%)		(23,052)		(2,981)
Adjustments in respect to income tax of previous years		(10,942)		1,102
Losses not benefitted		1,272		979
Non-deductible expenses for tax purposes		8,634		2,093
Effect of foreign tax rates in other tax jurisdictions		1,463		818
Reversal of prior year items recognized for tax		—		(1,528)
Other		177		(70)
At the effective income tax rate of 25.81% (2021: -3.67%)	$	(22,448)	$	413

(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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Accelerated depreciation for tax purposes on property, plant and equipment	**$ (33,917)**	$ (26,214)	**$ (2,019)**	$ (6,779)	**$ 9,722**	$ —
Accelerated amortization for tax purposes on other assets	**(30,004)**	(17,430)	**291**	(952)	**12,283**	—
Right-of-use assets	**3,253**	2,980	**(273)**	(1,571)	**—**	—
Liabilities currently not deductible for tax	**17,829**	5,125	**(11,613)**	3,653	**(1,091)**	—
Revaluation of derivative financial instruments	**(2,093)**	(2,529)	**(877)**	(734)	**441**	9,718
Deferred financing costs	**1,364**	2,033	**669**	(4,009)	**—**	—
Losses available for offsetting against future taxable income	**19,032**	12,790	**(6,242)**	(120)	**—**	—
Other	**117**	(4,191)	**(12,769)**	4,819	**8,461**	86
Deferred tax expense (recovery)			**$ (32,833)**	$ (5,693)	**$ 29,816**	$ 9,804
Deferred income tax liabilities, net	**$ (24,419)**	$ (27,436)				
Reflected in the consolidated statement of financial position as follows:						
Deferred income tax assets	**$ 9,445**	$ 5,237				
Deferred income tax liabilities	**(33,864)**	(32,673)				
Deferred income tax liabilities, net	**$ (24,419)**	$ (27,436)				

As at June 30, 2022, the Company has accumulated approximately $77,252 (2021: $70,256) in non-capital losses to reduce taxable income in future years. If unused, these losses will expire as follows:

Year	
Within one year	$ —
1 - 5 years	7,263
Thereafter (until 2042)	30,945
Indefinite	39,044
	$ 77,252

As at June 30, 2022, tax losses of $18,958 (2021 $17,975) in foreign jurisdictions and unrealized foreign exchange losses of $2,824 (2021: $nil) have not been recognized in the consolidated financial statements. Additionally, $nil (2021: $7,092) 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 $21,937 as at June 30, 2022 (2021: $102,074).

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, supply of component parts and assemblies, infrastructure, legislative changes, environmental emission and safety issues, and labor and/or trade relations.

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

Given the differences between the regions in which the Company operates, the Company's segments are segregated on a geographic basis between North America and Rest of World, which is how the Chief Executive Officer, who is the Company's chief operating decision maker ("CODM"), reviews results to assess performance and make decisions about resource allocation. The Rest of World segment includes operating segments that are not individually reportable. In addition, given that the CODM regularly reviews the operating results and performance of the equity-accounted joint ventures and is responsible for making resource allocation decisions to the joint ventures, the Company has also identified its joint ventures as a segment.

Beginning in the third quarter of Fiscal 2021, the CODM measures segment performance based on operating income (loss) as shown in the consolidated statement of comprehensive income (loss), which is defined as net earnings (loss) before interest and taxes. Presentation of comparative periods has been adjusted to reflect this change. 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.

For the year ended June 30, 2022	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 895,686	$ 76,192	$ 126,860	$ 1,098,738	$ (126,860)	$ 971,878
Inter-segment revenues	12,148	858	5,684	18,690	(18,690)	—
Total revenue	**$ 907,834**	**$ 77,050**	**$ 132,544**	**$ 1,117,428**	**$ (145,550)**	**$ 971,878**
Capital additions	$ 40,815	$ 3,002	$ 4,960	$ 48,777	$ (4,960)	$ 43,817
Operating income (loss)	(41,622)	(14,282)	875	(55,029)	(377)	(55,406)

As at June 30, 2022	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 1,111,758	$ 161,110	$ 97,828	$ 1,370,696	$ (92,424)	$ 1,278,272
Total liabilities	861,040	81,624	52,272	994,936	(92,424)	902,512

1. The joint venture segment is presented on a 50% basis, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. For the year ended June 30, 2022, external customer revenues include tooling revenues of $77,417 for the Company, excluding the joint ventures.

