Consolidated Financial Statements of

NFI GROUP INC.

December 31, 2023

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February 28, 2024

Independent Auditor's Report

To the Shareholders of NFI Group Inc.

Opinion

We have audited the consolidated financial statements of NFI Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and January 1, 2023, and the consolidated statements of net loss comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and January 1, 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill – ARBOC and ADL Manufacturing — Refer to Notes 2 and 7 of the financial statements

Key Audit Matter Description

Annually, the Company's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each of its cash generating units ("CGU"), which is the higher of its fair value less costs of disposal and its value in use, to their carrying amount. The Company determined the recoverable amount of the ARBOC and ADL Manufacturing CGUs (collectively "identified CGUs") to be the value in use, which was estimated using a discounted cash flow model. This required management to make significant estimates and assumptions including those related to future cash inflows and outflows, growth rates and discount rates.

At the annual evaluation date, the recoverable amounts of the CGUs exceeded their carrying amounts and no impairment was recognized.

While there are several key assumptions that are required to estimate the recoverable amount of the identified CGUs, the assumptions with the highest degree of subjectivity and impact on the recoverable amounts are related to the determination of forecasts of future revenues, operating margins and discount rates. This required significant auditor attention as these estimates are subject to estimation uncertainty. Auditing these estimates and assumptions required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort including the involvement of fair value specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the determination of the forecasts of future revenues, operating margins and discount rates used to estimate the recoverable amount of the identified CGUs included the following, among others:

- Evaluated management’s ability to accurately forecast future revenues and operating margins by comparing actual results to management’s historical forecasts.
- Evaluated the reasonableness of the forecast of future revenues and operating margins by comparing the forecasts to:
  - Historical revenues and operating margins
  - Known changes in the Company’s operations and its industry
  - Internal reports including production and backlog supported by contracts
  - Internal communications to management and the Board of Directors
  - Macroeconomic and market specific information
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates, developing a range of independent estimates and comparing those to the discount rates selected by management.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.
- The information, other than the financial statements and our auditor’s report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Paul Stauch.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
February 28, 2024

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
52-weeks ended December 31, 2023 ("Fiscal 2023") and 52-weeks ended January 1, 2023 ("Fiscal 2022")
(in thousands of U.S. dollars except per share figures)

	Fiscal 2023	Fiscal 2022 restated (note 2.16, 2.24)
Revenue (note 25)	$ 2,685,231	$ 2,060,682
Cost of sales (note 4)	2,464,466	2,011,552
Gross profit	220,765	49,130
Sales, general and administration costs and other operating expenses	245,265	238,608
Foreign exchange gain	(3,249)	(5,205)
Impairment loss on goodwill (note 7)	—	103,900
Loss from operations	(21,251)	(288,173)
(Loss) gain on disposition of property, plant and equipment and right-of-use asset	(789)	565
Gain on debt modification	8,908	—
Unrealized foreign exchange (loss) gain on monetary items	(3,696)	598
Loss before interest and income taxes	(16,828)	(287,010)
Interest and finance costs		
Interest on long-term debt	86,456	52,674
Interest on convertible debt	12,519	14,002
Interest on senior unsecured debt	10,514	—
Accretion in carrying value of long-term debt (note 17)	4,415	5,582
Accretion in carrying value of convertible debt (note 19)	7,554	7,641
Accretion in carrying value of senior unsecured debt (note 16)	474	—
Interest expense on lease liability	8,084	5,780
Other interest and bank charges	5,964	5,395
Fair market value gain on prepayment option of second lien debt (note 18)	(640)	—
Equity swap settlement fee	3,519	—
Fair market value loss (gain) on interest rate swap	9,427	(37,708)
Fair market value loss (gain) on cash conversion option (note 19)	3,956	(16,578)
	152,242	36,788
Loss before income tax expense	(169,070)	(323,798)
Income tax recovery (note 15)		
Current income tax recovery	(11,941)	(19,809)
Deferred income tax recovery	(20,965)	(27,612)
Net loss for the period	$ (136,164)	$ (276,376)
Other comprehensive gain (loss)		
Actuarial (loss) gain on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	(4,754)	14,844
Unrealized foreign exchange gain (loss) on translation of foreign operations - this item will not be reclassified subsequently to profit or loss	12,137	(23,449)
Net loss on equity hedge of restricted share plan	—	(287)
Total comprehensive loss for the period	(128,781)	(285,268)
Net loss per share (basic) (note 21)	$ (1.48)	$ (3.58)
Net loss per share (diluted) (note 21)	$ (1.48)	$ (3.58)

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

NFI GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023
(in thousands of U.S. dollars)

		December 31, 2023		January 1, 2023 restated (note 2.16, 2.24)
Assets				
Current				
Cash	$	49,615	$	49,987
Accounts receivable (note 3, 24e)		466,353		354,826
Inventories (note 4)		762,581		732,096
Income tax receivable		26,314		40,142
Derivative financial instruments (note 24a, b)		—		1,720
Prepaid expenses and deposits		18,988		23,452
		1,323,851		1,202,223
Property, plant and equipment (note 5, 25)		194,474		195,783
Right-of-use asset (note 6)		114,437		107,631
Derivative financial instruments (note 18, 24a, b)		2,767		27,800
Goodwill and intangible assets (note 7)		976,377		986,421
Accrued benefit asset (note 10)		4,337		14,747
Other long-term assets (note 8)		50,676		32,126
Deferred tax assets (note 15)		33,041		17,665
	$	2,699,960	$	2,584,396
Liabilities				
Current				
Accounts payable and accrued liabilities		547,626		453,790
Derivative financial instruments (note 24a, b)		1,481		2,837
Current portion of long-term debt (note 17)		—		17,901
Current portion of long-term liabilities (note 9)		170,599		167,251
		719,706		641,779
Accrued benefit liability (note 10)		3,035		2,927
Obligations under leases (note 6)		120,044		114,044
Deferred compensation obligation (note 11)		3,198		1,497
Deferred revenue (note 13)		30,540		17,603
Provisions (note 14)		65,258		70,971
Deferred tax liabilities (note 15)		46,756		56,914
Derivative financial instruments (note 19, 24a, b)		9,296		6,067
Senior unsecured debt (note 16)		61,796		—
Long-term debt (note 17)		536,037		878,725
Second lien debt (note 18)		172,396		—
Convertible debentures (note 19)		228,985		216,513
	$	1,997,047	$	2,007,040
Commitments and contingencies (note 27)				
Shareholders' equity				
Share capital (note 20)		1,240,163		988,218
Stock option and restricted share unit reserve (note 12)		13,673		11,285
Accumulated other comprehensive income (loss)		4,409		(2,979)
Deficit		(555,332)		(419,168)
	$	702,913	$	577,356
	$	2,699,960	$	2,584,396

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

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended December 31, 2023
(in thousands of U.S. dollars)

	Share Capital	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Shareholders' Equity
Balance, January 2, 2022 (restated) (note 2.24)	**$ 987,943**	**$ 10,105**	**$ 5,921**	**$ (133,380)**	**$ 870,589**
Net loss (restated) (note 2.24)	—	—	—	(276,377)	(276,377)
Other comprehensive loss	—	—	(8,900)	(9,411)	(18,311)
Share-based compensation, net of deferred income taxes	—	1,455	—	—	1,455
Shares issued	275	(275)	—	—	—
Balance, January 1, 2023 (restated) (note 2.24)	**$ 988,218**	**$ 11,285**	**$ (2,979)**	**$ (419,168)**	**$ 577,356**
Net loss	—	—	—	(136,164)	(136,164)
Other comprehensive gain	—	—	7,388	—	7,388
Equity Transaction Cost	(10,476)	—	—	—	(10,476)
Share-based compensation, net of deferred income taxes	—	2,756	—	—	2,756
Shares issued - private placement (note 20)	170,458	—	—	—	170,458
Shares issued (note 20)	91,963	(368)	—	—	91,595
Balance, December 31, 2023	**$ 1,240,163**	**$ 13,673**	**$ 4,409**	**$ (555,332)**	**$ 702,913**

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

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

52-weeks ended December 31, 2023 ("Fiscal 2023") and 52-weeks ended January 1, 2023 ("Fiscal 2022")

(in thousands of U.S. dollars)

	Fiscal 2023	Fiscal 2022 restated (note 2.24)
Operating activities		
Net loss for the period	$ (136,164)	$ (276,376)
Income tax recovery	(32,906)	(47,421)
Depreciation of property, plant and equipment	49,370	57,013
Amortization of intangible assets	31,410	31,482
Share-based compensation	2,618	1,346
Interest and finance costs recognized in profit or loss	148,926	53,311
(Gain) loss on fair value adjustment for total return swap	(3,765)	1,955
Unrealized foreign exchange loss (gain) on monetary items	3,696	(598)
Foreign exchange loss (gain) on cash held in foreign currency	1,053	(771)
Loss (gain) on fair value adjustment for cash conversion option	3,315	(16,578)
Loss (gain) on disposition of property, plant and equipment	789	(565)
(Recovery) impairment loss on property, plant and equipment	(2,558)	2,558
Impairment loss on right-of-use asset	—	4,144
Impairment loss on intangible asset	—	103,900
Gain on debt modification	(8,908)	—
Past service cost	4,764	—
Defined benefit expense	2,779	3,497
Defined benefit funding	(3,185)	(4,265)
Cash generated by (used in) operating activities before non-cash working capital items and interest and income taxes paid	61,234	(87,369)
Changes in non-cash working capital items (note 22)	(44,962)	(97,555)
Cash generated by (used in) operating activities before interest and income taxes paid	16,272	(184,924)
Interest paid	(109,389)	(58,348)
Income taxes recovered	29,304	1,422
Net cash used in operating activities	(63,813)	(241,850)
Financing activities		
Repayment of obligations under lease	(21,712)	(24,535)
(Repayment) proceeds from revolving credit facilities	(192,401)	285,204
Share issuance	262,055	(2)
Share issuance costs	(10,476)	—
Proceeds on other long-term liabilities	18,374	—
Proceeds from senior unsecured debt	61,996	—
Dividends paid	—	(22,388)
Net cash generated by financing activities	117,836	238,279
Investing activities		
Acquisition of intangible assets	(10,274)	(10,212)
Proceeds from disposition of property, plant and equipment	1,769	1,687
Investment in long-term restricted deposits	(18,123)	5,365
Acquisition of property, plant and equipment	(26,714)	(21,371)
Net cash used in investing activities	(53,342)	(24,531)
Effect of foreign exchange rate on cash	(1,053)	771
Decrease in cash	(372)	(27,331)
Cash — beginning of period	49,987	77,318
Cash — end of period	$ 49,615	$ 49,987

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

1. CORPORATE INFORMATION

1.1 Corporate information

NFI Group Inc. ("NFI") was incorporated on June 16, 2005 under the laws of the Province of Ontario (NFI and its subsidiaries collectively referred to as the "Company"). NFI is a leading independent global bus manufacturer providing a comprehensive suite of mass transportation solutions under brands: New Flyer® (heavy-duty transit buses), Alexander Dennis ("AD") (single and double-deck buses), Plaxton (motor coaches), MCI® (motor coaches), ARBOC® (low-floor cutaway and medium-duty buses) and NFI Parts™ (aftermarket parts sales). NFI common shares (the "Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "NFI". NFI's convertible debentures are listed on the TSX under the symbol "NFI.DB".

These audited consolidated financial statements (the "Statements") were approved by NFI's board of directors (the "Board") on February 28, 2024.

1.2 Refinancing plan

On August 25, 2023, NFI announced that it had closed its comprehensive refinancing plan (the "Refinancing Plan"). Under the Refinancing Plan, the following changes to the profile and capacity of the Company's senior secured credit facilities with its North American lenders (the "North American Facility") and UK lenders (the "UK Facility", collectively the "Secured Facilities") were effected:

- The $1.0 billion revolving North American Facility converted to a $400 million first lien term loan and a $361 million first lien revolving credit facility (total combined borrowing capacity of $761 million), which includes a $150 million letter-of-credit facility.
- The £40 million revolving UK Facility converted to a £16.0 million term loan and a £14.4 million revolving credit facility (total combined borrowing capacity of £30.4 million).
- Extension of maturity dates of the Secured Facilities to April 30, 2026.
- Total leverage^{NG} and interest coverage^{NG} covenants waived until 2024 Q3. Minimum banking liquidity^{NG} requirement increased from $25 million to $50 million (note 24).

Terms of NFI's completed $180.4 million second lien financing ("Second Lien Financing") included the following:

- A five-year term and a 97% original issue discount, generating net proceeds of $175.0 million, before fees and commissions;
- Annual coupon of 14.5%, payable semi-annually;
- Callable at 100% of face value with applicable premium for the first 12 months, callable at 106% of face value for months 13 to 24, callable at 103% of face value for months 25 to 36 and callable at par from 36 months onwards; and
- The financing has been provided by funds and accounts managed by Coliseum Capital Management LLC, the Company's largest shareholders', and a related party to it.

