ABC TECHNOLOGIES

INNOVATION IN PLASTICS & LIGHTWEIGHTING

Interim Condensed Consolidated Financial Statements

ABC Technologies Holdings Inc.

For the three months ended September 30, 2022

(unaudited)

ABC Technologies Holdings Inc.

Interim Condensed Consolidated Statement of Financial Position

(Expressed in thousands of United States dollars)

	Notes	September 30, 2022	June 30, 2022[1]
Assets		(unaudited)	
Current assets			
Cash		**$ 46,807**	$ 25,400
Trade and other receivables	*3,4,14*	**107,758**	122,192
Inventories	*3,5*	**156,697**	152,461
Prepaid expenses and other		**32,299**	42,094
Total current assets		**343,561**	342,147
Property, plant and equipment	*3*	**419,786**	425,645
Right-of-use assets		**160,530**	165,679
Intangible assets		**154,849**	156,844
Deferred income taxes		**9,207**	9,445
Investment in joint ventures		**45,205**	45,556
Derivative financial assets	*14*	**508**	3,996
Goodwill	*3*	**112,330**	112,369
Other long-term assets		**15,621**	16,392
Total non-current assets		**918,036**	935,926
Total assets		**$ 1,261,597**	$ 1,278,073
Liabilities and equity			
Current liabilities			
Trade payables		**$ 157,577**	$ 147,981
Accrued liabilities and other payables	*3*	**121,320**	98,280
Provisions	*6*	**19,744**	24,132
Current portion of lease liabilities		**12,779**	13,087
Purchase option	*3*	**5,883**	6,206
Total current liabilities		**317,303**	289,686
Long-term debt	*7*	**375,000**	400,000
Lease liabilities		**171,177**	175,940
Deferred income taxes	*3*	**17,486**	33,097
Derivative financial liabilities	*14*	**6,118**	1,453
Other long-term liabilities	*3*	**37,577**	2,137
Total non-current liabilities		**607,358**	612,627
Total liabilities		**924,661**	902,313
Equity			
Capital stock	*8*	**292,304**	291,960
Other reserves	*8*	**1,736**	3,094
Retained earnings		**50,868**	77,453
Foreign currency translation reserve and other		**(12,326)**	(7,524)
Cash flow hedge reserve, including cost of hedging	*14*	**4,354**	10,777
Total equity		**336,936**	375,760
Total liabilities and equity		**$ 1,261,597**	$ 1,278,073

Subsequent event (note 15)

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

Approved on behalf of the Board of Directors: *(signed)*
Terry Campbell
Director
President and Chief Executive Officer

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

ABC Technologies Holdings Inc.

Interim Condensed Consolidated Statement of Comprehensive Income (Loss)

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

		For the three months ended September 30,	
		2022	**2021**
(unaudited)	Notes		
Sales		$ **318,864**	$ 163,415
Cost of sales	*5*	**288,254**	162,563
Gross profit		**30,610**	852
Selling, general and administrative	*9*	**45,923**	28,128
Loss (gain) on disposal and write-down of assets		**687**	(24)
Loss (gain) on derivative financial instruments	*14*	**(549)**	461
Share of loss of joint ventures		**40**	1,574
Operating loss		**(15,491)**	(29,287)
Interest expense, net	*10*	**9,859**	7,366
Loss before income tax		**(25,350)**	(36,653)
Income tax expense (recovery)			
Current		**11,027**	1,103
Deferred		**(12,928)**	(9,570)
Total income tax recovery		**(1,901)**	(8,467)
Net loss		$ **(23,449)**	$ (28,186)
Other comprehensive income (loss)			
Items that may be recycled subsequently to net earnings (loss):			
Foreign currency translation of foreign operations and other		**(4,802)**	(593)
Cash flow hedges, net of taxes	*14*	**(5,268)**	(4,474)
Cash flow hedges recycled to net earnings, net of taxes	*14*	**(82)**	447
Other comprehensive loss		$ **(10,152)**	$ (4,620)
Total comprehensive loss for the period		$ **(33,601)**	$ (32,806)
Earnings (loss) per share - basic and diluted	*13*	$ **(0.20)**	$ (0.54)

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

ABC Technologies Holdings Inc.

