

Alphabet de México de Monclova, S. A. de C. V.
(Subsidiary of MSSL (GB) Limited)

Financial Statements

As of December 31, 2023 and 2022
and Independent Auditor's Report

Alphabet de México de Monclova, S. A. de C. V.
(Subsidiary of MSSL (GB) Limited)

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As of December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

**To the Stockholders of
Alphabet de México de Monclova, S. A. de C. V.**

Qualified Opinion

We have audited the financial statements of Alphabet de México de Monclova, S. A. de C. V. (the Company), which comprise the statement of financial position as of December 31, 2023, and the statements of comprehensive income, changes in stockholders' equity and of cash flows for the year then ended, and its notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the "Basis for qualified opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Alphabet de México de Monclova, S. A. de C. V., as of December 31, 2023, and its financial performance and its cash flow for the year ended in accordance with Mexican Financial Reporting Standards (MFRS).

Basis for qualified opinion

As mentioned in Note 4.m to the accompanying financial statements as of December 31, 2023, the Company recognized partially the effects derived from the MFRS D-3 "Employee Benefits", recording in its financial statements only the asset for the pension plan, without recognizing the effects of the liabilities of the retirement benefits for seniority premiums and legal compensation.

As mentioned in Note 4.p to the accompanying financial statements as of December 31, 2023, the Company did not recognize the deferred income tax according to the MFRS D-4, Income Tax, which requires the recognition of all the temporary differences between the financial reporting and the tax values of assets and liabilities at the reporting date. It was not practical to determine the amount but it is considered significant.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in México in accordance with the Instituto Mexicano de Contadores Públicos A. C.'s Code of Professional Ethics (IMCP Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA and IMCP Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Issues

The Company's financial statements as of December 31, 2022 are presented only for comparative purposes, since they were audited by other independent public accountants who issued a qualified opinion on May 23, 2023, for the lack of employee benefits and deferred income tax recognition.

These report and the accompanying financial statements have been translated from the original Spanish language version for the convenience of foreign/English-speaking readers.

Responsibilities of the management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with MFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of 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 appropriate, 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.

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 ISAs 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 the ISAs, we exercise our 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 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.

We communicate with management, 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.

Baker Tilly Mexico
Independent member firm of
Baker Tilly International



CPA Gabriel Barranco Hernández
Audit Partner


Aguascalientes, Ags. México
June 13, 2024

Alphabet de México de Monclova, S. A. de C. V.
(Subsidiary of MSSL (GB) Limited)

Statements of financial position
As of December 31, 2023 and 2022
(Stated in Mexican pesos)

	Notes	2023	2022
Assets			
Current assets:			
Cash and cash equivalents	Note 5	Ps. 2,355,244	Ps. 4,318,789
MSSL Wiring System, Inc., related party	Note 7	74,387,299	50,173,874
Taxes recoverable	Note 8	13,264,251	7,095,927
Prepayments		7,946,176	2,710,538
Total current assets		<u>97,952,970</u>	<u>64,299,128</u>
Non-current assets:			
Machinery, equipment, and leasehold improvements	Note 9	4,782,351	5,553,203
Right of use assets	Note 10	15,277,575	18,747,115
Total assets		<u>Ps. 118,012,896</u>	<u>Ps. 88,599,446</u>
Liabilities and stockholders' equity			
Short term liabilities:			
Accounts payable		Ps. 22,026	Ps. 93,883
Accruals and other provisions		16,772,238	13,275,553
Lease obligations	Note 10	15,607,980	11,047,861
Income tax		1,136,987	4,410,522
Statutory employees' profit sharing	Nota 13	5,311,085	4,326,234
Direct benefits to employees		24,482,220	17,307,264
Total current liabilities		<u>63,332,536</u>	<u>50,461,317</u>
Long-term liabilities:			
Lease obligations	Note 10	3,610,465	13,193,935
Employees' benefits	Note 11	10,360,512	8,722,870
Total liabilities		<u>77,303,513</u>	<u>72,378,122</u>
Stockholders' equity:			
Capital	Note 15	50,000	50,000
Retained earnings		40,659,383	16,171,324
Total stockholders' equity		<u>40,709,383</u>	<u>16,221,324</u>
Commitments and contingencies	Note 17		
Total liabilities and equity		<u>Ps. 118,012,896</u>	<u>Ps. 88,599,446</u>

The accompanying notes are an integral part of these financial statements which were authorized for their issuance on June 13, 2024 by the officer that sign these financial statements and their notes.