The Second Lien Financing is a senior secured second lien obligation of NFI and its material subsidiaries, that ranks behind the Secured Facilities and all other first lien secured indebtedness of NFI and such subsidiaries, ranks ahead of any subordinated obligations of NFI and its subsidiaries, and, by virtue of being secured, ranks ahead of any unsecured obligations.

As part of the refinancing plan, the Company:

- Completed a private placement on August 25, 2023 of shares with Coliseum Capital Management for 21,656,624 NFI Shares at a subscription price of $6.1567 per Share (the "Subscription Price") of $133.3 million.
- Completed a private placement on August 25, 2023 with a leading global asset manager for 5,000,000 Shares at a subscription price of C$10.10 per Share for aggregate gross proceeds to NFI of C$50,500,000 (approximately $37.2 million).
- Issued 15,102,950 subscription receipts on June 6, 2023 at a price of C$8.25 per subscription receipt, for aggregate gross proceeds to NFI of approximately C$125.9 million (approximately $93.1 million), inclusive of interest earned in escrow. Each subscription receipt was exchanged into for one Share after the Refinancing Plan transaction closed on August 25, 2023.
- Extended the maturity of Manitoba Development Corporation's and Export Development Canada's ("MDC" and "EDC" respectively) senior unsecured debt facilities to April 30, 2026; with a $25.0 million permanent repayment of the EDC facility.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these Statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The Statements were prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") which require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. References to Non-IFRS measures have been denoted with an "NG".

The going concern basis asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business and requires an assessment looking out at least 12 months. While our going concern assessment identified material uncertainties up until 2023 Q3, management has concluded the material uncertainties no longer exist. That conclusion necessarily involved management judgments, estimates and assumptions, and consideration of recent developments including:

- The completion of the Refinancing Plan (Note 1.2 and Note 17) which resulted in more favourable debt covenants and an extension of maturities until at least 2026;
- The completion of the private placements and public offering (Note 20) which generated incremental liquidity[NG];
- Continued growth of order backlog in both unit and dollars;
- Improvements in the supply chain; and
- Revenue and margin projections and forecasts regarding performance against the debt covenants.

Actual results may differ from these estimates and assumptions.

2.2 Principles of consolidation

The Statements include the accounts of the Company's subsidiaries.

Subsidiaries are entities over which the Company has control, where control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company holds 100% of the voting rights in, and therefore controls, all of its subsidiaries.

The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, and business acquisition related expenses are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is reassessed and any remaining difference is recognized directly in the consolidated statements of net loss and comprehensive loss.

Inter-company transactions between subsidiaries are eliminated on consolidation.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Reportable Segments

The Company's reportable segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The President and Chief Executive Officer of the Company has authority for resource allocation and assessment of the Company's performance and therefore acts as the CODM.

2.4 Foreign currency

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in U.S. dollars as this presentation is most meaningful to financial statement users. References to "$" are to U.S. dollars, references to "C$" are to Canadian dollars, references to "£" are to British pounds sterling. For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of items that form part of the net investment in the foreign operation are recorded in unrealized foreign exchange (losses) gain on translation of foreign operations in other comprehensive loss.

Monetary balances denominated in a currency other than U.S. dollars are translated at the rates of exchange existing at the end of the period, and the results of the operations are translated at average rates of exchange over the period. Non-monetary balances are translated at the exchange rate prevailing at the date of the transaction.

Foreign exchange gains and losses that relate to borrowings, non-current monetary items and non-current forward foreign exchange contracts are presented in the consolidated statements of net loss and comprehensive loss within "unrealized foreign exchange loss (gain) on non-current monetary items".

All other foreign exchange gains and losses are presented in the consolidated statements of net loss and comprehensive loss within "foreign exchange gain or loss".

2.5 Revenue recognition

Manufacturing Operations

Persuasive evidence of an arrangement exists in the form of a written contract. A process is in place that initiates a pre-shipment acceptance by the customer at the Company's plant. This acceptance prior to shipment mitigates the likelihood of customer's dissatisfaction with the final product upon delivery to the customer. Revenue is recorded when the vehicle is delivered, shipped, or picked up by the customer. The customer does not have a legal right to return the delivered products after the acceptance period, or deviate from the agreed upon price. The Company's contract clearly identifies a fixed and determinable price.

In connection with its sales of new coaches, the Company at times agrees to accept a pre-owned coach in exchange and gives the buyer a credit equal to the pre-owned coach's then-current fair value. Any credit provided to the customer in excess of the fair value of the pre-owned coach is deducted from the selling price of the new coach.

When a single sale transaction requires the delivery of more than one product or service (multiple performance obligations), the revenue recognition criteria are applied to the separately identifiable performance obligations. A performance obligation is considered to be separately identifiable if the product or service delivered has stand-alone value to that customer and the fair value associated with the product or service can be measured reliably. The amount recognized as revenue for each performance obligation is its fair value in relation to the fair value of the contract as a whole. Management has determined that the standard base warranty included in the bus or coach purchase is not a separate performance obligation and therefore recognized upon delivery of the vehicle.

The Company sells extended warranty contracts that provide coverage in addition to the basic coverage. Proceeds from the sale of these contracts are deferred and amortized into revenue over the extended warranty period commencing at the end of the basic warranty period.

The Company also receives proceeds from the sale of extended warranties relating to major subsystems such as engines, transmissions, axles, batteries, fuel cells, and air conditioning that are purchased for the customer from the original equipment manufacturer ("OEM"). Revenue is not recognized on these proceeds, as the Company is an agent to the transaction.

The Company, from time-to-time, may enter into arrangements with customers where the customer has requested that the Company defer shipping a vehicle and instead hold it for a specified period until the customer is able to take possession.The Company recognizes revenue for bill and hold arrangements when the arrangement is substantive, the product is identified separately as belonging to the customer and ready for physical transfer to the customer, and the Company cannot use the product or allocate it to another customer. The Company does not recognize revenue on any bus or coach firm or option orders that have not yet been delivered except on bill and hold arrangements.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

The Infrastructure Solutions™ business sources, installs and commissions electric vehicle chargers, and constructs the related charging infrastructure. Revenues related to the supply, installation and commissioning of electric vehicle chargers are recognized once the chargers pass final customer acceptance testing. Revenues related to construction of charging infrastructure are recognized over time using the cost-to-cost input method. The cost-to-cost method measures the Company's progress toward completion based on the total costs incurred relative to the total estimated contract costs.

Operating lease revenue is recorded on a straight-line basis in the period earned over the life of the contract and is recognized in revenue in the consolidated statements of net loss and comprehensive loss due to its operating nature.

Aftermarket Operations

Persuasive evidence of an arrangement exists in the form of an authorized sales order. The customer is invoiced, and revenue is recorded at the time the part is delivered using a commercial shipper. For parts not kept in stock, the parts required by the customer and shipment details are provided to the supplier and the parts are shipped from the supplier directly to the customer's location, these transactions are recorded on a gross basis as the Company is the principal in the arrangement. The price list for parts clearly identifies a fixed and determinable price, while also describing that the Company has no legal obligation to accept the return of goods other than on defective and/or warrantable parts product. Aftermarket parts revenue does not contain any revenue related to the bus or coach warranty.

2.6 Employee benefits

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is actuarially determined by independent actuaries using the projected unit credit method. Actuarial remeasurement is comprised of actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), and is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in accumulated other comprehensive income and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are comprised of service costs (including current service cost, past service cost and gain or losses on curtailments and settlements), net interest expense or income and remeasurement.

The asset or liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan.

Payments to defined contribution plans are expensed as incurred, which is as the related employee service is rendered.

2.7 Share-based compensation plans

The Company operates cash-settled and equity-settled share-based compensation plans under which it receives services from executive management and non-employee members of the Board.

For the cash-settled plans (note 12), the expense is determined based on the fair value of the liability at the end of the reporting period until the awards are settled. Certain share-based compensation plans include non-market performance conditions. The Company`s accounting policy is to recognize the impact of non-market performance conditions by adjusting the number of awards that are expected to vest. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions on compensation expense (note 25) in the consolidated statements of net loss and comprehensive loss.

For the equity-settled plans (note 12), share-based payments to executive management are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is the stock option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related stock option reserve is transferred to share capital. Upon expiry, the recorded value is transferred to retained earnings. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated statements of net loss and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the stock option reserve. Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statements of net loss and comprehensive loss.

(in thousands of U.S. dollars except per share figures)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Cash

Cash and cash equivalents comprise cash on hand, demand deposits and investments with an original maturity at the date of purchase of three months or less.

2.9 Accounts receivables

Accounts receivables are amounts due from customers from the rendering of services or sale of goods in the ordinary course of business. Accounts receivables are classified as current assets if payment is due within one year or less. Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment, if any.

The Company maintains an allowance for doubtful accounts and sales adjustments to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within “Sales, general and administration costs and other operating expenses” in the consolidated statements of net loss and comprehensive loss.

2.10 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.11 Property, plant and equipment

Property, plant and equipment are recorded at cost reduced by applicable investment tax credits, less accumulated depreciation. Depreciation is calculated at the following annual rates:

Building and building improvements	4% declining-balance basis
Machinery and equipment	25% declining-balance basis
Demo buses and coaches	20% - 50% straight-line basis
Computer hardware and software	30% declining-balance basis
Office equipment	20% declining-balance basis
Buses and coaches available for lease	20% - 50% straight-line basis

Property, plant and equipment are tested for impairment as described under “Impairment of non-financial assets” in note 2.15.

2.12 Right-of-use assets

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

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 based on 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 assets are depreciated based on the lease term of the asset using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms are as follows:

Land, building and building improvements	4 - 35 years
Machinery and equipment	15 months - 5 years
Automobiles	13 months - 3 years
Office equipment	14 months - 5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be determined, the Company uses its incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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

2.13 Intangible assets

Identifiable intangible assets are initially recorded at cost. Based on management's forecasts and business plans and the going concern of the Company, the trade names intangible asset (note 7) has been deemed to have an indefinite life, except for the "NABI Parts" tradename which is amortized over its useful life of 12 years. For purposes of impairment testing, the fair value of trade names is determined using an income approach.

Intangible assets that have a finite life are amortized using the straight-line method over the estimated useful lives of the assets as follows:

Patents and Licenses	5-12 years
Backlog of sales orders	1-2 years
Customer relationships	21 years
Internally developed intellectual property	5-7 years

Identifiable intangible assets with finite and indefinite lives are tested for impairment as described under "Impairment of non-financial assets" in note 2.15.

2.14 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Separately recognized goodwill is tested at the end of every reporting period for possible impairment when there are events or changes in circumstances that indicate that their carrying amounts may not be recoverable and also tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.15 Impairment of non-financial assets

Non-financial assets with finite lives are tested at the end of every reporting period for possible impairment when there are events or changes in circumstances that indicate that their carrying amounts may not be recoverable. In addition, non-financial assets that are not amortized are subject to an annual impairment assessment. The carrying values of identifiable intangible assets with indefinite lives are tested annually for impairment because they are not amortized. Impairment is determined by comparing the recoverable amount of such assets with their carrying amounts. Any impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount within earnings of continuing or discontinued operations, as appropriate.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or cash generating units ("CGUs"). The Company evaluates impairment losses for potential reversals, other than goodwill impairment, when events or changes in circumstances warrant such consideration.

2.16 Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses, unless the losses relate to an onerous contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured as at each consolidated statements of financial position date using the then current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

At the time of sale, a provision for warranty claims relating to the base warranty on the entire bus or motor coach and a corrosion warranty on the related structure, is recorded and charged against operations. This warranty provision is based upon management's best estimate of expected future warranty costs utilizing past claims experience. Actual warranty expenditures are charged against the provision as incurred.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the 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 continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

The Company elected to make a voluntary change in accounting policy on the existence of warranties to provide better information to the readers of the financial statements. After a review of assurance and service-type warranties were performed, it was deemed more relevant to classify certain extended warranties as assurance-type warranties in accordance with IAS 37. As the company has applied this change in policy retrospectively, this has resulted in a prior year restatement of deferred revenue, warranty provision, revenue and cost of sales of $6.7 million.

2.17 Long-term debt and second lien debt

Long-term debt and second lien debt are recognized initially at fair value, net of transaction costs incurred. Debt is subsequently stated at amortized cost with any difference between the proceeds and the amortized cost recognized in the consolidated statements of net loss and comprehensive loss over the term of the debt using the effective interest method.

Debt is classified as a current liability unless the Company has an unconditional right to defer settlement for at least 12 months after the date of the consolidated statements of financial position.

2.18 Convertible Debentures

Convertible debentures issued by the Company are convertible unsecured debentures that can be converted to share capital at the option of the holder. Upon conversion, the Company has the option to pay the holder out in share capital or cash, this creates a derivative liability. The host liability component of the financial instrument is recognized initially at fair value of a similar liability that does not have a conversion option, net of transaction costs incurred, and is subsequently stated at amortized cost with any difference between the proceeds and the amortized cost recognized in the consolidated statements of net loss and comprehensive loss.