For the year ended June 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 921,069	$ 49,781	$ 129,295	$ 1,100,145	$ (129,295)	$ 970,850
Inter-segment revenues	8,929	881	6,283	16,093	(16,093)	—
Total revenue	**$ 929,998**	**$ 50,662**	**$ 135,578**	**$ 1,116,238**	**$ (145,388)**	**$ 970,850**
Capital additions	$ 35,094	$ 1,872	$ 6,260	$ 43,226	$ (6,260)	$ 36,966
Operating income (loss)	30,268	(855)	7,379	36,792	(1,704)	35,088

As at June 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 797,298	$ 46,729	$ 93,727	$ 937,754	$ (82,125)	$ 855,629
Total liabilities	675,584	50,651	46,315	772,550	(82,125)	690,425

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.

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

2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. For the year ended June 30, 2021 , external customer revenues include tooling revenues of $57,437 for the Company, excluding the joint ventures.

For the year ended June 30, 2022, the Company's three largest customers account for 50.8%, 12.5% and 12.0% of total revenue across all segments (2021: 61.4%, 10.9%, and 9.2%).

The Company operates in the following main geographical areas:

Revenue[1] for the year ended	Canada	United States	Mexico	Rest of World	Consolidated
June 30, 2022	$ 261,043	$ 368,219	$ 266,424	$ 76,192	$ 971,878
June 30, 2021	253,348	388,600	279,121	49,781	970,850

Non-current assets[2] as at	Canada	United States	Mexico	Rest of World	Consolidated
June 30, 2022	$ 218,179	$ 397,649	$ 149,539	$ 37,581	$ 802,948
June 30, 2021	233,404	181,881	135,112	30,296	580,693

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.

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, 2022	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems, LLC	ABCOR Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Financial Position					
Cash	$ 4,210	$ 1,211	$ 1,196	$ 4,255	$ 10,872
Prepaid expenses	2,586	536	380	71	3,573
Current assets	42,866	40,194	4,884	16,893	104,837
Loan receivable	—	30,900	—	—	30,900
Non-current assets	36,880	49,846	529	3,564	90,819
Current liabilities	37,173	23,918	3,193	9,120	73,404
Loan payable	30,900	—	—	—	30,900
Non-current liabilities	30,903	46	193	—	31,142
Equity	**$ 11,670**	**$ 66,076**	**$ 2,027**	**$ 11,337**	**$ 91,110**
Proportion of the Company's ownership	50 %	50 %	50 %	50 %	50 %
Carrying amount of the investments	**$ 5,835**	**$ 33,038**	**$ 1,014**	**$ 5,669**	**$ 45,556**

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

For the year ended June 30, 2022	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems, LLC	ABCOR Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Comprehensive Income (Loss)					
Revenue	$103,890	$119,118	$ 14,629	$ 27,451	$265,088
Cost of sales	97,251	114,502	13,363	22,059	247,175
Administrative expenses	7,854	7,266	335	708	16,163
Interest expense	1,202	52	—	—	1,254
Interest income	3	1,146	9	47	1,205
Earnings (loss) before income taxes	**$ (2,414)**	**$ (1,556)**	**$ 940**	**$ 4,731**	**$ 1,701**
Income tax expense (recovery)	(1,018)	418	313	993	706
Earnings (loss) for the year	**$ (1,396)**	**$ (1,974)**	**$ 627**	**$ 3,738**	**$ 995**
Proportion of the Company's ownership	50%	50%	50%	50%	50%
Company's share of earnings (loss) for the year	**$ (698)**	**$ (987)**	**$ 314**	**$ 1,869**	**$ 498**

June 30, 2021	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems, LLC	ABCOR Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Financial Position					
Cash	$ 3,548	$ 4,710	$ 2,468	$ 5,384	$16,110
Prepaid expenses	3,499	642	129	215	4,485
Current assets	38,400	35,071	5,484	15,234	94,189
Loan receivable	—	33,650	—	—	33,650
Non-current assets	37,190	52,354	79	3,642	93,265
Current liabilities	27,742	19,254	2,729	7,746	57,471
Loan payable	33,650	—	—	—	33,650
Non-current liabilities	34,782	119	258	—	35,159
Equity	**$ 13,066**	**$ 68,052**	**$ 2,576**	**$ 11,130**	**$ 94,824**
Proportion of the Company's ownership	50 %	50 %	50 %	50 %	50 %
Carrying amount of the investments	**$ 6,533**	**$34,026**	**$ 1,288**	**$ 5,565**	**$47,412**