 Enrique Cardenas
 Controller


Alphabet de México de Monclova, S. A. de C. V.
(Subsidiary of MSSL (GB) Limited)

Statements of comprehensive income

For the years ended December 31, 2023, and 2022
(Stated in Mexican pesos)

	Notes	2023	2022
Maquila services	Note 8	Ps. 666,535,408	Ps. 459,142,308
Operating income		340,311	460,304
		<u>666,875,719</u>	<u>459,602,612</u>
Maquila cost and expense	Nota 17	626,215,281	428,728,133
Operating profit		<u>40,660,438</u>	<u>30,874,479</u>
Comprehensive financial result:			
Interest paid		2,269,577	3,178,732
Exchange profit, net		<u>(79,443)</u>	<u>(35,814)</u>
		2,190,134	3,142,918
Profit before income tax		<u>38,470,304</u>	<u>27,731,561</u>
Income tax	Note 15	13,982,245	11,560,237
Comprehensive profit for the year		<u>Ps. 24,488,059</u>	<u>Ps. 16,171,324</u>

The accompanying notes are an integral part of these financial statements which were authorized for their issuance on June 13, 2024 by the officer that sign these financial statements and their notes.


Enrique Cardenas
Controller

Alphabet de México de Monclova, S. A. de C. V.
(Subsidiary of MSSL (GB) Limited)

Statements of changes in stockholders' equity

For the years ended December 31, 2023 and 2022
(Stated in Mexican pesos)

	Capital stock	Retained Earnings	Total
Balance at January 1 st , 2022	Ps. 50,000	Ps. 19,740,258	Ps. 19,790,258
Dividends	-	(19,740,258)	(19,740,258)
Comprehensive profit for the year	-	16,171,324	16,171,324
Balance at December 31, 2022	50,000	16,171,324	16,221,324
Comprehensive profit for the year	-	24,488,059	24,488,059
Balance at December 31, 2023	Ps. 50,000	Ps. 40,659,383	Ps. 40,709,383

The accompanying notes are an integral part of these financial statements which were authorized for their issuance on June 13, 2024 by the officer that sign these financial statements and their notes.

Enrique Cardenas
Controller

Alphabet de México de Monclova, S. A. de C. V.
(Subsidiary of MSSL (GB) Limited)

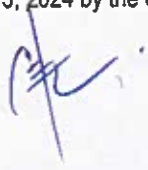
Statements of cash flows

For the years ended December 31, 2023 and 2022
(Stated in Mexican pesos)

	December 31,	
	2023	2022
Operating activities		
Profit before provision for income tax	Ps. 38,470,304	Ps. 27,731,561
Item related to investing activities:		
Depreciation and amortization of owned assets	1,806,396	1,780,967
Depreciation and amortization of leased assets	9,910,733	8,787,626
Employee benefits	1,637,642	701,671
Interest of leased assets	2,271,058	3,181,197
	54,096,133	42,182,721
Changes in operating assets and liabilities:		
Accounts receivables	-	83,907
Related parties	(24,213,425)	(5,932,263)
Accountant payables	23,365,837	(544,384)
Prepaid expenses	(5,031,337)	(233,900)
Seniority premium	-	(781,748)
Income tax	(23,628,405)	(11,424,785)
Employees' benefits	(11,781,202)	9,425,202
Other accrued liabilities	530,469	4,203,014
Net cash flow from operating activities	13,338,070	36,893,857
Investment activities:		
Acquisition of intangible assets	(1,035,544)	(2,590,595)
Net cash flows from investment activities	(1,035,544)	(2,590,595)
Financing activities:		
Dividends paid to non-controlling interest	-	(19,740,258)
Payment of lease obligations	(14,266,072)	(12,963,436)
Net cash flow from financing activities	(14,266,072)	(32,703,694)
Increase (decrease) in cash and cash equivalents	(1,963,546)	1,599,569
Cash and cash equivalents at beginning of year	4,318,789	2,719,220
Cash and cash equivalents at end of year	Ps. 2,355,244	Ps. 4,318,789

The accompanying notes are an integral part of these financial statements which were authorized for their issuance on June 13, 2024 by the officer that sign these financial statements and their notes.

Enrique Cardenas
Controller



Alphabet de México de Monclova, S. A. de C. V.
(Subsidiary of MSSL (GB) Limited)

Notes to the financial statement

For the years ended December 31, 2023 and 2022
(Stated in Mexican pesos)

1. Information of the Company and nature of its operations

Alphabet de México de Monclova, S. A. de C. V. (the "Company") started July 1, 2014 a subsidiary of MSSL (GB) Limited, (MSSL) It was founded in July 14, 2003, in accordance with Mexican law under the protection of the maquila program established by the Mexican Government. Its main activity is the design and manufacture of components, modules and electricity distribution systems and signals under a maquila agreement with MSSL Wiring System, Inc. (a related party).

For practical purposes, the Company has defined that its normal operating period covers from January 1st to December 31 of each year.

These financial statements and its notes have been translated from the original Spanish language version for the convenience of foreign / English-speaking readers.