The cash conversion option, net of transaction costs is treated as an embedded derivative which is recognized at fair value through profit and loss.

2.19 Financial instruments

Financial assets

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Financial assets at fair value through profit or loss

Classification

Financial assets at fair value through profit or loss are financial assets held for trading or designated as fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category include derivative financial instruments and are classified as short or long term assets in the consolidated statements of financial position.

Recognition and measurement

Financial assets are initially recognized at fair value and subsequently carried at fair value through profit and loss, with changes recognized in the consolidated statements of net loss and comprehensive loss. Transaction costs are expensed as incurred.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets carried at amortized cost

Classification

Financial assets classified as amortized cost are non-derivative financial assets that the Company intends to hold in order to collect the contractual cash flows and have fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the date of the consolidated statements of financial position, which are classified as non-current assets. Assets in this category include accounts receivables, income tax receivables, deposits and cash and are classified as current assets in the consolidated statements of financial position.

Recognition and measurement

Financial assets carried at amortized cost are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Financial liabilities carried at amortized cost

Financial liabilities primarily consist of accounts payable and accrued liabilities, derivative financial instruments, convertible debt, other long-term liabilities and long-term debt. Financial liabilities are initially measured at fair value and subsequently measured at amortized cost unless classified as fair value through profit or loss.

Hedge accounting and derivative instruments

The Company enters into foreign currency, interest rate, and share forward contract derivatives to manage the associated risks. Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivative instruments are recognized in the consolidated statement of net loss, except for effective changes for designated derivatives under hedge accounting.

Cash Conversion Option

An embedded derivative is a derivative component attached to a non-derivative contract. The Company has an embedded derivative, the cash conversion option of the Company's convertible debentures (note 19). The cash conversion option meets separation criteria outlined in IFRS 9.4.3.3, and is recognized and measured separately from convertible debentures. This embedded derivative is measured in accordance with IFRS, measured initially at fair value, with changes in fair values recognized within the consolidated statements net loss.

Prepayment option on second lien debt

An embedded derivative is a derivative component attached to a non-derivative contract. The Company has an embedded derivative, the prepayment option of the Company's second lien debt (note 18). The prepayment option meets separation criteria outlined in IFRS 9.4.3.3, and is recognized and measured separately from second lien debt. This embedded derivative is measured in accordance with IFRS, measured initially at fair value, with changes in fair values recognized within the consolidated statements net loss.

2.20 Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of net loss and comprehensive loss except to the extent it relates to items recognized directly in equity, in which case the related tax is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using the tax rates under the laws that were enacted or substantively enacted at the date of the consolidated statements of financial position.

Deferred tax is accounted for using the liability approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the consolidated statements of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the date of the consolidated statements of financial position.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, unless the deferred tax asset 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 accounting profit nor taxable profit (tax loss). The carrying amount of deferred tax assets is reviewed as at the date of each consolidated statements of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are generally recognized for all taxable temporary differences except to the extent that the deferred tax liability arises from: the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). As well, deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

International Tax Reform - Pillar two model rules

In May 2023, the IASB amended IAS 12, Income taxes, for International tax reform - Pillar two Model Rules. The amendments to IAS 12 have been introduced in response to the Organization for Economic Co-operation and Development's BEPS Pillar Two rules and include a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities. The mandatory temporary exception and disclosure requirements apply immediately for annual reporting periods beginning on or after January 1, 2023, which have been adopted by the Company as at December 31, 2023. The adoption of this amendment, the enactment of the Pillar Two legislation in the UK and the proposed Pillar Two legislation in certain jurisdictions the Company operates in is not expected to have a significant impact on the audited consolidated financial statements of the Company.

2.21 Investment tax credits

The Company has earned investment tax credits ("ITCs") relating to a percentage of eligible current and capital research and development expenditures incurred in each taxation year. ITCs are recognized when there is reasonable assurance that the Company will comply with the associated conditions and the grants will be received. The ITCs are recognized either as a reduction in cost of sales on the consolidated statements of net loss and comprehensive loss, or as a reduction in intangibles, or property, plant and equipment, depending on where the original costs which gave rise to the credits were recorded.

2.22 Vendor Rebates

The Company records certain consideration received from a vendor, which is probable and can be reasonably estimated, as a reduction of the cost of purchases during the period.

2.23 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in the consolidated statements of net loss and comprehensive loss in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include inventories, property, plant and equipment, intangible assets, goodwill, provisions, accrued benefit liability, deferred compensation obligation, and deferred income taxes.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are addressed below.

Inventories

The value associated with inventory require management to make estimates associated with allocating labour and overhead costs to inventory in the period. Determining the net realizable values of inventory also requires management to make significant estimates.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

The values associated with property, plant and equipment is dependent on the estimated useful lives and the residual value of the assets. Actual results will vary from these estimates.

Intangible assets and goodwill

The values associated with the initial recognition and impairment tests of the intangible assets and goodwill involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives.

These significant estimates are subject to the Company's future results. These determinations will affect the amount of amortization expense on intangible assets recognized in future periods.

Management assesses impairment by comparing the recoverable amount of an intangible asset or goodwill with its carrying value. The determination of the recoverable amount involves significant estimation by management.

Management has determined that for purposes of this evaluation the Company has five CGUs: North American bus/coach manufacturing, ARBOC, ADL manufacturing, ADL aftermarket parts operations, and NFI Parts – North American aftermarket parts operations.

Goodwill is allocated to the Company's five CGUs for the purpose of impairment testing. The Company performs its annual test for impairment of goodwill in the fourth quarter of each year and also when indicators of impairment exist.

Insurance provisions

Estimated provision around the companies' insurance risk retention involves significant estimates. Management estimates the related provision based on historical information, as well as any available information on actual claims. Management engages an actuary to assist with these calculations, but future experience could vary significantly from historical information.

Accrued benefit liability

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Determination of benefit expense requires assumptions such as the discount rate to measure obligations and return on assets, the projected age of employees upon retirement, life expectancy and the expected rate of future compensation changes.

Actual results will differ from results which are estimated based on assumptions. See note 2.7 for certain assumptions made with respect to employee benefits.

Deferred compensation obligation

The deferred compensation obligation is based on estimated future results of the Company. These results could vary significantly from actual future results. This would result in a significant change to the future compensation expense.

Income Taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. Management's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

The Company is subject to taxation in multiple jurisdictions. Significant judgment is required in determining the worldwide provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using management's best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions as at the date of each consolidated statements of financial position. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Provision for Warranty and Campaign Costs

The Company offers warranties on the buses and coaches it sells. Management estimates the related provision for future warranty claims and campaigns based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include quality initiatives, as well as parts and labour costs.

Critical judgments in applying accounting policies

The following critical judgments that were made by management have the most significant effect on the amounts recognized in the financial statements.

Revenue recognition

As described in note 2.5, management assessed the criteria for the recognition of revenue related to arrangements that have multiple components as set out in IFRS 15. Also, judgment is necessary to determine when components can be recognized separately and the allocation of the related consideration allocated to each component.

Also as described in note 2.5, management assessed the criteria for the recognition of revenue in an agency relationship related to the sale of extended warranties that are purchased for the customer from the OEM as set out in IFRS 15.

Functional currency

Management assessed the criteria for the determination of functional currency as set out in International Accounting Standards ("IAS") 21. An entity is required to place the greatest weight on the currency that influences the pricing of the transactions or the primary economic environment in which the entity operates, rather than focusing on the currency in which the transactions are denominated in. Items included in the financial statements of each consolidated entity of the Company are measured using the functional currency. The audited consolidated financial statements are presented in the U.S. dollar, which is the Company's functional and presentation currency.

The financial statements of entities that have a functional currency different from that of the Company's (“foreign operations”) are translated into U.S. dollars. All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Goodwill

Judgment is required in the selection of CGUs and the allocation of assets and liabilities to these CGUs, which is necessary to assess the impairment of long-term assets, goodwill and intangible assets.

2.24 New standards adopted

IFRS 17 – Insurance Contracts

Effective January 2, 2023, the Company adopted IFRS 17, which introduced new guidance for recognition, measurement, presentation and disclosure of insurance contracts. The Company applied a full retrospective approach. The Company previously used IFRS 4, Insurance Contracts, which is no longer in effect to account for these contracts.

The IFRS 17 Standard establishes principles for the recognition, measurement, presentation and disclosure of (re)insurance contracts.

The Company has applied the measurement method for insurance contracts using a probability weighted discounted cash flow model, including a best estimate and an adjustment for non-financial risk calculated for groups of similar contracts. There is a reliance on actuarial modelling techniques and the quality of underlying data. The Company has applied the premium allocation approach. If, at initial recognition or subsequently, the fulfillment cash flows are in a net outflow, the contract is considered onerous and the excess is recognized immediately in profit. A loss recovery component is recognized immediately in profit representing amounts recoverable from reinsurers related to onerous contracts.

The adoption of IFRS 17 resulted in a decrease to net loss and retained deficit of $1,385 for Fiscal 2022, and an increase to net loss and retained deficit of $1,182 for 2021 and prior fiscal periods. There was no change to reported earnings (loss) per share.

(in thousands of U.S. dollars except per share figures)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

The transition adjustment is as follows:

	Assets		Liabilities		Shareholders' Equity
	Accounts receivable	Prepaid expenses and deposits	Accounts payable and accrued liabilities	Provisions	Retained Earnings (Deficit)
As reported January 1, 2023	$ 366,224	$ 16,928	$ 455,368	$ 71,299	$ (419,373)
Transition adjustment	(11,398)	6,524	(1,578)	(328)	205
Restated January 1, 2023	$ 354,826	$ 23,452	$ 453,790	$ 70,971	$ (419,168)

IAS 1 - Presentation of Financial Statements:

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020 and October 2022, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management assessed that this standard does not have a material impact on the audited consolidated financial statements and that the Company is in compliance with the required disclosures.

2.25 Standards issued but not yet adopted

IFRS 7 – Supplier financing arrangements - disclosures

In May 2023, the International Accounting Standards Board ("IASB") issued the final amendments to IAS 7 and IFRS 7 which address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective January 1, 2024 and provide additional disclosure requirements for supplier finance arrangements including disclosure of the terms and conditions, range of payment due dates, and liquidity risk information. The amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet must also be disclosed.

Management assessed there will be an impact on the disclosure requirements effective January 1, 2024.

3. ACCOUNTS RECEIVABLE

	December 31, 2023	January 1, 2023 restated (note 2.24)
Trade, net of allowance for doubtful accounts (note 24e)	$ 430,261	$ 322,200
Other	36,092	32,626
	$ 466,353	$ 354,826

4. INVENTORIES

	December 31, 2023	January 1, 2023
Raw materials	$ 360,575	$ 329,388
Work in process	331,119	343,424
Finished goods	70,887	59,284
	$ 762,581	$ 732,096

(in thousands of U.S. dollars except per share figures)

4. INVENTORIES (Continued)

	Fiscal 2023	Fiscal 2022
Cost of inventories recognized as expense and included in cost of sales	$ 2,363,585	$ 1,892,039
Write-down of inventory to net realizable value in cost of sales	2,331	8,362
Reversals of a previous write-down in inventory	225	—

5. PROPERTY, PLANT AND EQUIPMENT

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Office equipment	Demo buses and coaches	Buses and coaches available for lease	Total
Cost	$ 119,363	$ 219,753	$ 57,221	$ 7,985	$ 52,934	$ 27,068	484,324
Accumulated depreciation	21,662	138,746	39,309	5,577	37,221	20,471	262,986
January 2, 2022 net book value	97,701	81,007	17,912	2,408	15,713	6,597	221,338
Additions	3,290	13,458	1,745	67	2,799	12	21,371
Transfer to inventory	—	—	—	—	(908)	(2,178)	(3,086)
Disposals	(138)	(475)	—	—	(640)	—	(1,253)
Depreciation charge	(4,860)	(16,384)	(4,441)	(521)	(6,752)	(2,341)	(35,299)
Impairment	(2,558)	—	—	—	—	—	(2,558)
Cumulative translation adjustment	(904)	(2,719)	(225)	7	(902)	13	(4,730)
January 1, 2023 net book value	92,531	74,887	14,991	1,961	9,310	2,103	195,783
Additions	9,140	13,482	1,856	15	2,171	50	26,714
Transfer (to) from inventory	—	(57)	—	—	897	(1,752)	(912)
Disposals	(2,306)	(143)	—	—	—	—	(2,449)
Depreciation charge	(4,183)	(16,622)	(4,240)	(363)	(4,268)	(257)	(29,933)
Reversal of Impairment (note 30)	2,558	—	—	—	—	—	2,558
Cumulative translation adjustment	534	1,918	103	1	157	—	2,713
December 31, 2023 net book value	$ 98,274	$ 73,465	$ 12,710	$ 1,614	$ 8,267	$ 144	$ 194,474

