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

Financial Statements

Years ended December 31, 2023 and 2022

Contents:

bakertilly

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Independent Auditor's Report

To the Stockholders of
Alphabet de Saltillo, S. A. de C. V.

Qualified opinion

We have audited the financial statements of Alphabet de Saltillo, 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 possible 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 the Company as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Mexican Financial Reporting Standards (MFRS).

Basis for qualified opinion

As is mentioned in Note 4.l to the accompanying financial statement, as of December 31, 2023, the Company did not record the liability for long-term employee benefits in accordance with MFRS D-3 "Employee benefits". The lack of recognition of long-term employee benefits is considered a material deviation for the accompanying financial statements.

As is mentioned in the Note 4.m to the accompanying financial statement, as of December 31, 2023, the Company did not recognize deferred employees' statutory profit sharing as of December 31, 2023, as required by the MFRS D-3 "Employee benefits". The lack of recognition of deferred ESPS is considered a material deviation for the accompanying financial statements.

As is mentioned in the Note 4.o to the financial statements, as of December 31, 2023, the Company did not recognize the effects of deferred taxes under the provisions of MFRS D-4 "Income Taxes". It was not practical to determine the effects resulting from the non-adoption of said Standard; however, these are 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 Mexican Institute of Public Accountants' Code of Professional Ethics (MIPA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA and MIPA 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 figures of the financial statements as of December 31, 2022, are presented for comparative purposes, due it was audited by other independent public accountants, who issued a qualified opinion on June 16, 2023, for the lack of employee benefits and deferred income tax recognition.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NIF, 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.

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 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 ISAs, 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.

We communicate with management, 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 Raymundo Guerrero Mendoza
Audit Partner

Aguascalientes, Ags. Mexico
June 13, 2024

Alphabet de Saltillo, 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.	3,366,486	Ps.	7,746,454
MSSL Wiring System, Inc., related party	Note 7		118,639,135		96,454,771
Value added tax receivables			15,544,501		8,866,715
Income tax receivable			3,290,806		-
Other financial assets			2,826,116		2,849,386
Total current assets			143,667,044		115,917,326
Non-current assets:					
Right of use assets	Note 8		67,320,554		74,339,610
Total assets		Ps.	210,987,598	Ps.	190,256,936
Liabilities and stockholders' equity					
Short term liabilities:					
Suppliers		Ps.	1,581,755	Ps.	4,411,147
Accrued expenses and other accounts payable			56,802,735		55,886,061
Leases obligations	Note 8		5,174,504		4,870,866
Income tax payable			-		2,660,879
Statutory employees' profit sharing			6,740,524		7,488,650
Total short-term liabilities			70,299,518		75,317,603
Long-term liabilities:					
Employees' benefits			4,386,133		3,578,555
Lease obligations	Note 8		84,154,245		89,328,749
Total liabilities			158,839,896		168,224,907
Stockholders' equity:					
Capital stock	Note 11		50,000		50,000
Retained earnings			52,097,702		21,982,029
Total stockholders' equity			52,147,702		22,032,029
Commitments and contingencies	Note 13				
Total liabilities and equity		Ps.	210,987,598	Ps.	190,256,936

The accompanying notes are an integral part to these financial statements which were authorized for their issuance on April 30, 2024 by the officers that sign these financial statements and their notes.

Ángel Alviso
Controller

Alphabet de Saltillo, 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 7	Ps.	796,390,563	Ps.	691,930,820
Other Income, net			614,020		2,481,580
			797,004,583		694,412,400
Maquila cost	Note 12		742,300,036		642,252,396
Operating profit			54,704,547		52,160,004
Comprehensive financial result:					
Interest paid - Net			10,197,959		10,690,987
Exchange loss (profit) - Net			(502,458)		880,271
			9,695,501		11,571,258
Profit before income tax			45,009,046		40,588,746
Income tax	Note 9		14,893,373		18,606,717
Comprehensive profit for the year		Ps.	30,115,673	Ps.	21,982,029

The accompanying notes are an integral part to these financial statements which were authorized for their issuance on April 30, 2024 by the officers that sign these financial statements and their notes.