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

For the year ended June 30, 2021	ABC INOAC Exterior Systems Inc.	ABC INOAC Exterior Systems, LLC	ABCOR Filters Inc.	INOAC Huaxiang	Total
Summarized Statement of Comprehensive Income (Loss)					
Revenue	$110,195	$119,732	$12,830	$28,399	$271,156
Cost of sales	95,397	114,066	10,775	21,303	241,541
Administrative expenses	5,870	6,710	187	2,090	14,857
Interest expense	1,257	—	—	—	1,257
Interest income	14	1,283	6	49	1,352
Earnings (loss) before income taxes	**$ 7,685**	**$ 239**	**$ 1,874**	**$ 5,055**	**$14,853**
Income tax expense	1,355	528	494	1,136	3,513
Earnings (loss) for the year	**$ 6,330**	**$ (289)**	**$ 1,380**	**$ 3,919**	**$11,340**
Proportion of the Company's ownership	50 %	50 %	50 %	50 %	50 %
Company's share of earnings (loss) for the year	**$ 3,165**	**$ (145)**	**$ 690**	**$ 1,959**	**$ 5,669**

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

	For the year ended June 30, 2022		As at June 30, 2022	
	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.	$ 3,555	$ 16,113	$ 1,305	$ 4,619
ABC INOAC Exterior Systems, LLC	—	9,330	128	5,147
ABCOR Filters	7,813	8	1,035	81
INOAC Huaxiang	—	108	—	126

	For the year ended June 30, 2021		As at June 30, 2021	
	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.	$ 4,323	$ 14,469	$ 1,019	$ 1,833
ABC INOAC Exterior Systems, LLC	—	4,111	84	996
ABCOR Filters	8,243	14	1,114	107
INOAC Huaxiang	—	182	—	55

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

During the year ended June 30, 2022, the Company received dividends from ABC INOAC Exterior Systems Inc., ABC INOAC Exterior Systems, LLC, ABCOR Filters, and INOAC Huaxiang in the amounts of $nil, $nil, $552, and $1,332, respectively (2021: $nil, $4,500, $769, and $1,840, respectively).

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

22. Commitments and contingencies

Commitments

The Company has committed to purchase, within the next 12 months, machinery and equipment for $29,487. The Company also has an existing commitment, subject to closing or other conditions, to acquire the Washer Systems product line of Continental Automotive GmbH for approximately EUR 20,500 ($21,488) (refer to Note 4.3 for details).

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 transactions

23.1. Cerberus Operations and Advisory LLC

Cerberus Operations and Advisory LLC, a related party of the Company until November 10, 2021, and some of ABC's former directors provided consulting services to the Company during the period within their capacity as a director. An amount of $37 (2021: $1,126) for the year ended June 30, 2022 was charged to profit or loss related to these services. There were no amounts due to related parties as at June 30, 2022 and June 30, 2021.

23.2 Compensation of key management personnel of the Company

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

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

	For the year ended June 30,	
	2022	**2021**
Compensation and other short-term benefits	**$ 3,657**	$ 11,311
Share-based payments	**1,117**	509
Total	**$ 4,774**	$ 11,820

The amounts disclosed above were recognized as an expense during the reporting period related to key management personnel. Amounts in 2022 include $596 of transactional bonuses paid to key management personnel related to the Oaktree transaction. Amounts in 2021 include $5,949 of transactional bonuses paid to key management personnel related to the IPO and Apollo transactions.

24. Earnings (loss) per share

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

	For the year ended June 30,	
	2022	**2021**
Net loss	**$ (64,540)**	$ (11,661)
Weighted average number of ordinary shares[1]	**76,356,040**	52,522,392
Shares deemed to be issued in respect to options[2]	**—**	—
Shares deemed to be issued in respect to RSUs[2]	**—**	—
Weighted average number of shares used in diluted earnings (loss) per share	**76,356,040**	52,522,392
Earnings (loss) per share - basic and diluted	**$ (0.85)**	$ (0.22)

1. As of February 22, 2021, 100,000 of common shares were outstanding. Prior to the IPO closing, there was a stock split on a one-to-525.22392 basis, such that immediately prior to the IPO, there were 52,522,392 common shares outstanding.
2. The impact of the options and RSUs outstanding were not considered in the calculation as they were anti-dilutive.