The Company operates under a temporary importation permit issued by the Ministry of the Economy known as Industria Manufacturera Maquiladora y de Servicios de Exportación (IMMEX by its acronym in Spanish), in accordance with the rules issued by that agency. That permit establishes certain obligations for maquiladoras (contract manufacturers), and initially allows for tax-free importation of materials and other items used in the manufacturing and assembly process in Mexico. Once that process has been concluded, those goods are exported as finished products within the deadlines established for the permit. Furthermore, this program allows for temporary importation, free of value added tax, of the machinery and equipment used in the maquila operation, which must also be returned to the country of origin upon conclusion of the maquila operation, or when it ceases to be used.

As mentioned, the Company belongs to its related party engaged in the manufacture of items used in the automobile industry. The company operates in Mexico in order to take advantage of the possibility of carrying out a certain production process under the aforementioned IMMEX permit. In the case of a maquila service provider rendering services to unrelated parties, Mexican tax provisions require maquila companies to comply with transfer pricing rules applicable to income from maquila services.

Due to the fact that these maquila services are invoiced to its related party MSSL Wiring System Inc. the Company is economically dependent on this entity.

Under the maquila agreement, MSSL Wiring System Inc. retains ownership of inventory and the Company merely processes that inventory as per the specifications and supervision of the MSSL Wiring System Inc. The related party assumes the risk and responsibility of the physical integrity of that inventory and of the quality of the production processes.

On April 23, 2022, the Federal Government released a Decree to regulate labor outsourcing arrangements, which should be inferred as, when an individual or Company make their own workers available to serve or for the benefit of others. The Decree amends, adds and abolishes several tax and labor laws which mainly set forth the following:

- personnel outsourcing services are prohibited for those activities that form part of the core economic activity and statutory subject of the receiving Company.
- only outsourcing of services and specialized works are allowed which do not form part of the receiving Company's core economic activity and statutory subject, as long as, certain requirements are fulfilled and provided that the engaging Company is jointly responsible for the workers that provide such services, and
- the modification of payment calculation of the statutory employee profit sharing (ESPS) to which employees are entitled to.

As of December 31, 2023, the Company had no material effects from the change of said reform.

In addition, on December 27, 2022, a Decree was released in which articles 76 and 78 of the Federal Labor Law are amended in reference to vacation benefits. The main purpose of these amendments is to increase the minimum annual vacation period to employees upon their first year of service and subsequent years. This reform is effective on January 1, 2023; however, as of December 31, 2023, the Company accrued those labor costs and expenses on possible vacation leave compensation and the related premium employees might be entitled to for the following 12 months, in the amount of Ps. 12,079,762 and Accrued Vacation Premium Ps. 2,368,408 in 2023 and Accrued Vacation Ps. 8,621,409 y Accrued Vacation Premium Ps. 3,128,099 in 2022.

2. Basis of preparation of the financial statements

The accompanying financial statements have been prepared in accordance with Mexican Financial Reporting Standards (MFRS) as issued by the Mexican Financial Reporting Standards Board (MFRSB) except mentioned in Note 4.m y 4p. they have been prepared under the assumption that the Company operates on a going concern basis.

Use of estimates

In preparing the financial statements, MFRS require the use of estimates and assumptions that are critical to measure some of their line items as well as disclosing some contingent assets and liabilities, if any. Actual amounts sometimes can differ from when such estimates and assumptions were originally determined.

MFRS also require Management to exercise judgement in applying the Company's accounting policies. Areas that imply major judgements and uncertainty or, where assumptions and estimates are significant to the financial statements, are described further below.

Reporting currency

The accompanying financial statements have been prepared in Mexican pesos, which is the Company's functional currency.

For purposes of disclosure, "pesos" or "Ps." means Mexican pesos and "dollars" or "USD" means U.S. dollars.

Reclasifications

Some amounts and financial statement line items for the year ended 2022 have been reclassified to make them comparable with those presented at year end 2023. Such reclassifications do not have any effect in the financial position and operating results presented in the financial statements in 2022.

Authorization of the issued financial statements

The financial statements for the year ended December 31, 2023 were authorized for issued by Mr. Enrique Cardenas Comptroller on June 13, 2024. These financial statements must be further approved by the Company's Board of Directors and the Stockholders. In accordance with the General Corporate Law, this body is entitled to entitled to amend the financial statements after issuance.

3. New accounting pronouncements

a) New standards and improvements adopted, beginning January 1, 2023

Derived from the issuance of new standards and improvements to some MFRS that become effective January 1, 2023, the company made the following adoptions

MFRS A-1 Conceptual Framework of the Financial Reporting Standards.

The Conceptual Framework will change its codification to include in MFRS A-1 what formerly was Series A of the extant Conceptual framework (MFRS A-1 to MFRS A-8). Other important changes are the fundamental and enhancing qualitative characteristics of the financial statements, some definitions of asset and liability, the new valuation of amortized cost and elimination of the replacement cost valuation. All the foregoing, given the issuance of particular new standards and to narrow down differences with International Financial Reporting Standards (IFRS).

b) Revised and improvements to MFRS issued, that are not yet effective

In December 2023 the Mexican Council for Financial Reporting and Sustainability Standards A.C. MFRSB issued the improvement MFRS to 2024, which contains specific modifications to some existing MFRS. Those MFRS are not considered to have a significant affectation in the financial information to be presented by the Company.