Angel Alviso
Controller

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

Statement of changes in stockholders 'equity

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

		Capital stock		Retained earnings		Total stockholders' equity
Balance as of January 1, 2022	Ps.	50,000	Ps.	9,293,761	Ps.	9,343,761
Dividends decreed (Note 11)		-		(9,293,761)		(9,293,761)
Comprehensive profit for the year		-		21,982,029		21,982,029
Balance as of December 31, 2022		50,000		21,982,029		22,032,029
Comprehensive profit for the year		-		30,115,673		30,115,673
Balance as of December 31, 2023	Ps.	50,000	Ps.	52,097,702	Ps.	52,147,702

The accompanying notes are an integral part to these financial statements which were authorized for their issuance on April 30, 2024 by the officers that sign these financial statements and their notes.

Angel Alviso
Controller

Alphabet de Saltillo, 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)

		2023		2022
Operating activities				
Profit before income tax	Ps.	45,009,046	Ps.	40,588,746
Item related to investing activities:				
Depreciation right of use assets		7,019,056		7,019,056
Interest gain		(2,200)		(3,356)
Item related to financing activities:				
Employee benefits		807,578		-
Interest in charge		10,200,159		10,690,988
		63,033,639		58,295,434
Changes in operating assets and liabilities:				
Accounts receivables		-		437,130
Related parties receivable		(22,184,364)		(19,064,604)
Tax receivables and other assets		(9,945,321)		(90,056)
Suppliers		(2,828,550)		(1,017,227)
Employees' statutory profit sharing		4,079,645		3,752,626
Income tax paid		(14,893,373)		(26,564,142)
Accrued expenses and other payables		(6,575,019)		5,198,953
Net cash flow from operating activities		10,686,657		20,948,114
Investment activities:				
Acquisition of right of use assets		-		2,647,601
Interest collected		2,200		3,356
Net cash flows from investment activities		2,200		2,650,957
Financing activities:				
Dividends paid		-		(9,293,761)
Interest paid		(10,197,959)		(10,690,988)
Lease payments		(4,870,866)		-
Net cash flow from financing activities		(15,068,825)		(19,984,749)
(Decrease) increase in cash and cash equivalents		(4,379,968)		3,614,322
Cash and cash equivalents at beginning of year		7,746,454		4,132,132
Cash and cash equivalents at end of year	Ps.	3,366,486	Ps.	7,746,454

The accompanying notes are an integral part to these financial statements which were authorized for their issuance on April 30, 2024 by the officers that sign these financial statements and their notes.

Angel Alviso
Controller

Alphabet de Saltillo, 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 Saltillo, S.A. de C.V. (the "Company") started July 1, 2014 a subsidiary of MSSL (GB) Limited, (MSSL) it was founded on March 17, 2011, 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 determined that its regular operating cycle comprises from January 1 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 Maquiladora Manufacturing and Export Services Industry (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 (GB) Limited the Company is economically dependent on this entity.

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

In addition, on December 27, 2022, a Decree was released in which articles 76 and 78 of the Federal Labor Law (FLL) are amended in reference to vacation benefits. The main purpose of these amendments is to increase the minimum annual vacation period for employees upon their first year of service and subsequent years. This reform is effective on January 1, 2023; however, as of December 31,2022, 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.

2. Basis of preparation of the financial statements

The accompanying financial statements have been prepared in accordance with Mexican Financial Reporting Standards (NIF) as issued by the Mexican Financial Reporting Standards Board (NIFB) except mentioned in Note 4.l, 4.m and 4.o. They have been prepared under the assumption that the Company operates on a going concern basis.

Use of estimates

In preparing the financial statements, NIF requires 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. There are not areas that imply major judgements and uncertainty or, where assumptions and estimates are significant to the financial statements.

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.

Reclassifications

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 issue by Angel Alviso, Controller on April 30, 2024. These financial statements must be further approved by the Stockholders' Meeting. In accordance with the General Corporations Law, this body is entitled to amend the financial statements after issuance.

3. New accounting pronouncements

a) New standards and improvements adopted as of 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 adoptions shown in the next page.

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).

The new Conceptual Framework will be effective for fiscal years beginning on January 1, 2023.

