MSSL México, S.A. de C.V.
(Subsidiary of MSSL (S) Pte. Ltd.)

Financial Statements

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

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(Subsidiary of MSSL (S) Pte. Ltd.)

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Av. Aguascalientes poniente118,
Piso 3, int-1, Col. Primo Verdad,
CP 20130, Aguascalientes,
Aguascalientes, México.

T: +52 (449) 352 9280
T: +52 (449) 219 4594

aguascalientes@bakertilly.mx
www.bakertilly.mx

Independent Auditor´s Report

To the Stockholders of
MSSL México, S.A. de C.V.

Opinion

We have audited the financial statements of MSSL México, S.A. de C.V. (the Company), which comprise the statement of financial position as of December 31, 2023, and the statement 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, 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 opinion

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 Mexico 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 opinion.

Other issues

The figures of the financial statements as of December 31, 2022, are presented for comparative purposes, due to they were audited by other independent public accountants, who issued an unqualified opinion.

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.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 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 Raymundo Guerrero Mendoza
Audit partner

Aguascalientes, Ags. Mexico
May 15, 2024

MSSL México, S.A. de C.V.
(Subsidiary of SLS México, LLC)
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	6	Ps.	59,403,346	Ps.	34,166,440
Accounts receivable			4,139,478		9,537,957
Related parties receivable	8		41,806,897		58,413,843
Income tax receivable			7,667,707		6,543,025
Valued added tax recoverable			8,687,760		16,935,824
Inventory	7		94,251,416		106,285,006
Prepaid expenses			1,146,739		1,507,181
Investment in financial instruments			1,276,915		2,292,326
Total current assets			218,380,258		235,681,602
Non current assets:					
Property, plant, and equipment - Net	9		28,689,541		31,587,409
Deferred income tax	12		15,736,318		15,142,106
Deferred employee profit sharing	11		5,779,555		5,288,126
Other assets			461,486		423,486
Total assets			269,047,158		288,122,729
Liabilities and Stockholders' equity					
Short term liabilities:					
Suppliers and other accounts payable			23,726,402		46,660,907
Related parties payable	8		11,313,696		6,772,777
Employees' statutory profit sharing			438,389		2,880,551
Accumulated expenses and other account payable			35,258,412		25,172,237
Total current liabilities			70,736,899		81,486,472
Long-term liabilities:					
Employees' benefits	10		10,556,646		7,669,681
Total liabilities			81,293,545		89,156,153
Stockholders' equity:					
Capital stock	13		114,097,957		114,097,957
Accumulated earnings			75,063,661		85,737,789
Other comprehensive income			(1,408,005)		(869,170)
Total stockholders' equity			187,753,613		198,966,576
Contingencies	14				
Total liabilities and equity		Ps.	269,047,158	Ps.	288,122,729

The accompanying notes are an integral part to these financial statements.

George Chambers
Legal Representative

MSSL México, S.A. de C.V.
(Subsidiary of SLS México, LLC)
Statements of comprehensive income
For the years ended December 31, 2023, and 2022
(Stated in Mexican pesos)

	Notes		2023		2022
Income from customer contracts		Ps.	550,280,098	Ps.	549,127,552
Cost of sales from contracts with customers	14		532,153,715		504,250,731
Gross profit			18,126,383		44,876,821
Operating expenses	14		16,663,268		18,134,477
Operating profit			1,463,115		26,742,344
Comprehensive financial result:					
Net foreign exchange loss - Net			9,439,487		1,803,389
(Loss) profit before income tax			(7,976,372)		24,938,955
Income tax	12		2,697,756		5,764,168
Net (loss) profit of the year			(10,674,128)		19,174,787
Other comprehensive income (OCI):					
Remeasurements on actuarial gains (losses)			111,766		(2,432,095)
Effect on deferred employees' statutory profit sharing (ESPS)			(11,177)		128,901
Effect on deferred income tax			(30,177)		386,703
			70,412		(1,916,491)
Net (loss) gain on cash flow hedges			(1,015,411)		1,508,584
Effect on deferred employee profit sharing (EPS)			101,541		(150,858)
Effect on deferred income tax			304,623		(452,575)
			(609,247)		905,151
Other comprehensive income - Net			(538,835)		(1,011,340)
Total comprehensive (loss) income for the year		Ps.	(11,212,963)	Ps.	18,163,447

The accompanying notes are an integral part to these financial statements.