4. Significant accounting policies

a) Foreign currency transactions and operations

Foreign currency transactions are recorded using the exchange rate at the transaction date. Exchange differences resulting from the settlement of such transactions and/or from remeasurement of foreign currency denominated balances using the exchange rate at the reporting date, are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies are measured at the exchange rate of the transaction date (historical cost).

b) Recognition of inflation in the financial information

In accordance with MFRS B-10, effective January 1, 2008, the effects of inflation in the financial information ceased to be recognized.

Inflation for the years 2023 and 2022, determined through the National Consumer Price Index (INPC, for its Spanish acronym) was 4.66% and 7.82%, respectively. Accumulated inflation for the immediate three years before 2023 and 2022 was 19.39% and 13.87%, respectively. Accumulated inflation for the last three years to year end 2023 is 19.39%; levels which, pursuant to NIF, correspond to a non-inflationary environment for the reporting years and the next one.

The financial statements as of December 31, 2023 and 2022 are prepared under historical cost basis. Pursuant to MFRS B-10, the Company does not recognize the effects of inflation in the financial information as it operates in a non-inflationary economic environment since its incorporation and commencement of its operations.

c) Presentation of the statement of comprehensive income

Costs and expenses, shown in the accompanying statements of profit or loss, are presented based on their function as such classification allows for appropriately assessing gross profit and operating margins.

d) Statements of cash flows

Statements of cash flows have been prepared under the indirect method, presenting cash flows from operating activities beginning by pre-tax net income, and reconciled with non-cash flows items arising from investing and financing activities; then followed by working capital changes, cash flows from investing activities and those from financing activities.

e) Revenue recognition

The Company's revenue is comprised by the revenue of services provided in the manufacturing and assembling of wire harnesses for the automotive industry under the "maquila" treatment to MSSL Wiring System Inc., a related party based in the United States of America

To recognize revenue, the Company follows the five-step model:

- Identifying the contract with the customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to each performance obligation, and
- Recognizing revenue when each performance obligation is satisfied.

Revenue is recognized at the transaction price, being the expected right of consideration in exchange to transfer the promised good to the customer adjusted by any variable payment or any rebate promised to the customer.

Service income

Maquila services are generally contracted for a profit margin over the general expenses consideration and revenue is recognized based on the portion of the service already provided as the customer takes control of the service as it is being provided. Billings for the services are based on a payment schedule; and accordingly, any excess of billed amounts over the effective service provided is adjusted to revenue and a contract liability is recognized. Likewise, any effective portion of the service rendered not yet billed accounts for a revenue and a contract asset recognition (unbilled income).

f) Cash and cash equivalents

Cash and cash equivalents are primarily represented by petty cash and bank, cash is presented at nominal value; changes in value of this caption are recognized in the comprehensive financial result (CFR). (See Note 6).

g) Trade accounts receivables from related party

Trade receivables are initially recognized at the transaction price and subsequently measured at the unconditional consideration amounts, less any expected loss.

To recognize any impairment, the Company uses a simplified matrix approach to determine expected credit losses (ECL) for the lifetime of the receivable. To measure ECL, accounts receivable is grouped based on common credit risk characteristics and/or different patterns of non-performance losses. Estimated rates (percentages) are applied based on default periods and are increased as default periods become longer.

As of December 31, 2023, and 2022, there are no accounts receivable that have a probability of default.

h) Prepayments

Prepaid expenses mainly comprise insurance and other upfront payments to service suppliers for which the benefit or inherent risk for the goods or services acquired are not yet transferred to the Company. They are recognized at the amounts paid; when receiving the good or service they are transferred to an asset or expense based on which the payment was intended.

Other assets are comprised by warranty deposits.

i) Machinery, equipment and leasehold improvements

They are initially recognized at their acquisition or construction cost. Acquisition cost includes all purchasing or construction costs incurred until the date in which they are in use conditions.

Depreciation is calculated upon the value of the assets, using the straight-line method and based on their estimated useful lives (See Note 10), which are annually reviewed considering their residual value.

Maintenance costs and repair costs are charged to profit or loss as incurred.

j) Leases

The Company accounts for a right-to-use asset arising from lease agreements entered into as a lessee. Its cost comprises the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any cost of dismantling the asset at the end of the lease contract, and any lease payments made prior to the lease official commencement date (net of any incentives received).

Right-of-use assets are depreciated using the straight-line method from the lease initial date to the earlier of the asset's end of its useful life or to the end of the lease term.

The liability is measured at the present value of the future payments at the beginning of the lease, discounted at an interest rate implied in the lease, if that rate is easily determinable, the Company's incremental financing rate or a free risk rate. After the initial measurement, the liability will be reduced by the payments made and increased by the interest. The liability is re-measured to reflect any re-evaluation or modification, or if there is a change in payments that are essentially fixed. The measurement adjustment affects the right-of-use asset or affects income if the asset has already been reduced to zero. (See Note 10).

k) Financial liabilities

The Company's financial liabilities include suppliers, and other accounts payable.