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Office equipment	Demo buses and coaches	Buses and coaches available for lease	Total
Recorded as:							
Cost	$ 119,053	$ 230,017	$ 58,741	$ 8,059	$ 53,283	$ 24,915	$494,068
Accumulated depreciation	26,522	155,130	43,750	6,098	43,973	22,812	298,285
January 1, 2023 net book value	$ 92,531	$ 74,887	$ 14,991	$ 1,961	$ 9,310	$ 2,103	$195,783
Cost	$ 128,979	$ 245,217	$ 60,700	$ 8,075	$ 56,508	$ 23,213	$522,692
Accumulated depreciation	30,705	171,752	47,990	6,461	48,241	23,069	328,218
December 31, 2023 net book value	$ 98,274	$ 73,465	$ 12,710	$ 1,614	$ 8,267	$ 144	$194,474

(in thousands of U.S. dollars except per share figures)

6. RIGHT-OF-USE ASSETS

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Total
Cost	146,952	49,454	13,690	$ 210,096
Accumulated Depreciation	38,856	36,245	13,234	88,335
January 2, 2022 net book value	108,096	13,209	456	$ 121,761
Additions	15,133	1,210	1,501	17,844
Disposals	(4,223)	(78)	—	(4,301)
Impairment	(4,144)	—	—	(4,144)
Depreciation charge	(14,401)	(5,818)	(444)	(20,663)
Cumulative translation adjustment	(2,682)	(184)	—	(2,866)
January 1, 2023 net book value	$ 97,779	$ 8,339	$ 1,513	$ 107,631
Additions	21,421	4,867	1,610	27,898
Disposals	(1,976)	(70)	—	(2,046)
Depreciation charge	(13,249)	(5,403)	(785)	(19,437)
Cumulative translation adjustment	385	6	—	391
December 31, 2023 net book value	$ 104,360	$ 7,739	$ 2,338	$ 114,437

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Total
Recorded as:				
Cost	151,036	50,402	15,191	216,629
Accumulated Depreciation	53,257	42,063	13,678	108,998
January 1, 2023 net book value	97,779	8,339	1,513	107,631
Cost	170,866	55,205	16,801	242,872
Accumulated Depreciation	66,506	47,466	14,463	128,435
December 31, 2023 net book value	$ 104,360	$ 7,739	$ 2,338	$ 114,437

Total cash outflows for payments on lease liabilities was $29.8 million for the period ended December 31, 2023 (2022: $27.3 million) of which $21.7 million (2022: $24.5 million) was for principal repayments.

Right-of-use asset impairments are associated with a service center location and production facility location that will not be used by the Company for the remaining duration of the lease as a result of the "NFI Forward" restructuring program (see note 30). The impairments total of nil (2022: $4.1 million) are reflected in the Manufacturing reportable segment.

The Company assessed the extension periods embedded within each lease for inclusion in the lease liabilities on a lease-by-lease basis. When it determined it was reasonably certain to exercise the extension option within the lease, the Company has included those extension periods in the initial recognition of the right-of-use asset and lease liability. Significant leases where assumptions have been made are long-term building leases.

(in thousands of U.S. dollars except per share figures)

7. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Trade names	Patents and Licenses	Customer relationships	Backlog of sales orders	Internally developed intellectual property	Total
Cost	$ 528,583	$ 270,354	$ 155,800	$ 528,995	$ 21,738	1,670	$ 1,507,140
Accumulated amortization	—	2,063	141,092	197,284	21,738	—	362,177
January 2, 2022 net book value	528,583	268,291	14,708	331,711	—	1,670	1,144,963
Additions	—	—	—	—	—	10,212	10,212
Amortization charge	—	(275)	(6,797)	(23,661)	—	(749)	(31,482)
Impairment loss	(103,900)	—	—	—	—	—	(103,900)
Cumulative translation adjustment	(14,980)	(4,857)	(1,030)	(11,961)	—	(544)	(33,372)
January 1, 2023 net book value	409,703	263,159	6,881	296,089	—	10,589	986,421
Additions	—	—	33	—	—	10,241	10,274
Amortization charge	—	(275)	(6,454)	(23,878)	—	(803)	(31,410)
Cumulative translation adjustment	3,468	2,262	231	5,572	—	(441)	11,092
December 31, 2023 net book value	$ 413,171	$ 265,146	$ 691	$ 277,783	$ —	$ 19,586	$ 976,377
Recorded as:							
Cost	$ 409,703	$ 265,497	$ 154,770	$ 517,034	$ —	$ 11,338	1,358,342
Accumulated amortization	—	2,338	147,889	220,945	—	749	371,921
January 1, 2023 net book value	409,703	263,159	6,881	296,089	—	10,589	986,421
Cost	413,171	267,759	155,034	522,606	—	21,138	1,379,708
Accumulated amortization	—	2,613	154,343	244,823	—	1,552	403,331
December 31, 2023 net book value	$ 413,171	$ 265,146	$ 691	$ 277,783	$ —	$ 19,586	$ 976,377

The recoverable amount of the Company’s CGUs is determined based on the greater of value-in-use calculations and fair value less costs to sell. Value-in-use calculations, which was determined to be the recoverable amount, use estimated cash flow projections based on adjusted financial plans approved by the Board covering five-year periods and discount rates based on weighted average cost of capital of like businesses that range between 13.5% and 14.8% per annum for the AD manufacturing and the AD parts CGUs; between 14.5% and 15.5% for the North American bus/coach manufacturing CGU; between 15% and 16.3% for the ARBOC CGU; and between 14.3% and 15.5% per annum for the NFI Parts CGU. Cash flows beyond this period are extrapolated using a steady estimated growth rate based on the long-term average annual growth rate of 3% for each industry in which the CGUs operate. Management has determined planned cash flows based on a projected production schedule, past performance and expectations of market development. The discount rates used reflect specific risks relating to the relevant CGUs.

Sensitivity testing is conducted as part of the annual impairment tests. Management believes that any reasonable change in the key assumptions used to determine the recoverable amounts would not result in an impairment at the North American bus/coach manufacturing CGU, AD manufacturing CGU, AD parts CGU or NFI Parts CGU.

Impairment of the ARBOC CGU may result if a combination of the following changes occurs:

- the discount rate is higher by at least 0.5%
- the long-term growth rate is lower by 1.0%

Based upon historical operating results, management’s forecasts and business plans, the Company’s trade names were assigned an indefinite life, except for the "NABI Parts" tradename (net book value of $688 at December 31, 2023) which is amortized over its useful life, which ends in 2025.

(in thousands of U.S. dollars except per share figures)

8. OTHER LONG-TERM ASSETS

	December 31, 2023	January 1, 2023
Long-term restricted deposit(s) (note 24b)	$ 45,441	$ 25,351
Long-term accounts receivable	5,235	6,775
	$ 50,676	$ 32,126

Long-term restricted deposit(s) is collateral for certain of the Company's letters of credit.

9. CURRENT PORTION OF LONG-TERM LIABILITIES

	December 31, 2023	January 1, 2023
Deferred revenue	$ 138,091	$ 124,851
Provisions (note 14)	13,341	24,283
Deferred compensation obligation	1,208	536
Obligations under leases	17,959	17,581
	$ 170,599	$ 167,251

10. ACCRUED BENEFIT ASSET (LIABILITY)

Defined benefit plan

Certain of the Company's subsidiaries have defined benefit plans which cover certain employees in Canada and the United States. Actuarial valuations for the Company's subsidiaries were last performed as at December 31, 2022 and December 31, 2023.

Information in respect of the Company's defined benefit plans is as follows:

	December 31, 2023	January 1, 2023
Change in plan assets		
Plan assets at fair value — beginning of period	$ 85,062	$ 109,324
Interest income	4,183	3,175
Remeasurement gains (losses) - return on plan assets (excluding amounts in net interest)	2,797	(16,203)
Administrative income (expenses)	1,509	(239)
Employer’s contributions	3,240	4,254
Benefits paid	(6,454)	(5,651)
Plan settlement	—	(3,706)
Foreign exchange gain (loss)	1,976	(5,892)
Plan assets at fair value — end of period	92,313	85,062
Change in defined benefit obligation		
Defined benefit obligation — beginning of period	73,244	116,419
Current service cost	3,199	4,597
Interest cost	3,814	3,362
Benefits paid	(6,454)	(9,358)
Foreign exchange loss (gain)	1,917	(4,828)
Past service costs	4,764	—
Actuarial loss (gain) arising from changes in financial assumptions	10,527	(36,950)
Actuarial gain arising from experience adjustments assumptions	—	—
Defined benefit obligation — end of period	91,011	73,242
Accrued benefit asset (liability) - present value of unfunded obligations	$ 1,302	$ 11,820

The actual return on the plan assets for Fiscal 2023 was $6,980 (Fiscal 2022: loss of $13,028).

(in thousands of U.S. dollars except per share figures)

10. ACCRUED BENEFIT ASSET (LIABILITY) (Continued)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation and net pension plan expenses are as follows:

		Fiscal 2023	Fiscal 2022
Country	Mortality Table	Discount Rate	
Canada	CPM2014 Private sector with Scale MI-2017 with size adjustment	4.60 %	5.10 %
Canada	CPM2014 Private combined with the MI-2017 improvement scale	4.57% - 4.95%	2.20% - 5.10%
US	Private-2012 MP2021	4.95 %	5.15%

			Discount rate - sensitivity		**Life expectancy - sensitivity**	
			1% increase	1% decrease	one year increase	one year decrease
Country	Last valuation date	Next valuation date	Then obligation would decrease by:	Then obligation would increase by:	Then obligation would increase by:	Then obligation would decrease by:
Canada	Dec. 31, 2023	Dec. 31, 2025	13.5 %	16.8 %	1.3 %	1.3 %
Canada	Dec. 31, 2022	Dec. 31, 2025	12.6 %	15.9 %	4.5 %	4.5 %

The defined benefit plans typically exposes the Company to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Management believes the plans currently have a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the Company's pension committee considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.

Interest rate risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

The Company's defined benefit plans are a fixed benefit plan and, as a result, the rate of compensation increases does not have any impact on the actuarially determined accrued benefit liability. Expected contributions to the defined benefit plan for the 52-week period ending December 31, 2023 are $3,269.

The Company's defined benefit pension plan expense, included in cost of sales and sales, general and administration costs and other operating expenses is as follows:

	Fiscal 2023	Fiscal 2022
Current service costs	$ 3,199	$ 4,597
Past service costs	4,764	
Net interest (income) expense	(369)	187
Administrative (income) expenses	(1,509)	239
Foreign exchange loss	(48)	—
Components of defined benefit costs recognized in net earnings (loss)	$ 6,037	$ 5,023

(in thousands of U.S. dollars except per share figures)

10. ACCRUED BENEFIT ASSET (LIABILITY) (Continued)

	Fiscal 2023	Fiscal 2022
Remeasurement gains (losses) - return on plan assets (excluding amounts in net interest)	$ 2,797	$ (16,203)
Actuarial (losses) gains arising from changes in financial assumptions	(10,527)	36,950
Actuarial gains arising from experience adjustments assumptions	—	—
Foreign exchange loss	29	(30)
	(7,701)	20,717
Deferred income taxes recorded through other comprehensive loss	2,947	(5,873)
Net actuarial (losses) gains recognized in other comprehensive loss	$ (4,754)	$ 14,844

An analysis of the assets of the plans by investment category is provided as follows:

	December 31, 2023	January 1, 2023
Asset category		
Cash and cash equivalents	0.8%	72.7%
Canadian equities	9.1%	4.9%
Foreign equities	44.1%	11.6%
Real estate	0.0%	0.0%
Bonds	46.0%	10.8%
	100.0%	100.0%

At January 1, 2023, the Company was in the process of transferring its cash assets into the other investment categories in accordance with its plan documents, the temporary allocation is due to changing the service provider, who holds the Company's investments.

11. DEFERRED COMPENSATION OBLIGATION

	December 31, 2023	January 1, 2023
Performance share units under the PRSU Plan (officers and senior management)	708	—
Restricted share units under PRSU Plan (officers and executive management)	1,208	536
Deferred share units under DSU Plan (non-employee board of directors)	2,490	1,497
	4,406	2,033
Less: current portion	1,208	536
	$ 3,198	$ 1,497

Effective December 17, 2012, the Board approved the Performance and Restricted Share Unit Plan (the “PRSU Plan”) and it was amended on December 16, 2013, December 18, 2018 and August 5, 2020. The terms of the amended PRSU Plan govern awards made on or after the 2014 plan year, 2018 plan year and August 2020, respectively.