Interim Condensed Consolidated Statement of Changes in Equity

(Expressed in thousands of United States dollars)

(unaudited)	Notes	Capital stock	Other reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve[1]	Total
June 30, 2021		**$ 2,991**	**$ 972**	**$ 151,936**	**$ 276**	**$ 9,029**	**$ 165,204**
Net loss		—	—	(28,186)	—	—	(28,186)
Share-based compensation expense	*8*	—	678	—	—	—	678
Other comprehensive income (loss):							
Foreign currency translation of foreign operations and other		—	—	—	(593)	—	(593)
Cash flow hedges, net of reclassification to net earnings, net of taxes	*14*	—	—	—	—	(4,027)	(4,027)
Cash flow hedges recycled to assets, net of taxes	*14*	—	—	—	—	(760)	(760)
Common shares issued for redemption of restricted share units ("RSUs")	*8*	116	(116)	—	—	—	—
September 30, 2021		**$ 3,107**	**$ 1,534**	**$ 123,750**	**$ (317)**	**$ 4,242**	**$ 132,316**
June 30, 2022		**$ 291,960**	**$ 3,094**	**$ 77,453**	**$ (7,524)**	**$ 10,777**	**$ 375,760**
Net loss		—	—	(23,449)	—	—	(23,449)
Share-based compensation reversal	*8*	—	(1,014)	—	—	—	(1,014)
Other comprehensive income (loss):							
Foreign currency translation of foreign operations and other		—	—	—	(4,802)	—	(4,802)
Cash flow hedges, net of reclassification to net earnings, net of taxes	*14*	—	—	—	—	(5,350)	(5,350)
Cash flow hedges recycled to assets, net of taxes	*14*	—	—	—	—	(1,073)	(1,073)
Dividends		—	—	(3,136)	—	—	(3,136)
Common shares issued for redemption of restricted share units ("RSUs")	*8*	344	(344)	—	—	—	—
September 30, 2022		**$ 292,304**	**$ 1,736**	**$ 50,868**	**$ (12,326)**	**$ 4,354**	**$ 336,936**

[1] Cash flow reserve includes cost of hedging.

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

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

(unaudited)	Notes	For the three months ended September 30, 2022	2021
Cash flows from (used in) operating activities			
Net loss		**$ (23,449)**	$ (28,186)
Adjustments for:			
Depreciation of property, plant and equipment		**17,271**	11,967
Depreciation of right-of-use assets		**4,226**	3,626
Amortization of intangible assets		**7,744**	5,186
Loss (gain) on disposal and write-down of assets		**687**	(24)
Unrealized loss (gain) on derivative financial instruments	*14*	**(549)**	417
Interest expense	*10*	**9,859**	7,366
Share of loss of joint ventures		**40**	1,574
Income tax recovery		**(1,901)**	(8,467)
Share-based compensation expense (reversal)	*9*	**(1,026)**	713
Write-down of inventories	*5*	**2,030**	—
Changes in:			
Trade and other receivables and prepaid expenses and other		**18,544**	18,199
Inventories		**(5,915)**	(18,909)
Trade payables, accrued liabilities and other payables, and provisions		**14,173**	(26,680)
Cash generated from (used in) operating activities		**41,734**	(33,218)
Interest received		**120**	129
Income taxes paid		**(1,020)**	(275)
Interest paid on leases, net of interest received	*10*	**(3,459)**	(3,387)
Interest paid on long-term debt and other		**(5,997)**	(4,896)
Net cash flows from (used in) operating activities		**31,378**	(41,647)
Cash flows used in investing activities			
Purchases of property, plant and equipment		**(19,859)**	(11,015)
Additions to intangible assets		**(5,761)**	(5,375)
Net cash flows used in investing activities		**(25,620)**	(16,390)
Cash flows from (used in) financing activities			
Net drawings (payments) on revolving credit facilities	*7*	**(25,000)**	56,837
Principal payments of lease liabilities, net of sublease receipts		**(3,186)**	(2,597)
Financing costs	*7*	**—**	(580)
Proceeds from other financing arrangement	*3*	**44,469**	—
Net cash flows from financing activities		**16,283**	53,660
Net increase (decrease) in cash		**22,041**	(4,377)
Net foreign exchange difference		**(634)**	(173)
Cash, beginning of period		**25,400**	14,912
Cash, end of period		**$ 46,807**	$ 10,362