Financial liabilities are initially measured at fair value and, when applicable, adjusted for transaction costs, unless the Company has designated the financial liability in its initial recognition at fair value through profit or loss (FVTPL).

l) Provisions and contingent liabilities

Provisions are recognized when (i) there is a present obligation (legal or assumed) because of a past event, (ii) there is a likely need of outflow of economic resources, and (iii) amounts can be estimated reliably.

Contingent liabilities are only recognized when the outflow of economic resources for their settlement is probable and there are reasonable bases for its quantification. Likewise, commitments are recognized only when a loss is known.

m) Employees' benefits

Direct benefits

Obligations for short-term employee direct benefits such as salaries, profit sharing, year-end bonus, paid vacation, illness leave are recognized as expenses in the year the employees are entitled for the benefits.

Seniority premium and indemnifications

The Federal Labor Law in México sets forth payment of seniority premium to personnel being employed for 15 or more years, as well as indemnifications for voluntary or involuntary termination, that are mandatory at the time the labor relationship ceases for termination or retirement. These benefits are determined based on actuarial appraisals considering personnel years of service to cover defined benefit obligations (DBO) in a long-term liability. (See Note 11).

Adjustments to DBO arising from actuarial gains or losses are recognized in OCI and then reclassified to profit or loss based on the remaining average labor life. Costs of unaccrued past services, less fair value of plan assets (if any) are recognized in profit or loss.

As of December 31, 2023 and 2022, the Company did not record the liability for long-term employee benefits in accordance with MFRS D-3 "Employee benefits". Instead, the Company recognized a long-term labor obligation liability, which was not determined pursuant to MFRS D-3, but in accordance with International Financial Reporting Standards and estimating the amount recognized in the liability at the closing date.

n) Statutory employees' profit sharing (SEPS)

Current SEPS is recognized in profit or loss for the year in which is deemed payable and is allocated in its belonging expense item within the statement of comprehensive income. Deferred SEPS is determined from temporary differences arising from comparing book against tax values of assets and liabilities using the enacted rate at year end. Deferred SEPS asset is recognized only if it is probable that will be recoverable in the future.

Current SEPS is determined based on taxable income as provided in Section II of Article 10 of the Income Tax Law. (See Note 13).

o) Comprehensive income

Total comprehensive income represents the equity gained during the year, comprised by the net income and other comprehensive items for the same period that directly affect the shareholders' equity and do not constitute contributions, reductions or distributions of capital. As of December 31, 2023 and 2022 the net income is the same as the comprehensive income since there are no other comprehensive items. (See Note 13).

p) Income taxes

Income tax expense is comprised by the current and deferred income tax of the year. Current income tax of the year is presented as a short-term liability, net of any prepayment made during the same year.

Deferred income tax is determined based on temporary differences arising from comparing book against tax values of assets and liabilities using the expected tax rate will be in force in the year the asset would be realized, or the liability would be settled (See Note 15).

A deferred tax asset is recognized for temporary deductible differences, including the benefit of tax loss carryforwards and other tax credits, only if it is probable that future taxable income will be available to utilize those temporary differences or losses. The carrying amount of the asset is reviewed at the reporting date and is reduced to the extent it is unlikely to have sufficient tax benefits available to which the asset can be realized. Accordingly, any deferred tax asset allowance previously created is reversed otherwise.

As of December 31, 2023 and 2022, the Company did not recognize the deferred income tax according to the MFRS D-4, Income Tax. (See Note 14).

Uncertain tax treatments

The Company assesses every year the uncertainty over tax treatments in connection with income tax, considering any new positions taken by the tax authority and/or tax amendments during the year that can affect those tax treatments adopted by the Company in prior years.

For those uncertain treatments where Management may conclude are not probable that the tax authority will accept them, Management uses the "most likely amount" method to estimate income tax determinations.

5. Cash and cash equivalents

As of December 31, 2023 and 2022, cash and cash equivalents are comprised as follows:

	December 31,	
	2023	2022
Petty cash	8,000	8,000
Bank deposits	2,347,244	4,310,789
Short-term investments		
	<u>2,355,244</u>	<u>4,318,789</u>

6. Inventory for maquila process

At December 31, 2023 and 2022, the Company held inventory of raw materials, imported on a temporary basis for maquila process of Usd 14,929,171 and Usd 6,022,648, respectively; which must be returned or exported to another country once such inventory has been transformed, in accordance with the fast track export program.

7. Related parties

As mentioned in Note 1, the Company is a subsidiary of MSSL Wiring System, Inc. with which it has a business relationship due to the maquila services.

The account receivable by Ps. 74,387,299 and Ps. 50,173,874 as of December 31, 2023, and 2022; respectively, with MSSL Wiring System, Inc. (a affiliated) represents the open balance regarding the maquila contract services in Mexican pesos.