The purposes of the PRSU Plan are to attract, retain and motivate key personnel, reward officers and executive management and to align their interests with those of shareholders by making a significant portion of their incentive compensation directly dependent on achieving key strategic, financial and operational objectives that are crucial to the ongoing growth and profitability of the Company. Under the terms of the PRSU Plan, the Human Resources, Compensation and Corporate Governance committee of the Board may grant eligible participants performance share units (“PSUs”) or restricted share units (“RSUs”), which give the holders thereof the right to receive, upon vesting and redemption of a unit, a cash payment equal to the fair market value of a Share at the time of redemption. When dividends are paid on a Share, additional units equivalent to the amount of the dividends multiplied by the number of PSUs and RSUs held (and determined based on the then fair market value of the Shares) are credited to a participant’s account. The actual value of a PSU on the settlement date is contingent on the Share price and the Company’s actual performance over a three-year period relative to the established objectives.

The actual value of an RSU on the settlement date is contingent on the Share price only and RSUs generally vest and settle as to one-third on each of the first, second and third anniversaries of the grant date. PSUs and RSUs also immediately vest upon a participant's termination without cause or resignation for good reason within a specified period of time following the closing of a transaction resulting in certain change of control events and upon certain terminations of employment and, with respect to PSUs and RSUs granted prior to 2019, upon the closing of a transaction resulting in certain change of control events.

(in thousands of U.S. dollars except per share figures)

11. DEFERRED COMPENSATION OBLIGATION (Continued)

RSUs and PSUs granted in Fiscal 2023 were determined based on the volume weighted average trading price of a Share for the last five trading days of 2022 and the desired compensation value.

As well, the Board adopted NFI's Deferred Share Unit Plan for Non-Employee Directors (the "DSU Plan") on November 7, 2011 and it was amended and restated on December 8, 2015, December 18, 2015, March 14, 2019 and September 14, 2020. Pursuant to the plan, non-employee directors may elect once each calendar year to receive all or a portion of their annual retainer and meeting fees in the form of deferred share units ("DSUs") and RSUs instead of cash. A DSU is the right to receive a cash payment based on the value of a Share credited by means of a bookkeeping entry to an account in the name of the non-employee director. DSUs are credited to the director's account on the first day of each calendar quarter, the number of which is determined by dividing the amount of the applicable portion of the director's elected amount by the volume weighted average trading price of a Share for the last five trading days.

When dividends are paid on a Share, additional DSUs equivalent to the amount of the dividend multiplied by the number of DSUs held (and determined based on the then fair market value of the Shares) will be credited to the director's account. At the end of the director's tenure as a member of the Board, the director will be entitled to receive a cash redemption payment equal to the fair market value of a share multiplied by the number of DSUs held.

	PSUs	RSUs	DSUs	Total
Units outstanding at January 2, 2022	—	55,402	174,334	229,736
Units granted	163,287	81,643	43,513	288,443
Distribution units granted	—	2,104	3,011	5,115
Units Expired	(163,287)	(1,481)	—	(164,768)
Vested and reclassified as current liability	—	(63,541)	—	(63,541)
Units outstanding at January 1, 2023	—	74,127	220,858	294,985
Units granted	313,302	156,652	76,368	546,322
Units Expired	(5,508)	(3,153)	—	(8,661)
Units Redeemed	—	(27,450)	(40,352)	(67,802)
Vested and reclassified as current liability	—	(70,991)	—	(70,991)
Units outstanding at December 31, 2023	307,794	129,185	256,874	693,853
Vested units	—	—	256,874	256,874
Unvested units	307,794	129,185	—	436,979

12. SHARE-BASED COMPENSATION - EQUITY SETTLED

The Board adopted a Share Option Plan (the "2013 Option Plan") for NFI on March 21, 2013, under which employees of NFI and certain of its affiliates may receive grants of options for shares. The 2013 Option Plan was amended and restated on December 8, 2015, December 31, 2018 and August 5, 2020. A maximum of 3,600,000 Shares are reserved for issuance under the 2013 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date. The 2013 Option Plan expired on March 21, 2023, at which point no new options can be granted under the 2013 Option Plan.

The Board adopted a new share option plan on March 12, 2020 (the "2020 Option Plan"), which was approved by shareholders on May 7, 2020 and amended on August 5, 2020, under which employees of NFI and certain of its affiliates may receive grants of options for shares. A maximum of 3,200,000 Shares are reserved for issuance under the 2020 Option Plan. The options become vested as to one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date.

Directors who are not employed with NFI are not eligible to participate in the 2013 Option Plan and the 2020 Option Plan.

(in thousands of U.S. dollars except per share figures)

12. SHARE-BASED COMPENSATION - EQUITY SETTLED (Continued)

Option Grant dates	Number	Exercised	Expired	Vested	Unvested	Expiry date	Exercise price	Fair Value at grant date
March 26, 2013	490,356	(490,356)	—	—	—	March 26, 2021	C$10.20	C$1.55
December 30, 2013	612,050	(602,419)	(9,631)	—	—	December 30, 2021	C$10.57	C$1.44
December 28, 2014	499,984	(252,233)	(247,751)	—	—	September 12, 2023	C$13.45	C$1.83
December 28, 2015	221,888	(19,532)	—	(202,356)	—	December 28, 2023	C$26.75	C$4.21
September 8, 2016	2,171	—	(2,171)	—	—	September 8, 2024	C$42.83	C$8.06
January 3, 2017	151,419	(1,610)	(11,888)	(137,921)	—	January 3, 2025	C$40.84	C$7.74
January 2, 2018	152,883	—	(30,942)	(121,941)	—	January 2, 2026	C$54.00	C$9.53
January 2, 2019	284,674	—	(62,446)	(222,228)	—	January 2, 2027	C$33.43	C$5.01
July 15, 2019	2,835	—	—	(2,835)	—	July 15, 2027	C$35.98	C$4.90
December 31, 2019	519,916	—	(83,720)	(433,006)	3,190	December 31, 2027	C$26.81	C$3.36
December 28, 2020	258,673	—	(29,250)	(171,146)	58,277	December 28, 2028	C$24.70	C$6.28
February 10, 2021	1,894	—	—	(1,421)	473	December 28, 2028	C$28.74	C$6.28
August 16, 2021	601	—	—	(301)	300	August 16, 2029	C$30.79	C$6.28
January 3, 2022	311,892	—	(13,359)	(74,638)	223,895	January 3, 2030	C$20.26	C$6.10
April 1, 2022	1,728	—	—	(432)	1,296	April 3, 2030	C$16.25	C$6.51
January 9, 2023	374,448	—	(11,987)	—	362,461	January 9, 2031	C$10.46	C$5.28
	3,887,412	(1,366,150)	(503,145)	(1,368,225)	649,892		C$26.00	

The following reconciles the share options outstanding:

	Fiscal 2023		Fiscal 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	1,910,057	C$27.41	1,617,759	C$28.82
Granted during the period	374,448	C$10.46	313,620	C$20.24
Expired during the period	(266,388)	C$14.32	(21,322)	C$28.84
Exercised during the period	—	—	—	C$0.00
Balance at end of period	2,018,117	C$26.00	1,910,057	C$27.41

Fair values were measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted in Fiscal 2023 and Fiscal 2022 are the following:

Options grant date	January 9, 2023	January 3, 2022
Fair value at grant date (C$)	$5.28	$6.10-$6.51
Share price (C$)	$10.46	$16.25-$20.26
Exercise price (C$)	$10.46	$16.25-$20.26
Expected volatility	51.77%	46.0%-47.9%
Option life (expected weighted average life)	5.5 years	5.5 years
Expected dividends	0.00%	1.63%-3.77%
Risk-free interest rate (based on government bonds)	3.28%	1.29%-2.45%

(in thousands of U.S. dollars except per share figures)

12. SHARE-BASED COMPENSATION - EQUITY SETTLED (Continued)

On May 8, 2014, shareholders' approved the Company's Restricted Share Unit Plan for Non-Employee Directors (the "Director RSU Plan"). The Director RSU Plan was amended and restated on December 8, 2015, December 31, 2017, March 14, 2019 and September 14, 2020. A maximum of 500,000 Shares are reserved for issuance under the Director RSU Plan. Pursuant to the Director RSU Plan, non-employee directors are permitted to elect, once each calendar year, to receive all or a portion of their annual retainer in the form of restricted share units ("Director RSUs") and/or DSUs instead of cash. A Director RSU is a right to acquire a fully-paid and non-assessable Share credited by means of a bookkeeping entry to an account in the name of the non-employee director.

Pursuant to the plan, non-employee directors may elect once each calendar year to receive all or a portion of their annual retainer and meeting fees in the form of deferred share units ("DSUs") and restricted share units instead of cash. The Board, in its sole discretion, may award additional Director RSUs, subject to an annual aggregate value of $150 per director. The number of Director RSUs to be awarded to a director is determined by dividing the amount of the applicable portion of the director's annual retainer by the applicable fair market value of a Share on that date. When dividends are paid on a Share, additional Director RSUs equivalent to the aggregate number of Director RSUs held by a director on the dividend record date multiplied by the amount of dividend paid by NFI on each Share, and then divided by the fair market value of the Shares on the dividend payment date, will automatically be credited to the director's account. Under the Director RSU Plan, Director RSUs vest immediately as at each applicable award date. A director (other than a U.S. director) will be permitted to exercise the Director RSUs credited to his or her account at any time prior to December 15 of the year following the year in which the director ceases to be a non-employee director of NFI or one of its affiliates. A U.S. director will be required to specify the exercise date in the annual election form in accordance with Section 409A of the U.S. Internal Revenue Code.

	Number of Director RSUs
Balance – January 2, 2022	69,568
Director RSUs issued	64,947
Director RSUs exercised	(24,374)
Balance – January 1, 2023	110,141
Director RSUs issued	103,231
Director RSUs exercised	(48,260)
Balance – December 31, 2023	165,112

13. DEFERRED REVENUE

	December 31, 2023	January 1, 2023
Extended warranties	$ 30,097	$ 19,087
Progress payments	138,534	123,367
	168,631	142,454
Less: current portion of deferred revenue (note 9)	(138,091)	(124,851)
	$ 30,540	$ 17,603

Deferred revenue is comprised of progress payments that have not yet qualified for recognition as revenue under the Company's revenue recognition policies and also deferred revenue from the sale of extended warranty contracts which are amortized over the extended warranty period commencing at the end of the basic warranty period.

14. PROVISIONS

The Company's insurance risk retention provision is based on insurance risk which the Company has not mitigated with third party insurance.

The restructuring provision consists of employee termination benefits associated with the "NFI Forward" restructuring initiative that was announced on July 27, 2020 (note 30) and costs associated with the closure and termination of the lease in respect of the Guildford, UK facility.

The Company generally provides its customers with a base warranty on the entire vehicle, a corrosion warranty on the related structure and a defect warranty on batteries.

(in thousands of U.S. dollars except per share figures)

14. PROVISIONS (continued)

The Company provides for onerous contracts when the unavoidable costs of meeting the contract are greater than the economic benefits expected to be received under it.

	Insurance Risk Retention	Restructuring	Warranty	Onerous Contracts	Total
January 2, 2022	$ 25,243	2,485 $	55,920	—	83,648
Net adjustments due to IFRS 17	(3,502)	—	—	—	(3,502)
Additions	6,720	7,000	60,081	3,705	77,506
Amounts used/realized	(5,690)	(2,485)	(50,027)	(1,582)	(59,784)
Unused provision	(248)	—	—	(351)	(599)
Unwinding of discount and effect of changes in the discount rate	—	—	17	—	17
Exchange rate differences	4	—	(2,050)	14	(2,032)
January 1, 2023	$ 22,527 $	7,000 $	63,941 $	1,786 $	95,254
Additions	20,010	1,523	46,550	1,661	69,744
Amounts used/realized	(11,556)	(406)	(65,677)	(1,006)	(78,645)
Unused provision	(551)	(7,000)	1,172	(1,243)	(7,622)
Unwinding of discount and effect of changes in the discount rate	—	—	15	—	15
Exchange rate differences	(1)	28	(263)	89	(147)
	30,429	1,145	45,738	1,287	78,599
Less current portion (note 9)	1,261	—	12,080	—	13,341
December 31, 2023	$ 29,168 $	1,145 $	33,658 $	1,287 $	65,258

15. DEFERRED TAXES AND INCOME TAX EXPENSE

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts by tax jurisdiction presented on the consolidated statements of financial position are as follows:

	December 31, 2023	January 1, 2023
As presented on statements of financial position:		
Deferred tax assets	$ 33,041 $	17,665
Deferred tax liabilities	(46,756)	(56,914)
	$ (13,715) $	(39,249)

The gross movement on the deferred income tax account is as follows:

	Fiscal 2023	Fiscal 2022
Beginning of period	$ (39,249) $	(62,806)
Exchange rate differences	163	(598)
Tax recorded through net loss	20,965	27,612
Tax recorded through other comprehensive loss	2,947	(5,794)
Investment tax credits	1,768	—
Tax recorded through equity	(309)	2,337
End of period	$ (13,715) $	(39,249)