George Chambers
Legal Representative

MSSL México, S.A. de C.V.
(Subsidiary of MSSL (S) Pte. Ltd.)
Statements of changes in stockholders' equity
For the years ended December 31, 2023 and 2022
(Stated in Mexican pesos)

		Capital stock		Retained earnings		Other comprehensive income		Total stockholders equity
Balance as at 31 January 1st, 2022	Ps.	114,097,957	Ps.	106,916,647	Ps.	142,170	Ps.	221,156,774
Dividends decreed (Note 13)				(40,353,645)				(40,353,645)
Net comprehensive income for 2022				19,174,787		(1,011,340)		18,163,447
Balance at December 31, 2022		114,097,957		85,737,789		(869,170)		198,966,576
Net comprehensive loss for 2023		-		(10,674,128)		(538,835)		(11,212,963)
Balance at December 31, 2023	Ps.	114,097,957	Ps.	75,063,661	Ps.	(1,408,005)	Ps.	187,753,613

The accompanying notes are an integral part to these financial statements.

George Chambers
Legal Representative

MSSL México, S.A. de C.V.
(Subsidiary of MSSL (S) Pte. Ltd.)
Statements of cash flows
For the years ended December 31, 2023 and 2022
(Stated in Mexican pesos)

		2023		2022
Operating activities				
(Loss) profit before income tax	Ps.	(7,976,372)	Ps.	24,938,955
Non-cash items in income:				
Net cost of the period		3,880,869		-
Deferred employee profit sharing		(401,065)		2,416,283
Items related to financial activities:				
Items related to investing activities:				
Depreciation of owned assets		3,812,159		4,276,520
		(684,409)		31,631,758
Changes in assets and liabilities:				
Accounts receivable		5,398,479		(13,347,241)
Related parties		16,606,946		-
Value added tax recoverable		8,248,064		(6,401,506)
Inventory		12,033,590		(251,685)
Prepaid expenses		360,442		-
Other assets		(38,000)		(1,292,723)
Accrued expenses and other liabilities		(10,749,573)		23,549,758
Employee benefits payment		(882,138)		(2,507,450)
Income tax paid		(4,142,204)		(18,340,585)
Net cash flow from operating activities		26,151,197		13,040,326
Investment activities:				
Acquisition of property, plant, and equipment - net equal to net cash flows from investment activities		(914,291)		(555,458)
Financing activities:				
Dividends paid equal to net cash flow from financing activities		-		(40,353,645)
Increase (decrease) in cash and cash equivalents		25,236,906		(27,868,777)
Cash and cash equivalents at beginning of year		34,166,440		62,035,217
Cash and cash equivalents at end of year	Ps.	59,403,346	Ps.	34,166,440

The accompanying notes are an integral part to these financial statements.

George Chambers
Legal Representative

Note 1. Information of the Company and nature of its operations

MSSL México, S.A. de C.V. ("the Company") which is a subsidiary of MSSL (S) Pte Ltd, which in turn is a subsidiary of Samvardhana Motherson International Limited (formerly known as Motherson Sumi Systems Limited) a corporation incorporated under the laws of Mexico on March 1, 2012. Its main address is San Luis Potosí, S.L.P. and its main activity is manufacturing, design and commercialization of all kind of cables and cable sets, as well as all kind of products and components for the automotive industry. The Company is a 99.9% owned direct subsidiary of MSSL (S) Pte. Ltd. (direct holding company), and an indirect subsidiary of Samvardhana Motherson International Limited (formerly known as Motherson Sumi Systems Limited).

For practical purposes, the Company's operating period and fiscal year is from January 1 through 31 December.

Labor Reforms

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.

Note 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) and 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. There are not areas that imply major judgements and uncertainty or, where assumptions and estimates are significant to the financial statements.