Improvements to NIF 2023

MFRS B-10 Effects of inflation - Inflation levels in an inflationary environment. The wording is amended in some paragraphs to eliminate references to annual inflation average of 8% as a measure of an inflationary environment. Accordingly, accumulated inflation for the immediate three years of 26% or higher will be the only threshold to consider an inflationary economic environment.

MFRS C-3 Accounts receivable. Reference to other accounts receivable and elimination of references to accounts receivable.

The scope of the standard is specified, which is also applicable to other accounts receivable, and references to the concept of commercial accounts receivable have eliminated a term that is no longer used in this MFRS.

MFRS C-4 Inventories- details in writing

The MFRSB considers it convenient to include some improvements, which clarify and clarify certain regulatory concepts. Additionally, an introductory paragraph of convergence section with international financial reporting standard IFRS was modified, clarifying the difference that arises with the International Accounting Standard IAS 2 Inventories.

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

In December 2023, the MFRSB issued the improvement MFRS to 2024, which contains specific modifications to some existing MFRS the mainly improvements that generated accounting changes are the following:

MFRS C-6 Property, Plant and Equipment/MFRS D-6 Capitalization of comprehensive financing results/MFRS E-1 Agricultura activities

It comes into force for years beginning on or after January 1, 2024, allowing its early application in 2023. Any change it generates must be recognized in accordance with MFRS B-1 Accounting changes and error corrections. This improvement specifies thar a producing biological asset could be a qualifying file if it is not ready to start producing (intentional use) and the CFR could be capitalized as part of its acquisition cost.

Additionally, producing plants and animals are included within the scope of MFRS. C-6.

MFRS B-2 Statement of cash flows/MFRS B-6 Statement of financial position/ MFRS B-17 Determination of fair value/ MFRS C-2 Investment in financial instrument, / MFRS C-6 Impairment of financial instrument receivable/MFRS C-20 Financial instruments receivable principal and interest/ IMFRS 24 Recognitions of the effects of the applicable of the new reference interest rates.

It comes into force for years beginning on or after January 1, 2024, allowing its early application in 2023. The term financial instruments to collect or sell changes to financial instruments to collect and sell. Any accounting change it generates must be recognized in accordance with MFRS B-1 Accounting and error corrections.

MFRS D-4 Income taxes

Comes into force for years beginning on January 1, 2024, allowing its early application in 2023. This improvement clarifies the application rate that must be used to recognize assets and liabilities for income taxes incurred and deferred when there were benefits in tax rates or the period to encourage the capitalization profits (undistributed profits). In these circumstances, the assets and liabilities for caused and deferred taxes must be determined at the rate that will be applicable to the profits non distributed in the period. Any accounting changes it generates must be recognized in accordance with MFRS B-1 accounting changes and error corrections.

The company´s management estimates that the adoption of these improvements to the MFRS does not generate significant effects.

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 NIF 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%; respectively; 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 NIF 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 income is comprised by the income 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 income, the Company follows the five-step model:

- Identifying the contract with the related party
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to each performance obligation, and
- Recognizing income 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 5).

g) Trade amounts receivables from related party

Trade receivables are initially recognized at the transaction price and subsequently measured at 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. (See Note 7).

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.

i) 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 8).

j) 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).

k) 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.

l) Employees' benefits

<u>Direct benefits</u>

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, which 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.

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.

m) 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 books 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 10).

As of December 31, 2023 and 2022, the Company did not recognize the deferred SEPS according to the MFRS D-3, "Employee Benefits". (See Note 10).

n) 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 stockholders´ 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.

o) 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 9)

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 9).

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	Ps.	10,063	Ps.	3,217
Bank deposits		3,356,423		7,743,237
	Ps.	3,366,486	Ps.	7,746,454

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 Dls.56,762,068 and Dls.56,762,068, 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 (GB) Limited with which it has a business relationship due to the maquila services.

The account receivable by Ps.118,639,135 and Ps.96,454,771 as of December 31, 2023, and 2022; respectively, with MSSL Wiring System, Inc. Represents the open balance regarding the maquila contract services in Mexican pesos.

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

	Years ended December 31,			
		2023		2022
Income for maquilas service	Ps.	796,390,563	Ps.	691,930,820

8. Right of use assets

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 has 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 payment.