The Company conducts its operations through a maquila's contract, which states that income will be calculated based on the costs and expenses incurred in the conduct of its operations plus a percentage of profit.

Operations with related parties performed in the normal course of business, were as follow:

	Years endend December 31,	
	2023	2022
Income for maquila service	Ps. 666,535,408	Ps. 459,142,308

8. Recoverable taxes

As of December 31, 2023 and 2022, recoverable taxes are analyzed as follows:

	December 31,	
	2023	2022
Value added tax recoverable	Ps. 11,470,616	Ps. 7,095,927
Prepaid Income Tax	1,793,635	-
	<u>Ps. 13,264,251</u>	<u>Ps. 7,095,927</u>

9. Machinery, equipment, and leasehold improvements

a) Machinery, equipment, and leasehold improvements are comprised as follows:

At December 31, 2023 and 2022, the balances of machinery, equipment and improvements, are integrated as follows:

	As of December 31,		Depreciation rate
	2023	2022	
Machinery and equipment	Ps. 12,043,113	Ps. 11,007,569	5%
Leasehold improvements	11,592,299	11,592,299	5%
Software	1,678,903	1,678,903	20%
Furniture	972,621	972,621	10%
	26,286,936	25,251,392	
Accumulated depreciation	(21,504,585)	(19,698,189)	
	Ps. 4,782,351	Ps. 5,553,203	

b) Depreciation expense for the years ended December 31, 2023 and 2022 amounted to Ps. 1,806,396 and Ps. 1,780,667, respectively.

c) During the year ending December 31, 2023, the Company had assets received in maquila. Also, in connection to those assets, the Company has incurred certain commitments (see Note 17).

10. Leases

The Company has lease contracts for many items of machinery, vehicles and other equipment used in its operations. Leases of property and plant generally have lease terms between 3 and 5 years, while equipment generally have lease terms between 1 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. There are some lease contracts that include extension and termination options and variable lease payments.

Information related to right of use assets, is shown below:

	Years ended December 31,	
	2023	2022
Right of use asset	Ps. 61,114,419	Ps. 54,385,083
Accumulated amortization	(45,836,844)	(35,637,968)
	Ps. 15,277,575	Ps. 18,747,115

Lease liabilities

Terms and conditions for the leases as of December 31, 2023 are as follows:

	As of December 31,	
	2023	2022
Lease obligations	Ps. 24,241,796	Ps. 34,127,491
Adds of lease contracts	6,971,663	-
Interest	2,271,058	3,181,197
Payments of lease liabilities	(14,266,072)	(13,066,892)
	<u>Ps. 19,218,445</u>	<u>Ps. 24,241,796</u>

	As of December 31,	
	2023	2022
Short term lease obligations	Ps. 15,607,980	Ps. 11,047,861
Long term lease obligations	3,610,465	13,193,935
	<u>Ps. 19,218,445</u>	<u>Ps. 24,241,796</u>

Interest expense on capital leases during the years ended December 31, 2023 and 2022 was Ps. 2,271,058 and Ps. 3,181,197, respectively.

11. Employees' benefits

a) The value of the Defined Benefit Obligations (DBO) as of December 31, 2023 and 2022 amounted to Ps. 10,360,512 and Ps. 8,722,870, respectively.

b. Reconciliation of the initial and final balances of the PNBD:

	As of December, 31	
	2023	2022
OBD at the beginning of the period	Ps. 8,722,870	Ps. 8,802,947
Present service cost	1,263,831	1,317,194
Financial cost of OBD	794,166	693,756
Remediations	158,425	(1,309,279)
Benefits paid	(578,780)	(781,748)
OBD at the end of the period	<u>Ps. 10,360,512</u>	<u>Ps. 8,722,870</u>

c) Main actuarial hypotheses.

The main actuarial assumptions used, expressed in absolute terms, as well as the discount rates, performance of plan assets, salary increase and changes in indices or other variables, referring to December 31, 2023 and 2022, are as follows:

	As of December 31,	
	2023	2022
	%	%
Discount rate	9.40	9.45
Salary increase	5.00	5.00
Increase rate (UMA)	4.00	4.00
Inflation long-term	4.00	4.00

12. Foreign currency position

As of December 31, 2023 and 2022, the financial statements include assets and liabilities denominated in foreign currency as follows:

	As of December 31,			
	2023		2022	
Assets	Dls.	4,522	Dls.	70,908
Liabilities		(22,052)		(6,295)
Long (short) position	Dls.	(17,530)	Dls.	64,613
Equivalent in Mexican pesos	Ps.	(296,143)	Ps.	1,251,004

b. The exchange rates as of December 31, 2023 and 2022 and as of the date of issuance of the financial statements are the following:

Date	Exchange rate per US dollar
December 31, 2023	16.8935
December 31, 2022	19.3615

13. Statutory employees' profit sharing (SEPS)

a) SEPS determination

For the years ended December 31, 2023, and 2022, the taxable base for SEPS was Ps. 50,691,813 and Ps. 41,259,263, respectively. SEPS is determined similarly to taxable base for income tax purposes excluding inflation adjustment, inflation effects on depreciation, payments of SEPS during the year, and adding amounts of benefits paid to employees that are not fully deductible for income tax purposes. Current enacted rate is 10%.