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in thousands of U.S. dollars except per share figures)

15. DEFERRED TAXES AND INCOME TAX EXPENSE (Continued)

Deferred tax liabilities	Property Plant and Equipment	Goodwill and Intangibles	Right of Use Assets	Other	**Total**
January 2, 2022	**(17,249)**	**(152,741)**	**(23,471)**	**(8,971)**	$ (202,432)
Tax recorded through net loss	8,148	8,027	(638)	(7,923)	7,614
Tax recorded through other comprehensive loss	—	—	—	79	79
Cumulative translation adjustment	—	2,337	—	—	2,337
January 1, 2023	**(9,101)**	**(142,377)**	**(24,109)**	**(16,815)**	**(192,402)**
Tax recorded through net loss	(534)	5,170	(120)	6,600	11,116
Tax recorded through other comprehensive loss	—	—	—	—	—
Cumulative translation adjustment	—	(309)	—	—	(309)
December 31, 2023	**$ (9,635)**	**$ (137,516)**	**$ (24,229)**	**$ (10,215)**	**$ (181,595)**

Deferred tax assets	Property, Plant, and Equipment	Reserves and accruals not currently deductible	Provisions	Right of Use Assets	Loss carry forward	Pension	Deferred Financing Costs and Interest	Other	**Total**
January 2, 2022	$ —	$ 17,624	$ 18,596	$ 25,979	$ 46,798	$ 3,953	$ 15,085	$ 11,591	$ 139,626
Tax recorded through net loss	—	(5,504)	3,112	1,368	8,191	1,937	12,606	(1,712)	19,998
Tax recorded through other comprehensive loss	—	—	—	—	—	(5,873)	—	—	(5,873)
Exchange rate differences	—	(75)	(79)	(110)	(196)	(17)	(66)	(55)	(598)
January 1, 2023	$ —	$ 12,045	$ 21,629	$ 27,237	$ 54,793	$ —	$ 27,625	$ 9,824	$ 153,153
Tax recorded through net loss	3,228	2,358	(3,673)	634	(7,932)	(1,979)	17,151	62	9,849
Tax recorded through other comprehensive loss	—	—	—	—	—	2,947	—	—	2,947
Investment tax credits	—	—	—	—	—	—	—	1,768	1,768
Exchange rate differences	—	9	17	21	87	—	22	7	163
December 31, 2023	$ 3,228	$ 14,412	$ 17,973	$ 27,892	$ 46,948	$ 968	$ 44,798	$ 11,661	$ 167,880

Deferred income tax assets are recognized to the extent it is probable that sufficient future taxable income will be available to allow a deferred tax asset to be utilized. At December 31, 2023, the Company has recognized all of its deferred income tax assets with the exception of: loss carry forwards in Canada and the UK in the amount of $32,670 and $586 respectively, equity issuance costs in Canada of $2,765 and restricted interest in the UK of $15,572.

At December 31, 2023 the Company has the following tax credit and loss pools expiring as follows:

(in thousands of U.S. dollars except per share figures)

15. DEFERRED TAXES AND INCOME TAX EXPENSE (Continued)

	United States		Canada		Other	
	Tax Credits	Tax Losses	Tax Credits	Tax Losses	Tax Credits	Tax Losses
2024-2029	—	577	—	—	—	—
2030	—	68	138	—	—	—
2031-2033	—	—	569	—	—	—
2034-2037	—	—	—	313	—	—
2038	—	—	—	11,343	—	—
2039	—	—	—	24,803	—	—
2040	—	—	601	21,428	—	—
2041	—	—	88	10,385	—	—
2042	—	—	676	51,523	—	—
2043	—	—	690	60,951	—	—
No expiry	—	19,691	—	—	1,385	169,227

The reconciliation of income tax computed at the U.S. statutory rate, to income tax expense is as follows:

	Fiscal 2023	Fiscal 2022
Earnings before income tax expense	$ (169,070)	$ (323,798)
Tax calculated using a 21% U.S. tax rate	(35,504)	(67,998)
Tax effect of:		
Withholding and other taxes	592	(539)
Non-taxable income	(1,144)	(1,473)
Non-deductible impairment loss on goodwill	—	21,819
Derecognition of previously recognized deferred tax assets	20,705	20,794
Revision of tax estimates	851	1,039
Foreign exchange impact	794	3,899
State taxes	(2,930)	(8,276)
Impact of rate change on deferred income taxes	—	(1,854)
Foreign tax credit pools and base erosion and anti-abuse tax	(14,313)	(17,750)
Rate differential on income taxed at other than U.S. statutory rate	(2,056)	2,895
Impact of change in tax legislation	(1,440)	—
Other	1,539	23
Income tax recovery	$ (32,906)	$ (47,421)

Current income tax recovery	$ (11,941)	$ (19,809)
Deferred income tax recovery	(20,965)	(27,612)
Income tax recovery for the period	$ (32,906)	$ (47,421)

16. SENIOR UNSECURED DEBT

On January 20, 2023, the Company finalized agreements with MDC for a C$50 million debt facility, for general corporate purposes, and with EDC for two credit facilities of up to $150 million, to support supply chain financing ("supply chain financing facility") for $50 million and surety and performance bonding requirements for new contracts ("bonding support facility") for up to $100 million.

The MDC agreement bears interest at a rate equal to Canadian one year benchmark bond yield plus an applicable margin. The EDC agreement bears interest at a rate equal to adjusted term Secured Overnight Financing Rate ("SOFR") plus an applicable margin to those rates.

(in thousands of U.S. dollars except per share figures)

16. SENIOR UNSECURED DEBT (Continued)

Both the MDC facility and EDC supply chain financing facility were extended to April 30, 2026 as part of the Refinancing Plan. The EDC bonding support facility (note 27c) has a one-year term for each new contract, subject to annual renewals.

As part of the Refinancing Plan, $25 million was repaid on the EDC supply chain financing facility as a permanent reduction.

	Face Value	Unamortized Transaction Costs	**Net Book Value December 31, 2023**	Net Book Value January 1, 2023
MDC	$ 37,747	$ 267	$ 37,480	—
EDC	25,000	684	24,316	—
	$ 62,747	$ 951	$ 61,796	—

17. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value December 31, 2023**	Net Book Value January 1, 2023
First lien N.A. revolving credit facility, Secured (“NA Revolving Facility”)	126,471	13,174	113,297	878,725
First lien N.A. term loan, Secured (“NA Non-Revolving Facility”)	400,000	—	400,000	—
First lien U.K. revolving Credit Facility, Secured ("UK Revolving Facility")	—	—	—	17,901
First lien U.K. Term loan, Secured (“UK Non-Revolving Facility”)	20,674	761	19,913	—
Government of Canada Loan	3,453	626	2,827	—
	550,598	14,561	536,037	896,626
Less current portion	—	—	—	17,901
	550,598	14,561	536,037	878,725

The NA Revolving Facility and the NA Non-Revolving Facility (together referred to as, the "North American Facility") have a total borrowing limit of $761 million, which includes a $150 million letter-of-credit facility.

The $96.6 million of outstanding letters-of-credit were drawn against the North American Facility at December 31, 2023. The North American Facility bears interest at a rate equal to SOFR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates and matures on April 30, 2026.

The UK Revolving Facility and the UK Non-Revolving Facility (together referred to as, the "UK Facility") have a total borrowing limit of £30.4 million to support AD's operations in the UK. Amounts drawn under the UK Facility bear interest at a rate equal to Sterling Overnight Index Average ("SONIA") plus an applicable margin. The UK Facility matures on April 30, 2026.

The Company entered into an agreement for up to C$10 million in interest-free financing through the Government of Canada to support facility enhancements and zero-emission product growth. The financing matures on March 1, 2030.

18. SECOND LIEN DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value December 31, 2023**	Net Book Value January 1, 2023
Second Lien Debt	180,413	10,144	170,269	—
Prepayment Option	2,127	—	2,127	—
	182,540	10,144	172,396	—

(in thousands of U.S. dollars except per share figures)

18. SECOND LIEN DEBT (Continued)

The second lien debt financing is secured against all the Company's assets, and bears interest at an annual coupon of 14.5%, payable semi-annually on January 2 and July 2 commencing on January 2, 2024. The second lien debt facility matures on August 1, 2028.

The Company can exercise an option to prepay a portion of the remaining principal (note 24) at 100% of the face value plus applicable premium, expiring on the first anniversary of the debt facility. Prior to the second anniversary, the Company can exercise its option to prepay a portion of the remaining principal at 106% of the face value. Prior to the third anniversary, the Company can exercise its option to prepay a portion of the remaining principal at 103% of the face value. An option to prepay the remaining principal at par is available from the third anniversary onwards.

At inception, the prepayment option was recognized as a derivative asset with a fair value of $2.1 million. At December 31, 2023, the asset was revalued at $2.8 million. A fair market value gain of $0.64 million was recorded on the Company's audited consolidated statements of net loss and comprehensive loss for the year.

The second lien debt is financed by funds and accounts managed by Coliseum Capital Management LLC. Coliseum Capital Management also participated in an equity transaction with the Company (disclosed in Note 20).

19. CONVERTIBLE DEBENTURES

On December 2, 2021, the Company completed a public offering of C$300 million aggregate principal of convertible debentures (the "Debentures") and an additional C$38 million aggregate principal of Debentures were issued on December 14, 2021, pursuant to the partial exercise of the over-allotment option, bearing interest at a rate of 5% per annum, payable semi-annually on January 15 and July 15 commencing on July 15, 2022. The Debentures will mature on January 15, 2027 (the "Maturity Date").

The Debentures may be converted in whole or in part from time to time at the holder’s option into 30.1659 Shares for each C$1 principal amount of Debentures (“Conversion Price”), representing a Conversion Price of approximately C$33.15 per Share, prior to maturity and subject to adjustment in certain circumstances.

The Company has the option to settle the conversion in either Shares or cash (the "Cash Conversion Option"), with the Cash Conversion Option determined to be a financial liability. The fair value of the Debentures and Cash Conversion Option are classified as separate liabilities. The Debenture component will accrete to its final redemption amount of C$338 million less all conversions, at the Maturity Date at an effective interest rate over the five-year term of the Debentures.

	Face Value	Unamortized Transaction Costs	**Net Book Value December 31, 2023**	Net Book Value January 1, 2023
Convertible Debt	235,317	6,332	228,985	216,513
Cash Conversion Option	9,296	—	9,296	5,150
	244,613	6,332	238,281	221,663

20. SHARE CAPITAL

	December 31, 2023	January 1, 2023
Authorized - Unlimited		
Issued – 118,961,932 Common Shares (January 1, 2023: 77,155,016)	$ 1,240,163	$ 988,218

The following is a summary of changes to the issued and outstanding capital stock of Shares during the period:

20. SHARE CAPITAL (continued)

Shares	Number (000s)		Net Book Value
Balance – January 1, 2023	77,155	$	988,218
Director RSUs exercised	47		368
Issuance of Shares - public offering	15,103		86,805
Issuance of Shares - private placements	26,657		164,772
Balance – December 31, 2023	118,962	$	1,240,163

During the period ended December 31, 2023, the Company:

- Completed a private placement on August 25, 2023 of Shares to Coliseum Capital Management for 21,656,624 Shares at a subscription price of $6.1567 per Share (the "Subscription Price") for aggregate gross proceeds to NFI of $133.3 million.
- Completed a private placement on August 25, 2023 with a leading global asset manager for 5,000,000 Shares at a subscription price of C$10.10 per Share for aggregate gross proceeds to NFI of C$50,500,000 (approximately $37.2 million).
- Issued 15,102,950 subscription receipts on June 6, 2023 at a price of C$8.25 per subscription receipt, for aggregate gross proceeds to NFI of approximately C$125.9 million (approximately $93.1 million), inclusive of interest earned in escrow. Each subscription receipt was exchanged for one Share as part of the Refinancing Plan, resulting in the issuance of 15,102,950 Shares.

21. LOSS PER SHARE

		Fiscal 2023		**Fiscal 2022 restated (note 2.24)**
Net loss attributable to equity holders	$	(136,164)	$	(276,376)
Weighted average number of Shares in issue		91,866,613		77,144,445
Weighted average number of Shares for diluted earnings per Share		91,866,613		77,144,445
Net loss per Share (basic)	$	(1.4822)	$	(3.5826)
Net loss per Share (diluted)	$	(1.4822)	$	(3.5826)

Basic loss per Share is calculated by dividing the net (loss) gain attributable to equity holders of the Company by the weighted average number of Shares outstanding during the period.

Diluted loss per Share is calculated using the same method as basic loss per Share except that the average number of Shares outstanding includes the potential dilutive effect of outstanding stock options and Director RSUs granted by the Company, as determined by the treasury stock method.