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

1. Corporate information

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

2. Basis of preparation

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34 — Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements have been prepared using the same accounting policies and standards as were used for ABC's annual audited consolidated financial statements for the year ended June 30, 2022, except for new standards adopted during the period as described in note 2.6. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended June 30, 2022.

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on November 11, 2022.

2.2 Basis of measurement

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

2.3 Presentation currency

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

2.4 Use of estimates and judgments

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

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

During fiscal year 2022, demand for the Company's products was negatively impacted by semiconductor supply related issues as well as labor, material and freight costs associated with the pandemic. The shortage of semiconductors resulted in frequent shutdowns and production delays by nearly all OEMs and the cascading effect of significantly reduced sales by the Company and inefficient operations resulting in higher costs. Sales for the Company were disproportionately affected more than the overall industry as a significant customer of the Company was affected by the semiconductor shortage to a greater extent than many of its peers, which affected some of the Company's programs with higher content. Supply chain issues associated with COVID-19 resulted in significant increased cost for commodities and elevated freight costs. Although most COVID-19 restrictions have largely been lifted, the pandemic has had and will continue to have a negative impact on demand for the Company's products as vehicle production remains below pre-pandemic levels. In Q1 fiscal 2023 the impacts of COVID-19 and production call offs associated with semiconductor shortages began to lessen in severity and production continued to normalize.

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

2.6 Recently adopted accounting standards and policies

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

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

2.7 Standards issued but not yet effective

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

- *Amendments to IAS 1, Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023, however, the IASB has proposed to defer the effective date to no earlier than January 1, 2024.
- *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.
- *Amendments to IFRS 16, Leases,* specifying the requirements that a seller-lessee should use in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains (effective for annual periods beginning on or after January 1, 2024).
- *Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Joint Venture and Associates,* clarifying the recognition of full gain or loss when the assets transferred meet the definition of business under IFRS 3, Business Combinations, and the recognition of partial gain or loss when the assets transferred do not meet the definition of business under IFRS 3, Business Combinations. The effective date for these amendments have been deferred indefinitely.

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

3. Business combinations

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

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

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

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

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

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

	dlhBOWLES	Etzel[1]
Fair value of consideration transferred		
Amount settled in cash	$ 258,661	$ 68,372
Fair value of purchase option	—	6,586
Total consideration transferred	**$ 258,661**	**$ 74,958**
Recognized amounts of identifiable net assets		
Cash and cash equivalents	$ 4,720	$ 7,148
Trade and other receivables	23,864	17,205
Inventories	36,059	20,953
Prepaid expenses and other assets	3,973	764
Total current assets	**$ 68,616**	**$ 46,070**
Property, plant and equipment	44,523	73,262
Intangible assets	86,500	—
Right-of-use assets	19,688	5,473
Deferred income taxes	1,091	—
Other long-term assets	24	—
Total non-current assets	**$ 151,826**	**$ 78,735**
Trade payables	7,835	7,335
Accrued liabilities and other payables	2,301	4,379
Provisions	2,140	4,564
Current portion of lease liabilities	1,803	136
Current portion of loan[2]	—	21,376
Total current liabilities	**$ 14,079**	**$ 37,790**
Deferred income taxes	23,082	7,102
Lease liabilities	17,685	5,338
Total non-current liabilities	**$ 40,767**	**$ 12,440**
Identifiable net assets	**$ 165,596**	**$ 74,575**
Goodwill on acquisition	**$ 93,065**	**$ 383**
Consideration transferred settled in cash	258,661	68,372
Cash and cash equivalents acquired	(4,720)	(7,148)
Net cash outflow on acquisitions	**$ 253,941**	**$ 61,224**