	Year ended December 31,			
	2023		2022	
Current SEPS	Ps.	5,069,181	Ps.	4,125,926
	Ps.	5,069,181	Ps.	4,125,926

SEPS expense is recorded within maquila cost and expenses as appropriate.

14. Income tax

i. The income tax law establishes that the applicable income tax rate for 2023, and 2022 years is 30% of tax income.

Likewise, on December 26, 2013, a official resolution was published in the Official Gazette of the Federation (DOF by its Spanish acronym), which grants the following benefits to the maquiladora industry:

- An additional deduction of 47% or 53%, as the case may be, on the benefits exempted from taxes paid to employees in the relevant activity of the maquila operation (since 2014, the Law limits the deduction of these payments up to 47% of them, under certain conditions the deduction can amount to 53%). The maquiladoras that apply this benefit must inform the Mexican authorities of the amount and determination thereof, for which they will have until the month of March of the corresponding year (for 2023 the due date is March 2024).
- For product sales made in Mexico between a resident abroad and the maquiladora, valued at 16% VAT, if certain requirements are met, the acquirer will be able to credit and receive VAT from the operation in the same month as the sale.

Additionally, according to the miscellaneous fiscal resolution in force, among other rules, the following are applicable to the maquiladora industry:

The Income tax law establishes that income associated with productive activities must originate only from maquila activities. In this sense, said rule establishes that such income may also include those obtained by other maquila services provided to related parties residing abroad and other miscellaneous income, indicating that this type of income must be clearly identified in the records of the maquila their relative expenses and as long as they do not exceed 10% of the maquila income. As of December 31, 2023, and 2022, revenues other than maquila correspond to less than 1% in both years, in relation to the total income of the Company. The Income tax law modified the definition of "Maquila Operation". Income related to productive activities should now come only from maquila activities, as indicated in the IMMEX Decree. Additionally, the law provides rules on the machinery and equipment used for the maquila activity, which are consistent with the current definition of the IMMEX Decree.

Until December 31, 2023, there was currently two transfer pricing methods: Safe Harbor (tax basis considering the average of assets or costs and expenses, whichever is greater) and Advance Price Agreement with the fiscal authority (APA for its acronym in English).

The APA study is prepared by specialists in the field and is intended to determine the normal ranges of prices between parties not related to similar transactions and is applied in the maquiladora as a percentage of operating profit.

The "Safe Harbor" option establishes a mechanism in which the maquila companies are obliged to determine a fiscal profit, equivalent to the amount that is greater between applying 6.9% on the value of the assets destined to the maquila operation (on certain basis) and 6.5% on the amount of costs and expenses of the operation.

The Mexican Congress on October 26, 2021, approved several changes to different tax laws as part of the proposed 2023 budget. These changes include amendments to the Mexican Income Tax Law (MITL), the Value-Added Tax Law (VATL), and the Mexican Federal Tax Code (MFTC), most of which into force on January 1, 2022. Key changes include that Maquiladoras will not be permitted to comply with transfer pricing obligations through Advance Pricing Agreements (APAs), and the only applicable mechanism to determine the profit margin will be the safe-harbor rules.

ii. During 2023 and 2022, the Company continues to the option called APA through the "Fast Track" method. On December 10, 2021, the Company asked to the Tax Authorities for its authorization to apply in the fiscal years ending on December 31, 2020, 2021, 2022, 2023 and 2024, the provisions of the penultimate paragraph of Article 182 (Income tax law).

iii. In accordance with the current Income tax law and the rules, in 2023 the Company determined a tax profit of Ps. 46,607,483 (Ps. 38,534,122 in 2022). The fiscal result differs from the accounting result, mainly for those items that accumulate over time and are deducted differently for accounting and tax purposes, due to the recognition of the effects of inflation for fiscal purposes, as well as those items that only affect the accounting result or the fiscal.

Other taxes

As of January 1, 2014, the Decree that adds and repeals various provisions of the Value Added Tax Law (VATL) and the Special Tax Law on Production and Services (STLPS) entered into force, within of which, together with the modifications to other regulations, the following changes regarding VAT stand out:

- Temporary imports under the IMMEX and similar programs will qualify to obtain a credit for VAT accrual when they obtain a special certification from the tax authorities regarding the adequate control of said imports.
- The law taxes sales of products located in Mexico at a rate of 16% VAT, between a resident abroad and a resident in Mexico.
- Maquiladora entities do not qualify for the new simplified tax consolidation regime.
- The use of a customs agent is optional for entities.
- The figure of the customs agent disappears.
- The second customs acknowledgment is eliminated.
- Customs clearance will be done electronically, and the use of paper will be discontinued.