(in thousands of U.S. dollars except per share figures)

22. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

Cash inflow (outflow)	Fiscal 2023	Fiscal 2022 restated (note 2.24)
Accounts receivable	$ (111,527)	$ 38,362
Income tax receivable	(4,170)	(1,463)
Inventories	(29,573)	(160,939)
Prepaid expenses and deposits	4,464	(16,178)
Accounts payable and accrued liabilities	93,832	6,661
Deferred revenue	26,177	29,039
Provisions	(16,655)	11,606
Other	(7,510)	(4,643)
	$ (44,962)	$ (97,555)

Included in the "Other" category for fiscal 2022 is $1,385, which represents the net impact of the adoption of IFRS 17 (note 2.24).

23. DEFINED CONTRIBUTION PENSION PLANS

Certain of the Company's subsidiaries maintains a defined contribution plan for certain salaried employees. The net pension expense for the Company's defined contribution plans is as follows:

	Fiscal 2023	Fiscal 2022
Defined contribution pension expense	$ 12,321	$ 10,963

Cash payments contributed by the Company during Fiscal 2023 for its defined benefit plans and defined contribution pension plans amounted to $15.6 million (2022: $15.2 million).

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value measurement of financial instruments

The Company has made the following classifications:

Cash	Fair value through profit or loss
Restricted deposit	Fair value through profit or loss
Receivables	Amortized cost
Deposits	Amortized cost
Accounts payables and accrued liabilities	Amortized cost
Convertible Debt	Amortized cost
Other long-term liabilities	Amortized cost
Long-term debt	Amortized cost
Second lien debt	Amortized cost
Derivative financial instruments	Fair value through profit or loss

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(b) Fair value measurement of financial instruments

The Company categorizes its fair value measurements of financial instruments recorded at fair value according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 - fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 - fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable market data.

Level 3 - fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable data, including assumptions about risk.

The following table presents the carrying amounts and fair values of financial liabilities and financial assets, including their levels in the fair value hierarchy. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(in thousands of U.S. dollars except per share figures)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

	December 31, 2023		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 49,615	49,615
Long-term restricted deposit (note 8)	Level 1	45,441	45,441
Prepayment Option (note 18)	Level 2	2,767	2,767
Derivative financial instrument assets - long term		$ 2,767	$ 2,767
Financial liabilities recorded at fair value			
Foreign exchange forward contracts	Level 2	1,481	1,481
Derivative financial instrument liabilities - current		$ 1,481	$ 1,481
Cash Conversion Option (note 19)	Level 2	9,296	9,296
Derivative financial instrument liabilities - long term		$ 9,296	$ 9,296

	January 1, 2023		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 49,987	$ 49,987
Long-term restricted deposit (note 8)	Level 1	25,351	25,351
Foreign exchange forward contracts	Level 2	1,720	1,720
Derivative financial instrument assets - current		$ 1,720	$ 1,720
Interest Rate Swap	Level 2	27,800	27,800
Derivative financial instrument assets - long term		$ 27,800	$ 27,800
Financial liabilities recorded at fair value			
Equity Hedge	Level 2	2,837	2,837
Derivative financial instrument liabilities - current		$ 2,837	$ 2,837
Cash Conversion Option (note 19)	Level 2	5,150	5,150
Equity Hedge	Level 2	917	917
Derivative financial instrument liabilities - long term		$ 6,067	$ 6,067

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Risk Management

The Company uses derivative financial instruments including interest rate swaps, total return swaps and forward foreign exchange contracts. These instruments are financial contracts whose value depends on interest rates, share price and foreign currency prices.

The use of derivatives allows the transfer, modification and reduction of current and expected risks, including interest rate, share price, foreign exchange and other market risks. The Company uses derivative financial instruments to manage interest rate, share price and foreign exchange risks in accordance with its risk management policies. Certain derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. Changes in the fair value of any derivatives that are not designated as hedges for accounting purposes are recognized within “interest and finance costs” or “unrealized foreign exchange loss (gain) on non-current monetary items” in the consolidated statements of net loss and comprehensive loss consistent with the underlying nature and purpose of the derivative instruments.

Market risk (interest rate risk and foreign currency risk)

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk, equity price risk and foreign currency risk, affect the fair values of financial assets and liabilities. The Company uses derivative financial instruments including interest rate swaps, foreign exchange options and forwards foreign exchange contracts to manage its risks associated with potentially adverse changes in interest rates and foreign exchange rates. These instruments are financial contracts whose values depends on interest rates and foreign currency prices. The use of derivatives allows the transfer, modification and reduction of current and expected risks, including interest rate, foreign exchange and other market risks. The Company uses derivative financial instruments to manage interest rate and foreign exchange risks in accordance with its risk management policies.

The Company does not hold financial instruments for speculative or trading purposes.

Interest rate risk

The Company's borrowing under the Secured Facilities are at variable rates of interest and expose the Company to interest rate risk. As an illustration, if the interest rates as at the date of the consolidated statements of financial position date had been 100 basis points higher, with all other variables held constant, net loss and comprehensive loss for Fiscal 2023 would have been higher by $6.8 million (Fiscal 2022: $6.1 million, when hedged with an interest rate swap), arising mainly from higher interest costs due to the higher interest rate. If interest rates had been 100 basis points lower, with all other variables held constant, net loss and comprehensive loss for Fiscal 2023 would have been lower by $6.8 million (Fiscal 2022: $6.1 million, when hedged with an interest rate swap), arising mainly from lower interest costs due to the lower interest rate.

The Company attempts to mitigate this risk through interest rate swaps that could become materially more expensive if interest rates increase or become more volatile. If the cost of mitigating interest rate increases, the Company's debt service obligations on its variable rate indebtedness would increase even though the amount borrowed remained the same, and the Company's net earnings and cash available for servicing its other indebtedness would decrease. There were no interest rate swaps held as at December 31, 2023.

On February 13, 2019, the Company blended the unrealized gain from the existing swap into a $600 million amortizing notional interest rate swap designed to hedge floating rate exposure on the Secured Facilities. The interest rate swap fixed the interest rate at 2.27% plus applicable margin until October 2023. The notional value of the swap as at January 1, 2023 was $540 million.

On July 9, 2020, the Company entered into a $200 million amortizing notional interest rate swap designed to hedge floating rate exposure on its Secured Facilities. The interest rate swap fixes the interest rate at 0.243% plus applicable margin until July 2025. The swap began amortizing on January 9, 2023 at a rate of $20 million per annum.

On July 20, 2023, NFI sold its interest rate swap contracts (valued at $20.2 million asset at the end of 2023 Q2) for total proceeds of $18.4 million. As part of the sale, NFI's equity hedge (valued at $2.6 million liability at the end of 2023 Q2) was unwound and removed from liabilities on the balance sheet. The fees to unwind this contract are approximately C$1.4 million.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Equity price risk

The Company entered into a total return swap transaction to hedge the exposure associated with increases in value of its Shares on a portion of the outstanding PSUs, RSUs and DSUs. The total return swap has a re-investment feature which increases the number of Shares in the swap when dividends are paid by the Company. As part of the aforementioned sale of NFI's interest rate swap contracts, NFI's equity hedge (valued at $2.6 million liability at the end of 2023 Q2) was unwound and removed from liabilities on the balance sheet. The fees to unwind this contract were approximately C$1.4 million.

Hedging gains and losses are reclassified from other comprehensive income to the consolidated statement of net loss to the extent effective. Accordingly, nil was reclassified from other comprehensive income in Fiscal 2023 (Fiscal 2022: $287). No hedge ineffectiveness was recorded during 2022.

Foreign currency risk

The U.S. dollar is the Company's functional currency. Fluctuations in the exchange rate between the U.S. dollar, Canadian dollar and GBP will affect the Company's reported results. However, the impact of changes in foreign exchange rates on the Company's reported results differ over time depending on whether the Company is generating a net cash inflow or outflow of Canadian dollars and GBP.

This is largely dependent on the Company's revenue mix by currency as operating costs denominated in Canadian dollars and GBP have been historically relatively stable.

During Fiscal 2023, the Company generated a net outflow of Canadian dollars. As a matter of policy, the Company enters into foreign exchange forward contracts to protect the expected net Canadian dollar exposure from exchange fluctuation. The Company recorded a net realized foreign exchange gain of $3.2 million during Fiscal 2023 (Fiscal 2022: $5.2 million). This was comprised of a $2.9 million gain on settlement of foreign exchange contracts and a $0.3 million foreign currency gain on translation of Canadian dollar denominated working capital.

At December 31, 2023, the Company had $21.7 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from January 2024 to February 2024. The related liability of $1.5 million (January 1, 2023: $1.7 million asset) is recorded on the statements of financial position as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the consolidated statements of net loss and comprehensive loss.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily Canadian dollar balances. As an illustration, at December 31, 2023 if the Canadian dollar had weakened 10 percent against the U.S. dollar, with all variables held constant, net loss for Fiscal 2023 would have been lower by $9.1 million (Fiscal 2022: $13.9 million). Conversely, if the Canadian dollar had strengthened 10 percent against the U.S. dollar, with all other variables held constant, net loss would have been higher by $10.6 million for Fiscal 2023 (Fiscal 2022: $17 million).

(d) Liquidity[5,NG] Management

The Company's approach to managing liquidity[NG] risk is to ensure, as far as possible, that it will always have sufficient liquidity[NG] to meet liabilities when due. At December 31, 2023 the Company had a cash balance of $49.6 million (January 1, 2023: $50.0 million), $526 million drawn under the North American Facility due in 2026 (January 1, 2023: $882 million), and $96.6 million of outstanding letters of credit (January 1,2023: $22.5 million). The total liquidity[NG] position as at December 31, 2023 is $188.2 million, without consideration given to the minimum banking liquidity[NG] requirement under the Secured Facilities of $50.0 million. In addition, as at December 31, 2023 the Company had $21 million drawn under the UK Facility (January 1, 2023: $18.3 million), and $64.5 million of the letters of credit outstanding outside of the North American Facility. The North American Facility has a total borrowing limit of $761 million, which includes a $150 million letter-of-credit facility. The UK Facility has a total borrowing limit of £30.4 million.

(in thousands of U.S. dollars except per share figures)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The Company's principal sources of funds are cash generated from its operating activities, share and other issuances and borrowing capacity remaining under the Secured Facilities.

The details of the covenants under the Secured Facilities are as follows:

	Total Leverage Ratio[1,NG]	Interest Coverage Ratio[2,NG]	Total Net Debt to Capitalization[3,NG]	Minimum Cumulative Adjusted EBITDA[4,NG]	Minimum Banking Liquidity[5,NG]	Senior Secured Net Leverage Ratio[6,NG]
December 2023	Waived	Waived	<0.65:1.00	>$3,000	$50,000	Waived
January 2024	Waived	Waived	<0.65:1.00	>$14,000	$50,000	Waived
February 2024	Waived	Waived	<0.65:1.00	>$25,000	$50,000	Waived
March 2024	Waived	Waived	<0.65:1.00	>$47,000	$50,000	Waived
2024 Q2	Waived	Waived	<0.65:1.00	>$105,000	$50,000	Waived
2024 Q3	<6.00x	>1.25x	N/A	N/A	$50,000	<4.50x
2024 Q4	<4.75x	>1.50x	N/A	N/A	$50,000	<3.50x
2025 Q1	<4.75x	>1.75x	N/A	N/A	$50,000	<3.50x
2025 Q2	<4.25x	>2.00x	N/A	N/A	$50,000	<3.25x
2025 Q3	<4.25x	>2.25x	N/A	N/A	$50,000	<3.25x
2025 Q4 and after	<3.75x	>2.50x	N/A	N/A	$50,000	<3.00x

1. Total Leverage Ratio ("TLR")[NG] is calculated as aggregate indebtedness of the Company not including the Company's 5.0% convertible debentures and certain non-financial products, but including any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The TLR[NG] is reintroduced in the third quarter of 2024.

2. Interest Coverage Ratio ("ICR")[NG] is calculated as the same trailing twelve month Adjusted EBITDA[NG] as the TLR[NG] divided by trailing twelve-month interest expense on the Secured Facilities, the Company's 5.0% convertible debentures, any senior unsecured or second lien indebtedness and other interest and bank charges.

3. Total Net Debt to Capitalization ("TNDC")[NG] is calculated as borrowings on the Secured Facilities and any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by shareholders' equity, as shown on the Company's balance sheet, plus borrowings on the Secured Facilities. The TNDC[NG] covenant excludes the impact of any actual goodwill write-downs up to a maximum of $100 million.

4. The Minimum Adjusted EBITDA[NG] covenant is first tested with the month ending September 30, 2023, but includes results from the period May 1, 2023 to September 30, 2023. The covenant continues on a cumulative basis until April 30, 2024, at which point it becomes a trailing-twelve month test for the second quarter of 2024. The Minimum Adjusted EBITDA[NG] tests are based on calendar month-end dates from September 2023 to March 2024.

5. Banking Liquidity[NG] is calculated as unrestricted cash and cash equivalents plus the aggregate amount of credit available under the North American Facility.