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

Consideration transferred

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

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

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

Goodwill

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

Identifiable net assets

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

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

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

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

Contribution to the Company results

During the three months ended September 30, 2022, dlhBOWLES contributed revenues of $30,014 and net income of $2,635 and Etzel contributed revenues of $26,874 and net income of $2,061 to the Company.

3.2 Financing arrangement

On April 29, 2022, the Company entered into an agreement for the sale and leaseback of all of its real estate properties located in Mühlacker, Germany obtained through the recent acquisition of Etzel. On August 31, 2022, the Company closed part of the sale and leaseback transaction and received gross proceeds of EUR 37,239 ($44,469) and EUR 1,461 ($1,432) was a holdback in accordance with the terms of agreement. The remaining transaction is expected to be closed by the end of the second quarter of fiscal 2023. Expected gross proceeds from the remaining transaction are EUR 14,300 ($14,143).

The transaction was not recognized as a sale of assets as under the terms of the lease, the Company did not relinquish control of the properties for the purposes of IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transaction were recognized as a financial liability. As at September 30, 2022, $1,487 (2021: $nil) of financial liability was recorded in accrued liabilities and other payables and $36,379 (2021: $nil) of financial liability was recorded in other long-term liabilities.

The Company incurred $894 of transaction fees relating to the transaction which have been capitalized and netted against the related financial liability.

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

3.3 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 ($20,227) (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 completion of certain customary closing conditions, which could be met during the third quarter of fiscal year 2023.

4. Trade and other receivables

	September 30, 2022	June 30, 2022[1]
Trade receivables	$ 96,499	$ 112,219
Receivables from joint ventures	11,259	9,973
Total trade and other receivables	**$ 107,758**	$ 122,192

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

Refer to note 14 for the aging analysis of trade receivables.

5. Inventories

	September 30, 2022	June 30, 2022[1]
Raw materials and components	$ 57,367	$ 49,721
Finished goods and work in progress	34,432	40,178
Tooling	64,898	62,562
Total inventories	**$ 156,697**	$ 152,461

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

During the three months ended September 30, 2022, the Company recorded a write-down of $2,030 relating to the tooling inventory within cost of sales. Please refer to note 15 for more details.

6. Provisions

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

	Notes	Provisions
June 30, 2021		$ 16,063
Additions during the year		11,252
Utilized		(2,389)
Reversals		(7,197)
Acquired through business combinations	*3*	6,704
Exchange differences		(301)
June 30, 2022		**$ 24,132**
Additions during the period		1,873
Utilized		(1,741)
Reversals		(4,278)
Exchange differences		(242)
September 30, 2022		**$ 19,744**

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

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

7. Long-term debt

	Maturity	September 30, 2022	June 30, 2022
Revolving credit facilities	February 24, 2027	375,000	400,000
Total long-term debt		**$ 375,000**	$ 400,000

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

On February 24, 2022, to facilitate the financing for its recent acquisitions, the Company amended its Credit Agreement to increase the size of its Credit Facilities to $550,000, inclusive of two swingline facilities in the aggregate amount of $23,000, and a Revolving Facility B amounting to $50,000. The Company also extended the maturity of its Credit Agreement to February 2027 for all facilities except Revolving Facility B, which 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").

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. The unamortized deferred financing costs related to the revolving credit facilities are being amortized straight-line over the term of the underlying Credit Agreement. As at September 30, 2022, $2,234 of deferred financing cost relating to the revolving credit facilities 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 September 30, 2022, the Company had aggregate amounts outstanding under the Credit Facilities of $375,000, maturing February 24, 2027. There was no amount outstanding under Revolving Facility B. As at September 30, 2022, the Company had $173,066 available on its Credit Facilities subject to covenant limitations.