Functional, recording and reporting currency

The Company accounts for its operations and maintains its accounting books in Mexican pesos. However, the currency in which most of its operations are carried out and of its economic environment is the US Dollar (functional currency). The financial statements are presented in Mexican pesos and have not been translated to the functional currency as they have been prepared for legal purposes and under requirement of the Company's Stockholders.

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

Authorization of the issued financial statements

On May 15, 2024, the financial statements and these notes were authorized by the Company's Operations Manager, George Chambers, for their issue and subsequent approval by the Company's Board of Directors and Stockholders, who have the authority to modify the financial statements. Information on subsequent events covers up to that date.

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 statement to that date.

Note 3. Adoption and changes in accounting policies

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

The Company has adopted new standards and improvements to MFRS that become effective January 1, 2023, as follows:

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 MFRS 2023 that do not generate accounting changes

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.

Note 4. Significant accounting policies

The most significant accounting policies are summarized below, which have been consistently applied in the years presented, unless otherwise specified.

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 last three years (not considering base) year was 19.39% and 13.87%, respectively. Accumulated inflation for the last three years (considering base year) is 21.14% and 19.39% respectively, levels which, pursuant to MFRS, 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

The Company chose to present the statements of comprehensive income in a single statement, allocating separately operating results from ongoing operations and other comprehensive income for the reporting years. Costs and expenses 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 from contracts with customers

The Company's revenue is comprised by the sales of molten aluminum and aluminum in bar (ingot).

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.

The Company applies this model for each contract or combination of contracts with customers.

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.

Sales revenue

Revenue from the sale of automotive parts is recognized when control of the product/good is transferred, which occurs when it is received and accepted by the customer according to the terms of the contract. When the product is shipped, control is transferred upon shipment, including risks of loss, damage, or other contingencies to the client. Trade receivable is accounted for at delivery, satisfying the performance obligation at a point in time, and consideration becomes unconditional as only the passage of time is required before the payment is due. Sales do not involve variable payments, financing or other relevant arrangement that affect the transaction price.

The company recognizes liability as advances from customers for partial consideration received on unsatisfied performance obligations, generally represented by goods or products in the manufacturing process. If upfront payment from the customer is contractually due, and unpaid, the Company recognizes a trade receivable and a contract liability.

The Company contractually agrees the right of return to some of its customers, offering different terms to execute returns. In these cases, recognized revenue is adjusted by return estimates that are determined based on the Company's history and experience and under the expected value method. Consequently, a contractual asset and liability are recognized for the right of returned products/goods and the reduced consideration to collect, respectively.

f) Cash and cash equivalents

Cash and cash equivalents are primarily represented by petty cash, bank and time deposits, and highly liquid short-term investments with maturities of 90 days or less, with slight risk of changes in value. Cash is presented at nominal value and investments at fair value; changes in value of this caption are recognized in the comprehensive financial result. (See Note 6).

g) Trade receivables

Trade receivables, including related parties, are initially recognized at the transaction price and subsequently measured at unconditional consideration amounts, less any expected loss. Long-term receivables are initially recognized at fair value plus transaction costs (if any) and subsequently measured at amortized cost, less any expected loss. (See Note 8)

Trade accounts receivables represent amounts due from customers and are generated by sales of goods or services provided in the normal course of company´s operation. When collectability is expected in a period of one year or less from the closing date, they are presented as current assets. If the above is not complied with, they are presented as non- current assets.

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

Long-term receivables are classified, in stages, as i) those that do not show a significant increase in credit risk, ii) those that have shown such an increase, and iii) those that have suffered a detrimental impact on their future cash flows. For each stage, the probability of default (PD) and the expected loss severity (LS) are determined. Based on the PD and LS, the recoverable amount of the credit risk portfolio is determined by valuing the cash flows estimated to be recovered at their present value, with the original effective interest rate. The recoverable amount, compared with the gross value of the receivable, represents the accumulated amount of ECL (Expected Credit Loss, see Note 8).

h) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the derivative financial instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below.

Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of comprehensive income as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in profit or loss as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments.

The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability.