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

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 Fair values

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

The Company measures its derivative financial instruments at fair value. The following table provides the fair value, determined as at June 30, 2022 and 2021, and fair value measurement hierarchy of these derivative financial instruments as defined in the Company's annual consolidated financial statements:

	June 30, 2022	June 30, 2021	Fair value hierarchy
Derivative assets (liabilities)			
Derivatives designated as cash flow hedging instruments:			
Interest rate swaps – USD SOFR (2021: LIBOR)[1]	**$ 2,630**	$ (5,455)	Level 2
Foreign exchange forward contracts – CAD	**(3,255)**	11,485	Level 2
Foreign exchange forward contracts and collars – Mexican Peso ("MXN")	**5,619**	4,092	Level 2
Derivatives not designated as hedging instruments:			
Barrier currency options – CAD	**(567)**	—	Level 2
Foreign exchange forward contracts – EUR	**3,946**	—	Level 2
Total derivative assets (liabilities), net	**$ 8,373**	$ 10,122	
Total current[2]	**$ 5,830**	$ 2,552	
Total non-current	**$ 2,543**	$ 7,570	

1. Consistent with the change in the interest rate benchmark of the underlying long-term loan, the Company amended the benchmark of the interest rate swaps from LIBOR to SOFR during the year ended June 30, 2022.
2. Current derivative assets are included in prepaid expenses and other. Current derivative liabilities are included in accrued liabilities and other payables.

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

25.3 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.

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

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

25.3.1 Hedging activities and derivatives

Foreign currency contracts

The Company uses revenue denominated in foreign currency and foreign exchange forward contracts and collars to manage some of its exposure on foreign currency denominated transactions. The foreign exchange forward contracts and collars are entered into for periods consistent with foreign currency exposure of the underlying transactions. The Company applies a hedge ratio of 1:1.

The notional amounts and maturities of the derivative financial instruments as at June 30, 2022 are detailed below.

	Maturity			
	Less than 3 months	3–12 months	1–5 years	Total
Derivatives designated as hedging instruments:				
Foreign currency forwards				
CAD	$ 26,556	$ 48,580	$ 76,649	**$ 151,785**
Average USD-CAD exchange rate	1.26	1.25	1.26	
Foreign currency forwards				
MXN	$ 5,712	$ 16,606	$ 51,683	**$ 74,001**
Average USD-MXN exchange rate	21.80	22.49	25.42	
Derivatives not designated as hedging instruments:				
Foreign currency forwards				
EUR	$ 45,100	—	—	**$ 45,100**
Average USD-EUR exchange rate	1.14	—	—	

The Company designates certain of its USD-CAD foreign currency forwards as cash flow hedges. During the year ended June 30, 2022, 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,	
	2022	**2021**
Unrealized gain (loss) in OCI	**$ (6,270)**	$ 23,404
Realized gain recognized in profit or loss	**982**	1,864
Gain (loss) recycled from OCI to profit or loss	**853**	(906)
Gain (loss) recycled from OCI to inventories	**676**	(740)

During the year ended June 30, 2022, the Company monetized certain of its USD-CAD foreign currency contracts and reentered at the market rate. The Company received net proceeds of $8,568 as a result of the monetization. As the forecast transactions related to the monetized hedges are still probable, the gain deferred in OCI will be released when the original hedged transactions impact earnings. The Company recycled a gain of $946 from OCI to inventories and a gain of $631 from OCI to profit or loss during the period.

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

The Company designates certain of its USD-MXN foreign currency forwards and collars as cash flow hedges. During the year ended June 30, 2022, 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,	
	2022	**2021**
Unrealized gain in OCI	**$ 4,744**	$ 11,224
Realized gain recognized in profit or loss	**2,661**	2,028
Gain recycled from OCI to profit or loss	**—**	244
Gain recycled from OCI to inventories	**2,700**	754

During the year ended June 30, 2022, the Company monetized certain of its USD-MXN foreign currency contracts and reentered at the market rate. The Company received net proceeds of $1,493 as a result of the monetization. As the forecast transactions related to the monetized hedges are still probable, the gain deferred in OCI will be released when the original hedged transactions impact earnings. The Company recycled a gain of $966 from OCI to inventories during the period.