Borrowings under the Credit Facilities bear interest at short-term floating rates plus a fixed spread, which varies in accordance with the Company's Total Net Debt to EBITDA Ratio (as defined in the Credit Agreement). The Company has hedged a portion of this interest rate position (refer to note 14). As at September 30, 2022, the average interest rate on the Credit Facilities was 5.37% (June 30, 2022: 3.89%) and $1,934 (June 30, 2022: $1,965) of letters of credit were issued against the Credit Facilities.

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

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

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

	Notes	Long-term debt
June 30, 2021		**$ 280,000**
Net drawings on revolving credit facilities		120,000
Loan acquired on the acquisition of Etzel	*3*	21,376
Repayment of the acquired loan	*3*	(21,376)
June 30, 2022		**$ 400,000**
Net repayment of revolving credit facilities		(25,000)
September 30, 2022		**$ 375,000**

8. Capital stock

8.1. Share Capital

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

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

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

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

	Common Shares	
	Number of shares	**$**
As at June 30, 2021	52,522,392	$ 2,991
Shares issued upon closing of rights offering, net of issuance cost	57,790,064	264,696
Shares issued upon closing of private placement, net of issuance cost	5,253,642	24,157
Shares issued upon redemption of RSUs	14,030	116
As at June 30, 2022	115,580,128	$ 291,960
Shares issued upon redemption of RSUs	52,695	344
As at September 30, 2022	**115,632,823**	**$ 292,304**

8.2. Stock Options and RSUs

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

Stock Options

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

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

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

	Options		Weighted Average exercise price (CAD$)
Share options outstanding as at June 30, 2021	1,094,698		10.00
Granted	10,282		10.00
Forfeited	(220,688)		10.00
Share options outstanding as at June 30, 2022	884,292	$	10.00
Forfeited	(406,248)		10.00
Share options outstanding as at September 30, 2022	**478,044**	**$**	**10.00**
Vested share options as at September 30, 2022	200,067		

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 three months ended September 30, 2022, the Company recorded a reversal of $535 (2021: expense of $342) related to stock options as share-based compensation within selling, general and administrative expenses.

Restricted share units

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

Changes in the number of RSUs are summarized below:

	Units
RSUs outstanding as at June 30, 2021	605,022
Granted	8,675
Forfeited	(103,112)
Redeemed as share capital or paid in cash	(38,903)
RSUs outstanding as at June 30, 2022	471,682
Forfeited	(195,468)
Redeemed as share capital	(52,695)
RSUs outstanding as at September 30, 2022	**223,519**
Vested RSUs as at September 30, 2022	40,733

During the three months ended September 30, 2022, the Company recorded a reversal of $479 (2021: expense of $336) related to RSUs as share-based compensation within selling, general and administrative expenses.

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

8.3. Deferred share units ("DSUs")

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

Changes in the number of DSUs are summarized below:

	Units
DSUs outstanding as at June 30, 2021	124,254
Granted	107,765
Redeemed	(102,529)
DSUs outstanding as at June 30, 2022	129,490
Granted	55,043
DSUs outstanding as at September 30, 2022	**184,533**

During the three months ended September 30, 2022, the Company recorded a reversal of $12 (2021: expense of $35) related to DSUs as share-based compensation within selling, general and administrative expenses.

8.4. Value Creation Plan

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

8.5. ABC Group Canada LP Equity Incentive Plan

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

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

9. Selling, general and administrative expense

	For the three months ended September 30, 2022	2021
Wages and benefits	**$ 15,669**	$ 14,179
Professional fees	**2,743**	1,661
Depreciation and amortization	**8,506**	5,909
Business transformation related costs	**13,228**	1,164
Information technology	**2,120**	1,575
Foreign exchange loss	**1,578**	176
Travel expense	**641**	279
Bank and payroll service charges	**436**	328
Directors' and officers' insurance expense	**935**	551
Transactional, recruitment, and other bonuses	**—**	11
Share-based compensation expense (reversal)	**(1,026)**	713
Other	**1,093**	1,582
Total selling, general, and administrative expense	**$ 45,923**	$ 28,128

During the three months ended September 30, 2022, $7,363 (2021: $nil) of the business transformation related costs were incurred by the Company in relation to severance and asset relocation expenses, which were driven by the restructuring activities undertaken by the Company during the period. In addition, $2,635 of business transformation related costs were incurred in connection with the ongoing work to evaluate potential acquisition targets.