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

	Buildings		Computer equipment		Total	
As of December 31, 2022	Ps.	73,914,383	Ps.	425,227	Ps.	74,339,610
Amortization charge		(6,714,517)		(304,539)		(7,019,056)
As of December 31, 2023	Ps.	67,199,866	Ps.	120,688	Ps.	67,320,554

Lease obligations

	Years ended December 31, 2023		2022	
Short term lease obligations	Ps.	5,174,504	Ps.	4,870,866
Long term lease obligations		84,154,245		89,328,749
	Ps.	89,328,749	Ps.	94,199,615

Amortization and interest amount into the P&L as December 31 2023 and 2022, is shown below:

Amounts	Years ended December 31, 2023		2022	
Interest	Ps.	10,200,159	Ps.	10,694,344
Amortization	Ps.	7,019,056	Ps.	7,019,056

9. Income tax

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

Likewise, on December 26, 2013, an official resolution decree 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 2023).

- 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, 2021, 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 adhered to the option called APA through the "Fast Track" method. On December 10, 2021, the Company asked 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.49,644,578 (Ps.62,022,392 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.

The income tax provision is analyzed as follows:

	Years ended December 31, 2023			2022
Current income tax	Ps.	14,893,373	Ps.	18,606,717
Deferred income tax		-		-
	Ps.	14,893,373	Ps.	18,606,717

10. Employees' statutory profit sharing (ESPS)

The Company is subject to the payment of the ESPS, which is calculated using the procedures established by the Law of income tax (LIT). On January 1, 2014, the new LIT entered into force, which modifies the procedure to determine the taxable base for the calculation of the ESPS, which must be determined based on the provisions of Article 9 of the LIT, where the taxable base for ESPS is the reported taxable income for income tax purposes, without reducing the ESPS paid or deferred tax losses and decreasing the amount of non-deductible exempt wages, as well as historical tax depreciation that would have been determined if there had not been applied immediate deductions to property, plant and equipment in prior years to 2014.

In 2023 the Company determined an ESPS payable of Ps.5,601,247 (In 2022 ESPS payable was Ps.6,652,862). The taxable base of ESPS differs from the accounting result mainly due to the fact that historical depreciation is recognized for accounting purposes, while for the purposes of ESPS caused, the same taxable base is recognized as for income tax, as mentioned in the previous paragraph, which generates differences in the time in which some items are accrued or deducted from accounting and for effects of ESPS caused, as well as those items that only affect the accounting result or ESPS caused by the year.

	Years ended December 31 2023			2022
Current ESPS	Ps.	5,601,247	Ps.	6,652,862
Deferred ESPS		-		-
	Ps.	5,601,247	Ps.	6,652,862

11. 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:

	Year ended December 31, 2023	
	Number of shares	Amount
Fixed capital, series B	50,000	Ps. 50,000
	50,000	Ps. 50,000

b) Legal reserve

In conformity with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued until the legal reserve reaches 20% of capital stock. On December 31, 2023 and 2022, the Company has not separated the legal reserve.

c) Dividends

At regular Stockholders' meeting held on June 13, 2022 the Stockholders declared dividends of Ps.9,293,761; which comes from CUFIN. Such dividends were cash-paid in full on July 18th, 2022. For 2023 no dividends were decreed.

d) Fiscal values

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:

	December 31, 2023	December 31, 2022
CUCA account balance	Ps. 87,374	Ps. 83,484
CUFIN account balance	Ps. 150,987,077	Ps. 120,610,351

12. Maquila expenses

At December 31, 2023 and 2022, the maquila expenses are as follows:

	Years ended December 31, 2023		2022	
Wages and salaries	Ps.	517,208,749	Ps.	434,046,312
Social security and payroll tax		87,179,611		66,958,498
Maintenance expenses and supplies		62,396,779		51,502,179
Administrative and operative expenses		49,457,492		51,223,252
Freight expenses		10,962,153		23,968,555
Professional fees and services		8,801,551		7,388,149
Other expenses		6,293,701		7,165,451
	Ps.	742,300,036	Ps.	642,252,396

13. 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 approximate value of Dls.51,332,771 and Dls.56,762,068 (unaudited amounts); respectively.

- 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 owned by his holding company with an approximate value of Dls.16,064,735 and Dls.152,728,020 (unaudited amounts); respectively.

Angel Alviso
Controller