This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

i) Inventories

Inventories are stated at the lower cost or net realizable value. The cost of inventories includes all purchase and production costs incurred to bring them to their present location and condition and are valued as follows:

- Raw materials: at acquisition cost in accordance with the average cost formula.
- Finished goods and work in progress: at cost of materials, direct labor and indirect production expenses, excluding financial costs.

The allocation formula for inventory pricing by units is the weighted average cost. Costs of finished goods and in-process inventory include raw material, direct labor and overhead costs based on the normal estimated operating capacity of the Company.

Net realization value comprises the estimated selling price in the normal course of operations, less incremental estimated selling costs. Net realization value is also determined or adjusted when the Company identifies impairment conditions and then, the carrying value will not be recoverable either because of obsolescence, lower market prices, damage or unwithdrawn sale commitments at a lower price. (See Note 7)

j) Prepayments

Prepayments 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. Prepayments in foreign currency are recognized at the exchange rate of the transaction date and are not subject to remeasurement due to foreign exchange fluctuation.

k) Property, plant, and equipment

Property, plant and equipment 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, as well as any subsequent cost to enhance their potential service. If an item of machinery and equipment is made up of various components with different estimated useful lives, the important individual components are depreciated over their individual useful lives. Repair and maintenance cost are recognized in the income statement as incurred.

The depreciation of property, plant and equipment is determinates on the value resulting from the acquisition cost less the residual value of the property, plant and equipment, using the straight-line method (as it is considered by the company management that such method is the one that best reflects the use of such assets) and based on its estimated useful life.

Depreciation is calculated upon the value of the assets, using the straight-line method and based on their estimated useful lives (see Note 9), which are annually reviewed considering their residual value.

	Annual rate
Building	5%
Machinery and equipment	10%
Computer equipment	30%
Transportation equipment	25%
Office furniture	5%
Office equipment	10%
Tools (factory equipment)	35%

When these assets are comprised in various components with different estimated useful lives, material individual components are depreciated during their individual useful lives. Maintenance costs and repair costs are charged to profit or loss as incurred.

When there is a substantial period of construction or installation of property, plant and equipment, the accrued comprehensive financial result is capitalized to the qualifying assets.

The Company periodically assesses net carrying values, useful lives, and depreciation methods. Where appropriate, the effect of any change in accounting estimates is recognized prospectively at year end.
When the Company incurs major inspections or maintenance costs, the cost is recognized in the carrying value of the corresponding asset as a replacement, provided that all recognition requirements are met. The remaining portion of any major repairs or maintenance previously recognized must be cancelled. The Company subsequently depreciates the recognized cost based on the estimated useful life.

l) 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 reevaluation 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.

m) 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 at fair value through profit or loss (FVTPL) upon initial recognition.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method, except for derivatives and financial liabilities originally designated at FVTPL.

All interest-related charges and, if applicable, changes in the fair value of an instrument are recognized in profit or loss and included within the comprehensive financing result.

Derivative financial instruments may be contracted for trading purposes or to hedge risk on adverse movements in fair value, cash flows, or on a net investment in a foreign operation. Derivative financial instruments are accounted for at fair value through profit or loss (FVTPL), except for derivatives designated as hedging instruments in cash flow hedge relationships, which require specific accounting treatment.

The Company has designated certain foreign currency futures contracts as hedging instruments in cash flow hedge relationships. These contracts have been entered into to mitigate the risk of foreign currency exchange rate changes in relation to certain highly probable foreign currency-denominated sales transactions and meet the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio is the same as that resulting from the amount of the hedged item that the Company actually hedges and the amount of the hedging instrument that the Company actually uses to hedge that amount of the hedged item.

These hedges are initially recognized, and subsequently measured, at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments are recognized in other comprehensive income and included within an equity reserve. Any ineffectiveness in the hedge relationship is immediately recognized in profit or loss.

If a forecasted transaction is no longer expected to occur, any related gain or loss recognized in other comprehensive income is reclassified to profit or loss. If the hedge relationship ceases to meet the conditions for effectiveness, hedge accounting is discontinued, and the related gain or loss is retained in the equity reserve until the forecasted transaction occurs

n) 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 for 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.

o) 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 10)

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. Any asset arising from this calculation is limited to unrecognized actuarial losses and the cost of past services, plus the present value of future reimbursements and reduced future contributions to the plan.

p) Employees' statutory profit sharing (ESPS)

Current ESPS 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.