10. Interest expense

	For the three months ended September 30, 2022	2021
Interest on long-term debt	**$ 4,945**	$ 3,705
Amortization of deferred financing costs[1]	**128**	—
Interest on lease liability, net of interest income on sublease[2]	**3,459**	3,387
Other	**1,327**	274
Total interest expense	**$ 9,859**	$ 7,366

1. The corresponding financing fees are capitalized as deferred financing costs and are included in other long-term assets.
2. Net of interest income pertaining to sublease of $177 (2021: $nil).

11. Segmented information

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

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

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

The following financial information is presented by segment and comes from the interim condensed consolidated financial statements.

For the three months ended September 30, 2022	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 277,736	$ 41,128	$ 37,643	$ 356,507	$ (37,643)	$ 318,864
Inter-segment revenues	1,708	141	1,533	3,382	(3,382)	—
Total revenue	**$ 279,444**	**$ 41,269**	**$ 39,176**	**$ 359,889**	**$ (41,025)**	**$ 318,864**
Capital additions	$ 16,319	$ 1,507	$ 324	$ 18,150	$ (324)	$ 17,826
Operating income (loss)	(15,166)	(284)	(48)	(15,498)	7	(15,491)

As at September 30, 2022	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Total assets	$ 1,104,289	$ 151,086	$ 99,611	$ 1,354,986	$ (93,389)	$ 1,261,597
Total liabilities	847,258	116,386	54,406	1,018,050	(93,389)	924,661

1. The joint venture segment is presented on a 50% basis, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. For the three months ended September 30, 2022, external customer revenues include tooling revenues of $13,117 for the Company, excluding the joint ventures.

For the three months ended September 30, 2021	North America	Rest of World	Joint Ventures[1]	Total	Adjustments[2]	Total Reportable Segments
Revenue						
External customers[3]	$ 152,925	$ 10,490	$ 25,382	$ 188,797	$ (25,382)	$ 163,415
Inter-segment revenues	2,682	208	1,171	4,061	(4,061)	—
Total revenue	**$ 155,607**	**$ 10,698**	**$ 26,553**	**$ 192,858**	**$ (29,443)**	**$ 163,415**
Capital additions	$ 6,453	$ 485	$ 1,171	$ 8,109	$ (1,171)	$ 6,938
Operating income (loss)	(25,780)	(1,933)	(1,652)	(29,365)	78	(29,287)

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

1. The joint venture segment is presented on a 50% basis, which corresponds to the Company's proportionate share of ownership in the joint ventures.
2. The adjustments and eliminations include the reversal of the joint ventures at 50%.
3. For the three months ended September 30, 2021 , external customer revenues include tooling revenues of $3,223 for the Company, excluding the joint ventures.
4. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to note 3 for details.

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

The Company operates in the following main geographical areas:

Revenue[1] for the three months ended	Canada	United States	Mexico	Rest of World	Consolidated
September 30, 2022	$ 66,955	$ 124,823	$ 85,958	$ 41,128	$ 318,864
September 30, 2021	45,439	65,040	42,446	10,490	163,415

Non-current assets[2] as at	Canada	United States	Mexico	Rest of World	Consolidated
September 30, 2022	$ 216,334	$ 393,311	$ 151,436	$ 86,414	$ 847,495
June 30, 2022[3]	218,179	400,647	149,539	92,172	860,537

1. Revenue is allocated based on the country in which the order is received.
2. Non-current assets include property, plant, and equipment, right-of-use assets, intangible assets, and goodwill.
3. The amounts as at June 30, 2022 have been revised as a result of the finalization of purchase price allocations. Refer to note 3 for details.