15. Stockholders' equity

a. The common stock consists of ordinary nominative shares at par value of one peso each. As of December 31, 2023 and 2022, the capital stock is as follows:

Fixed capital, series B	Number of stocks	Amount
MSSL (GB) Limited	49,999 Ps.	49,999
MSSL Overseas Wiring System Ltd.	1	1
	<u>50,000 Ps.</u>	<u>50,000</u>

These stocks are fully subscribe and paid.

b. The General Corporations Law requires that at least 5% of net income of the year be allocated to form a legal reserve until the reserve equals 20% of capital stock at par value. As of December 31, 2023, and 2022, the legal reserve have not been recognized.

- c. Stock reimbursements and dividends, except for those restated tax balances of paid in common stock (CUCA, for its Spanish acronym) and retained earnings (CUFIN, for its Spanish acronym) will be subject to income tax to the Company at the rate in effect at distribution date. The tax paid may be credited against the annual income tax for the year in which the tax on dividend is paid and the two immediately following years.

As of December 31, 2023, and 2022, the CUFIN and CUCA accounts have the following values:

	As of December 31,	
	2023	2022
CUCA	Ps. 122,403	Ps. 116,953
CUFIN	Ps. 101,646,975	Ps. 67,271,869

16. Maquila cost and expenses

As of December 31, 2023 and 2022, the maquila cost and expenses are as follows:

	As of December 31,	
	2023	2022
Wages and salaries	\$ 395,136,524	\$ 265,655,589
Social security and payroll tax	77,300,504	47,684,446
Other expenses	95,777,307	72,986,960
Tooling	13,695,694	7,619,379
Freights	11,316,143	5,813,162
Leases	10,549,549	11,145,527
Electricity	9,953,388	8,422,754
Travel expenses	6,229,448	3,970,840
Transportation expenses	3,812,616	3,532,934
Professional fees and services	2,444,108	1,896,544
	<u>\$ 626,215,281</u>	<u>\$ 428,728,133</u>

18. Commitments and contingencies

Commitments

As of December 31, 2023, and 2022, the Company has the following inherent commitments to the IMMEX program:

- All income from production operations must arise exclusively from its maquila operation, although the company may receive income from services rendered, goods leased, waste sold, goods sold (not manufactured by the Company) and other income pertaining to its operations, provided certain requirements are met and that income does not exceed 10% of the maquila operation income.
- To allocate the goods temporarily imported under the IMMEX program for authorized purposes.

- Return the merchandise abroad in the corresponding terms according to what is established in the Customs Law or in the maquila program. As of December 31, 2023 and 2022, the Company has in its custody inventories owned by its related party, temporarily imported, with an approximated value of Usd 14,929,171 and Usd 6,022,648, respectively. (Unaudited amounts).
- Keep the imported goods temporarily at the addresses registered in the program.
- Request the Ministry of Economy, prior processing before the Tax Administration Service (TAS), the registration of changes in the data stated in the application for the approval of the maquila program, such as company name, address and federal taxpayer registry, as well as suspension of activities.
- Keep an automated inventory control with certain minimum information.
- Submit an annual report electronically to the Ministry of Economy and the TAS, regarding total sales and exports, corresponding to the immediately preceding fiscal year, no later than the last business day of the month of May of the following year.
- Additionally, when returning temporarily imported materials and supplies, the maquiladora must pay the import taxes corresponding to those materials whose country of origin has not signed a free trade agreement; Likewise, the VAT corresponding to the importation of machinery and equipment must be paid, once the IMMEX program is canceled and these assets remain in Mexico.

Contingencies

- a) The Company has entered into service agreements with related parties, under which the Company provides services of maquila necessary for the Company's operation. These agreements are for an undefined period.

In compliance with Mexican Income Tax Law, the Company is subject to tax reviews from authorities up to five fiscal years prior to the last annual tax return filed. Therefore, the Company is contingent to any tax assessment as a result of a tax authority review, plus fines and penalties.

Companies that carry out transactions with domestic and foreign related parties are subject to tax limitations and obligations regarding their determined agreed-upon prices. These prices must be equal to those that would be used with or between independent related parties in comparable transactions. In the case the tax authority determined differences on such prices in a review, the Company would be liable for the assessed tax omitted plus fines and surcharges and, an additional penalty that could reach the total amount of the omitted tax assessed by the authority.

- b) As of December 31, 2023, and 2022, the Company has made imports under the temporary importation program, which in case of exceeding the limit set by the authorities, must be liquidated with final import taxes.
- c) At December 31, 2023 and 2022, the Company had under custody temporarily imported assets by its holding company with an approximate value of Ps.179,222,787 and Ps. 178,569,411, respectively. (Unaudited amounts).

Enrique Cardenas
Comptroller