6. Senior Secured Net Leverage[NG] will include the Secured Facilities and is calculated as indebtedness on those facilities, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The Senior Secured Net Leverage[NG] is reintroduced in 2024 Q3.

The calculation of the banking liquidity[NG] position, without consideration given to the minimum banking liquidity[NG] requirements under the Secured Facilities at December 31, 2023 is provided below. Calculation of the cumulative Adjusted EBITDA[NG] starts with 2023 fourth quarter results. The calculation is adjusted for the impact of the adoption of IFRS 16 in Fiscal 2019. As at December 31, 2023, the Company was in compliance with all covenant requirements.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

US dollars in thousands		**December 31, 2023**		January 1, 2023
Banking Liquidity[NG] Position (must be greater than $50 million)	$	170,131	$	143,454
Minimum Cumulative Adjusted EBITDA[NG] (must be greater than ($3,000) [2022: N/A])	$	53,516		Waived
Net Debt to Capital Ratio[NG] (must be less than 0.65:1.00 [2022: N/A])		0.39		Waived

Compliance with financial covenants under the Secured Facilities is reported quarterly to the Board. Other than the requirements imposed by letters of credit collateral (note 8) and borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis or when strategic capital transactions arise.

Under the terms of the Secured Facilities, the Company is not permitted to declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with Secured Facility covenants.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at December 31, 2023:

US dollars in thousands	**Total**	**2023**	**2024**	**2025**	**2026**	**2027**	**Post 2027**
Leases	$ 210,912	$ 26,242	$ 21,809	$ 19,014	$ 17,377	$ 11,909	$ 114,561
Accrued benefit liability	3,269	3,269					
	$ 214,181	$ 29,511	$ 21,809	$ 19,014	$ 17,377	$ 11,909	$ 114,561

(e) Credit risk

Financial instruments in an asset position, which potentially subject the Company to credit risk and concentrations of credit risk consist principally of cash, accounts receivable and derivative financial instruments. Management has assessed that the credit risk associated with accounts receivable is mitigated by the significant proportion for which the counterparties are well-established transit authorities, which are government entities in North America.

		December 31, 2023		**January 1, 2023 restated (note 2.24)**
Current, including holdbacks	$	438,165	$	333,522
Past due amounts but not impaired				
1 – 60 days		20,123		15,931
Greater than 60 days		8,669		5,480
Less: Allowance for doubtful accounts		(604)		(107)
Total accounts receivables, net	$	466,353	$	354,826

As at December 31, 2023, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

(f) Capital management

The Company's objectives in managing capital are to deploy capital to provide an appropriate return to shareholders and to maintain a capital structure that provides the flexibility to take advantage of growth and development opportunities, maintain existing assets, meet financial obligations and enhance the value for the shareholders. The capital structure of the Company consists of cash, long-term debt, other long-term liabilities and shareholders' equity. The Company manages capital to ensure an appropriate balance between debt and equity. In order to maintain or adjust its capital structure, the Company may raise additional capital from various sources, including capital markets.

(in thousands of U.S. dollars except per share figures)

25. SEGMENT INFORMATION

The Company has two reportable segments which are the Company's strategic business units: Manufacturing Operations and Aftermarket Operations. The strategic business units offer different products and services, and are managed separately because they require different technology, marketing strategies, and operations. For each of the strategic business units, the Company's President and CEO reviews internal management reports on a monthly basis.

The Manufacturing Operations segment derives its revenue from the design, manufacture, service and support of transit buses, coaches, medium-duty shuttles and low floor cutaway buses. Based on management's judgment and applying the aggregation criteria in IFRS 8.12, the Company's bus/coach manufacturing operations and medium-duty/cutaway manufacturing operations fall under a single reportable segment. Aggregation of these operating segments is based on the segments having similar economic characteristics with similar long-term average returns, products and services, production methods, distribution and regulatory environment.

The Manufacturing Operations segment has recorded vendor rebates of $1,394 (Fiscal 2022: $235), which have been recognized into earnings during 2023, but for which the full requirements for entitlement to these rebates have not yet been met.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for transit buses, coaches and medium-duty/cutaway buses, both for the Company's and third party products.

There is no inter segment revenue. Unallocated items in the consolidated earnings before income taxes primarily include unrealized foreign exchange gains or losses, interest and finance costs and corporate overhead costs.

The unallocated total assets of the Company primarily include cash, certain intangible assets, and derivative financial instruments. Corporate assets that are shared by both operating segments are allocated fully to the Manufacturing Operations segment.

Segment information about profits and assets is as follows:

	Fiscal 2023			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 2,130,278	$ 554,953	—	$ 2,685,231
Operating costs and expenses	2,259,665	453,268	141,368	2,854,301
(Loss) earnings before income tax (recovery) expense	(129,387)	101,685	(141,368)	(169,070)
Total assets	1,914,171	504,319	281,470	2,699,960
Addition of capital expenditures	26,082	632	—	26,714
Addition of intangibles assets	10,274	—	—	10,274
Indefinite-life intangible assets	244,265	18,334	—	262,599
Goodwill	223,607	189,564	—	413,171

	Fiscal 2022 (restated note 2.24)			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 1,575,510	$ 485,172	—	$ 2,060,682
Operating costs and expenses	1,932,456	418,170	33,854	2,384,480
(Loss) earnings before income tax (recovery) expense	(356,946)	67,002	(33,854)	(323,798)
Total assets	1,801,272	485,263	297,861	2,584,396
Addition of capital expenditures	21,169	202	—	21,371
Addition of intangibles assets	10,212	—	—	10,212
Impairment loss on goodwill	(103,900)	—	—	(103,900)
Indefinite-life intangible assets	243,936	18,281	—	262,217
Goodwill	221,942	187,761	—	409,703

(in thousands of U.S. dollars except per share figures)

25. SEGMENT INFORMATION (Continued)

The Company's revenue by geography is summarized below:

	Fiscal 2023	Fiscal 2022
North America	$ 2,112,141	$ 1,561,701
UK and Europe	523,431	440,843
Asia Pacific	49,659	58,138
Total	$ 2,685,231	$ 2,060,682

The Company's disaggregated manufacturing revenue by major product type is provided below. The Aftermarket operations revenue does not have similarly disaggregated categories.

	Fiscal 2023	Fiscal 2022
Transit buses	$ 1,647,155	$ 1,219,257
Motor coaches	390,836	296,226
Medium-duty and cutaway buses	50,727	31,778
Pre-owned coach	21,586	12,773
Infrastructure solutions	11,040	8,498
Fiberglass reinforced polymer components	8,934	6,978
Manufacturing revenue	$ 2,130,278	$ 1,575,510

26. RELATED PARTY TRANSACTIONS

Compensation of key management

Key management includes members of the Board of Directors, President and CEO, the CFO, presidents of each business unit, executive vice presidents and vice presidents. The compensation expense for key management for employee services is shown below:

	Fiscal 2023	Fiscal 2022
Salaries and short-term employee benefits	$ 16,659	$ 10,412
Post-employment benefits	600	554
Share-based payment benefits	5,478	492
	$ 22,737	$ 11,458

Share-based payment benefits shown above represent the PSU, RSU, Director RSU, DSU and stock option expense that was recorded in the period.

27. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Company receives notice of potential legal proceedings or is named as a defendant in legal proceedings, including those that may be related to negligence, product liability, wrongful dismissal, contractual disputes or personal injury. Many claims are covered by the Company's insurance policies. Management does not currently expect any of the current claims to have a material adverse effect on the Company's financial position, results of operations or cash flows.

(b) Through the normal course of operations, the Company has indemnified the surety companies providing surety bonds ("surety bond") required under various contracts with customers. In the event that the Company fails to perform under a contract and the surety companies incur a cost on a surety bond, the Company is obligated to repay the costs incurred in relation to the claim up to the value of the bond.

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at December 31, 2023 range from January 2024 to December 2039.

(in thousands of U.S. dollars except per share figures)

27. COMMITMENTS AND CONTINGENCIES (Continued)

At December 31, 2023, outstanding surety bonds guaranteed by the Company totaled $312.7 million (January 1, 2023: $375.6 million). The Company has not recorded any liability under these guarantees, as management believes that no material events of default exist under any contracts with customers.

(c) The Company has a letter of credit sub-facility of $150.0 million as part of the North American Facility (January 1, 2023: $100.0 million). As at December 31, 2023, letters of credit totaling $96.6 million (January 1, 2023: $24.5 million) remain outstanding as security for contractual obligations of the Company under the North American Facility.

The EDC facility includes up to $100 million of surety reinsurance support ("surety reinsurance support") for NFI's surety and performance bonding requirements ("bonding support facility"). The bonding support facility is made up of account performance security guarantee ("PSG") up to $25 million and surety reinsurance support up to $100 million.

The PSG program is in place to cover a standby letter of credit or letter of guarantee (in each case an "LC"), required as part of a collateral package provided to support a surety facility where the new bonding capacity is a minimum of at least twice the face value of the LC. The underlying surety facility must only be supporting surety bonds required under contracts entered into by NFI, and where such surety bonds are bid bonds, performance bonds, regulatory bonds, license and permit bonds.

The Surety Reinsurance Support program is in place to cover surety bond(s) issued on behalf of NFI, provided that such surety bond is a bid bond, performance bond, regulatory bond, license and permit bond. Surety reinsurance support is not to exceed 75% of the surety bond amount.

As at December 31, 2023, there was $74.2 million outstanding under the bonding support facility.

As at December 31, 2023, letters of credit in the UK totaling $18.7 million were outstanding as security obligations of the Company outside of the UK facility (January 1, 2023: $18.3 million). Additionally, there are $45.8 million (January 1, 2023: $25.3 million) of letters of credit outstanding outside of the UK Facility.

As at December 31, 2023, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

(d) Through the normal course of operations, the Company has guaranteed payments and residual values to third party lenders on behalf of customers. As at December 31, 2023, the Company had guaranteed $2.4 million of these arrangements. The Company has not provided for any of these costs, as it does not believe they will have to pay out on any of these arrangements.

28. GUARANTEES

The Company indemnifies its directors and officers against claims and damages that may be incurred in the performance of their services to the Company. Liability insurance has been purchased with respect to the Company's directors and officers.

29. SUPPLEMENTARY EXPENSE INFORMATION

	Fiscal 2023	Fiscal 2022
Employee salary and benefit expenses	$ 395,836	$ 404,511
Depreciation of plant and equipment	49,370	57,013
Amortization of intangible assets	31,410	31,482

The expenses listed above are included in cost of sales and sales, general and administration costs and other operating expenses.

(in thousands of U.S. dollars except per share figures)

30. RESTRUCTURING

On July 27, 2020, the Company announced "NFI Forward", a transformational restructuring initiative to generate cost savings. These cost reduction initiatives are expected to come from a reduced number of business units, facility rationalization, reduced overhead and a more efficient and integrated company.

In July 2022, NFI launched a series of additional projects called “NFI Forward 2.0”, that were expected to generate additional annualized Adjusted EBITDA[NG] savings in 2023 and beyond. The initial project, which occurred during the third quarter of 2022, was the integration of NFI's Delaware parts distribution operations (a legacy parts warehouse that NFI acquired when it purchased North American Bus Industries, Inc. in 2013) into its existing NFI Parts™ footprint by subleasing the facility to a third party.

After a detailed review of the Company’s manufacturing footprint, the Company had originally planned to close the MCI coach manufacturing facility in Pembina, North Dakota in 2023. Due to significant improvements in market conditions and increased demand for its coach and bus products, NFI announced in the fourth quarter of 2023 that it will continue operations at the Pembina, ND facility. With the decision to continue operations at the Pembina facility, NFI reversed a pension liability provision originally recorded in 2022.

The items included in net loss (income) for NFI Forward and NFI Forward 2.0 are as follows:

	Fiscal 2023	Fiscal 2022
Employee termination benefits	$ 1,749	$ 1,116
Right-of-use asset and property, plant and equipment (recoveries) impairments	(2,558)	6,213
Write-down of inventory to net realizable value	—	1,574
Pension liability	(7,000)	7,000
Other	51	3,139
Total restructuring (recoveries) costs	$ (7,758)	$ 19,042

31. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, NFI entered into an agreement with EDC to increase the size of our Guarantee Facility from $100 million to $125 million. The Guarantee Facility is made up of Account Performance Security Guarantee (“Account PSG”) up to $50 million and Surety Reinsurance Support up to $125 million. The aggregate amount of the Guarantee Facility cannot exceed $125 million.

Subsequent to December 31, 2023, NFI entered into an agreement for a new interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of $500 million from January 26, 2024 until October 25, 2024, and thereafter a notional value of $450 million until its expiry on April 25, 2025. The swap carries an interest rate of 4.6%.

The Company has determined these items to be non-adjusting subsequent events. Accordingly, the financial position and results of operations as of, and for the 52-weeks ended December 31, 2023 have not been adjusted to reflect these agreements.