12. Related party transactions

12.1. Joint Ventures

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

	For the three months ended September 30, 2022		As at September 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.	$ 963	$ 3,647	$ 995	$ 3,723
ABC INOAC Exterior Systems, LLC	—	2,150	894	7,326
ABCOR Filters	2,102	—	1,570	66
INOAC Huaxiang	—	18	—	144

	For the three months ended September 30, 2021		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.	$ 497	$ 2,832	$ 1,305	$ 4,619
ABC INOAC Exterior Systems, LLC	—	2,527	128	5,147
ABCOR Filters	1,844	4	1,035	81
INOAC Huaxiang	—	53	—	126

Receivables from joint ventures are non-interest bearing.

During the three months ended September 30, 2022, the Company received dividends from its joint ventures in the amounts of $nil (2021: $nil).

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

13. Earnings (loss) per share

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

	For the three months ended September 30, 2022	2021
Net loss	**$ (23,449)**	$ (28,186)
Weighted average number of ordinary shares	**115,588,252**	52,536,422
Shares deemed to be issued in respect to options[1]	**—**	—
Shares deemed to be issued in respect to RSUs[1]	**—**	—
Weighted average number of shares used in diluted earnings (loss) per share	**115,588,252**	52,536,422
Earnings (loss) per share - basic and diluted	**$ (0.20)**	$ (0.54)

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

14. Financial instruments

14.1 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.

14.2 Financial liabilities

Financial liabilities at amortized cost are initially measured at fair value less transaction costs. The difference between the initial carrying amount and the settlement value is recognized in profit or loss over the duration of the contract using the effective interest rate method.

14.3 Fair values

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

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

	September 30, 2022	June 30, 2022	Fair value hierarchy
Derivative assets (liabilities)			
Derivatives designated as cash flow hedging instruments:			
Interest rate swaps – USD SOFR	**$ 3,294**	$ 2,630	Level 2
Foreign exchange forward contracts – CAD	**(11,919)**	(3,255)	Level 2
Foreign exchange forward contracts and collars – Mexican Peso ("MXN")	**1,709**	5,619	Level 2
Derivatives not designated as hedging instruments:			
Barrier currency options – CAD	**(2,401)**	(567)	Level 2
Foreign exchange forward contracts – EUR	**(67)**	3,946	Level 2
Total derivative assets (liabilities), net	**$ (9,384)**	$ 8,373	
Total current[1]	**$ (3,774)**	$ 5,830	
Total non-current	**$ (5,610)**	$ 2,543	

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

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

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

14.4 Financial instruments risk management objectives and policies

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

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

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

14.4.1 Hedging activities and derivatives

Foreign currency contracts

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

The notional amounts and maturities of the derivative financial instruments as at September 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	$ 22,895	$ 57,354	$ 108,326	**$ 188,575**
Average USD-CAD exchange rate	1.25	1.28	1.29	
Foreign currency forwards				
MXN	$ 5,623	$ 17,158	$ 51,182	**$ 73,963**
Average USD-MXN exchange rate	22.14	22.38	23.04	
Derivatives not designated as hedging instruments:				
Foreign currency forwards				
USD	€ 5,400	—	—	**€ 5,400**
Average EUR-USD exchange rate	1.00	—	—	
EUR	$ 11,800	$ 5,990	—	**$ 17,790**
Average USD-EUR exchange rate	1.01	1.00	—	

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

The Company designates certain of its USD-CAD foreign currency forwards as cash flow hedges. During the three months ended September 30, 2022, these hedges were assessed to be effective. The Company recorded the following gains and losses relating to these hedges:

	For the three months ended September 30,	
	2022	**2021**
Unrealized loss in OCI	**$ (9,343)**	$ (4,814)
Realized gain (loss) recognized in profit or loss	**(673)**	465
Gain recycled from OCI to profit or loss	**46**	246
Gain recycled from OCI to inventories	**766**	310

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 $1,462 (2021: $nil) from OCI to inventories during the three months ended September 30, 2022.