Interest rate swaps

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

At June 30, 2022, the Company had interest rate swap agreements with a total notional amount of $225,000 (June 30, 2021: $225,000) whereby the Company pays a weighted average fixed interest rate of 1.48% (June 30, 2021: 1.56%) and receives interest at a floating rate equal to 1-month USD SOFR on the total notional amount. The interest rate swap agreements mature in May 2023. During the year ended June 30, 2022, the Company amended the benchmark for the interest rates from LIBOR to SOFR.

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

	For the year ended June 30,	
	2022	**2021**
Unrealized gain in OCI	**$ 4,901**	$ 348
Loss recycled from OCI to profit or loss	**(3,116)**	(3,230)

25.3.2 Other risks

Market risk

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

The sensitivity analyses in the following sections relate to the financial position as at June 30, 2022 and 2021.

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 or when otherwise indicated)

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, 2022, after taking into account the effect of interest rate swaps, approximately 56% (June 30, 2021: 80%) of the Company's borrowings were at a fixed rate of interest.

With all other variables held constant, an increase in interest rate of 50 basis points would have a negative impact on income (loss) before income tax for the year ended June 30, 2022 of $612 (2021: $405) on a hedged basis.

Foreign currency risk and sensitivity

ABC's functional currency is the USD. The Company also has transactions denominated in CAD and MXN because it sells into the Canadian and Mexican markets and purchases goods and services from Canada and Mexico. To a lesser extent the Company has transactions denominated in Brazilian real, Polish zloty, euros, Japanese yen and Chinese renminbi. As a result, changes in those currencies to USD exchange rates can impact ABC's business and results of operations, and result in foreign currency gains or losses.

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

Excluding the impact of hedge accounting, a 5% strengthening of the CAD against the USD would have decreased income (loss) before income tax by approximately $1,200 for the year ended June 30, 2022 (2021: $2,100). A 5% strengthening of the MXN against the USD would have decreased income (loss) before income tax by approximately $1,800 for the year ended June 30, 2022 (2021: $1,900). 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

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

A 5% increase in the price of resin (all other variables held constant) would have a negative impact on income (loss) before income tax of $10,669 for the year ended June 30, 2022 (2021: $7,974), and vice versa.

Credit risk

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

Trade receivables

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

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

	Total	Current and <30 days	30–60 days	61–90 days	>90 days
As at June 30, 2022	**$ 123,429**	**$ 114,611**	**$ 1,691**	**$ 1,161**	**$ 5,966**
As at June 30, 2021	76,653	75,659	709	173	112

An impairment analysis is performed at each reporting date on an individual basis for each customer. The calculation is based on actual incurred historical data and forward-looking information available. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company is exposed to concentration of risk with respect to trade receivables. As at June 30, 2022, the Company's three largest customers accounted for 20.2%, 5.9% and 5.6%, respectively, of all receivables owing (June 30, 2021: 30.1%, 5.9% and 2.0%, respectively).

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

Deposits with banks and financial institutions

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

Liquidity risk

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

Concentration risk

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

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

Master netting and similar agreements

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

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

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

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

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

June 30, 2021	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Interest rate swaps – USD LIBOR	$ —	$ —	$ 2,972	$ 2,483
Foreign exchange forward contracts and collars – MXN	2,399	1,693	—	—
Foreign exchange forward contracts – CAD	3,125	8,360	—	—
Foreign exchange forward contracts – EUR	—	—	—	—
Barrier currency options - CAD	—	—	—	—

25.3.3 Capital management

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

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

The Company is subject to certain covenants on its Credit Facilities. Refer to note 13 for discussion on covenants as at June 30, 2022.

26. Subsequent event

On August 31, 2022, the Company closed part of its anticipated sale and leaseback transaction (refer to Note 4.2) and received the gross proceeds of EUR 37,239 ($42,356). The remaining transaction is expected to be closed by the end of second quarter of fiscal 2023.