The Company designates certain of its USD-MXN foreign currency forwards and collars as cash flow hedges. During the three months ended September 30, 2022, these hedges were assessed to be effective. The Company recorded the following gains and losses relating to these hedges:

	For the three months ended September 30,	
	2022	**2021**
Unrealized gain (loss) in OCI	**$ 1,579**	$ (1,027)
Realized gain recognized in profit or loss	**435**	667
Gain recycled from OCI to inventories	**651**	703

During the three months ended September 30, 2022 and the year ended June 30, 2022, the Company monetized certain of its USD-MXN foreign currency contracts and reentered at the market rate. The Company received net proceeds of $4,989 and $1,493 as a result of the monetization, respectively. As the forecast transactions related to the monetized hedges are still probable, the gain deferred in OCI will be released when the original hedged transactions impact earnings. The Company recycled a gain of $216 (2021: $nil) from OCI to inventories during the three months ended September 30, 2022.

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

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

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

	For the three months ended September 30,	
	2022	**2021**
Unrealized gain (loss) in OCI	**$ 740**	$ (123)
Gain (loss) recycled from OCI to profit or loss	**92**	(842)

14.4.2 Other risks

Market risk

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

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

Interest rate risk and sensitivity

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and floating rate loans and borrowings. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. At September 30, 2022, after taking into account the effect of interest rate swaps, approximately 60% (June 30, 2022: 56%) of the Company’s borrowings were at a fixed rate of interest.

With all other variables held constant, an increase in interest rate of 50 basis points would have a negative impact on income (loss) before income tax for the three months ended September 30, 2022 of $217 (2021: $94) 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 $191 for the three months ended September 30, 2022 (2021: $286). A 5% strengthening of the MXN against the USD would have decreased income (loss) before income tax by approximately $622 for the three months ended September 30, 2022 (2021: $447). 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.

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

A 5% increase in the price of resin (all other variables held constant) would have a negative impact on income (loss) before income tax of $3,909 for the three months ended September 30, 2022 (2021: $1,986), 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 September 30, 2022	**$ 107,758**	**$ 98,257**	**$ 2,847**	**$ 1,152**	**$ 5,502**
As at June 30, 2022[1]	122,192	114,611	1,691	1,161	4,729

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

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 September 30, 2022, the Company's three largest customers accounted for 17.8%, 7.1% and 6.3%, respectively, of all receivables owing (June 30, 2022: 20.0%, 6.0% and 5.7%, respectively).

Deposits with banks and financial institutions

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

Liquidity risk

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

Concentration risk

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

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.

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

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

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

September 30, 2022	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**
Interest rate swaps – USD SOFR	$ 3,294	$ —	$ —	$ —
Foreign exchange forward contracts and collars – MXN	1,661	508	42	418
Foreign exchange forward contracts – CAD	—	—	6,219	5,700
Foreign exchange forward contracts – EUR	102	—	169	—
Barrier currency options - CAD	—	—	2,401	—

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	—

14.4.3 Capital management

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

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

The Company is subject to certain covenants on its Credit Facilities. Refer to note 7 for discussion on covenants as at September 30, 2022.

15. Subsequent event

On October 25, 2022, the Board of Directors approved a plan to shut down the Company's plant in Poland. For the Company, the plant in Poland is a small operation that was not able to overcome the dramatic increased costs for utilities, freight, material and labor experienced in that market. The Company is proactively working with its customers to relocate their production which is expected to take until the fourth quarter of fiscal 2023 to complete. The plant is expected to be shut down when that activity is completed. A write-down relating to the tooling inventories of $2,030 was recorded during the three months ended September 30, 2022 and an impairment charge relating to property, plant and equipment of $8,185 was recorded during the year ended June 30, 2022. No additional significant impairment charges are expected at this time, although charges for severance and other estimated closure costs will be recorded in the second quarter of fiscal 2023.