Effective January 1, 2022, ESPS is initially calculated based on taxable income as provided in Section II of Article 10 of the Income Tax Law (tax mechanism). As a result of the Reform to Federal Labor Law (LFT for its Spanish acronym) released on April 23, 2022 (see Note 11), the mechanism to determine ESPS payable considers a maximum amount; this is compared to ESPS calculated under the tax mechanism to determine current ESPS of the year.

Deferred ESPS is determined from temporary differences arising from comparing books against tax values of assets and liabilities. The rate is determined based upon the current ESPS as described in the preceding paragraph, either the tax rate, or that which is determined by the Company pursuant to the maximum amount payable as set forth in the LFT. Deferred ESPS asset is recognized only if it is probable that will be recoverable in the future.

q) Comprehensive income

Total comprehensive income represents the equity gained during the year, comprised by the net income and other comprehensive items. The Company's other comprehensive items are the result of accumulated translation effects, defined benefit plan adjustments, fair value reassessments, and the effect of deferred taxes being applied directly to equity.

r) Income taxes

Income tax expense is comprised by the current and deferred income tax of the year. The 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.

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.

Deferred income tax of applicable items recognized aside of profit or loss are associated to the underlying transaction, and therefore, recognized in OCI. (See Note 12).

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.

s) Stockholder´s equity

The stockholder´s equity, the legal reserve, the contributions for future capital increases, the share subscription premium, the retained earnings, are expressed as follows: i) movements made as January 1, 2008, as of historical cost and ii) movements made before January of 2008, at their updated values, determinates by applying to their historical values factors derived from the INCP until December 31, 2007. Consequently, the different concepts of stockholders ‘equity are expressed at its modified historical cost.

t) Other comprehensive income

The Company recognizes in other comprehensive income (OCI) those items that will be reclassified to profit or loss in the future when realized. The Company has accounted for in OCI [the result of accumulated translation effects, defined benefit plan adjustments, fair value reassessments, and the effect of deferred taxes being applied directly to equity.

Note 5. Foreign currency position

On December 31, 2023 and 2022, the Company had monetary assets and liabilities denominated in American dollars (USD), as follows:

	December 31,			
	2023		2022	
Assets	USD.	2,634,157	USD.	3,626,084
Liabilities		(1,215,211)		(2,120,109)
Net short position	USD.	1,418,946	USD.	1,505,975

The exchange rates used to restate the above amounts to Mexican pesos were Ps.16.89 and Ps.19.36 per U.S. Dollar as of December 31, 2023, and 2022; respectively. At the date of issuance of the financial statements, the exchange rate has not changed significatively.

As of December 31, 2023, and 2022, the Company held no hedge contract to protect against foreign exchange risk.

Following there is a summary of the main transaction carried out by the Company (excluding acquisition or sale of plant and equipment for its own use), together with interest and expenses USD:

	December 31,			
		2023		2022
Sales	USD.	24,222,408	USD.	21,249,748
Purchase of merchandise		8,349,543		7,849,487
Other expenses		842,634		1,159,064
	USD.	33,414,585	USD.	30,258,299

Note 6. 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.	41,826	Ps.	4,732
Bank accounts in local currency		1,182,456		354,466
Bank accounts in foreign currency		58,179,064		33,807,242
Total cash and cash equivalents	Ps.	59,403,346	Ps	34,166,440

Note 7. Inventories

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

	December 31,			
		2023		2022
Raw material	Ps.	65,927,568	Ps.	70,780,830
Production in process at cost		6,793,037		12,843,710
Finished goods		18,121,825		21,968,399
		90,842,430		105,592,939
Net realizable value reserve		(988,614)		(988,614)
Allowances for obsolete inventories		(6,959,847)		(6,959,847)
		(7,948,461)		(7,948,461)
Goods in transit		11,357,447		8,640,528
Inventories, net	Ps.	94,251,416	Ps.	106,285,006

Note 8. Related parties

As mentioned in Note 1, the Company is a subsidiary of MSSL (S) Pte Ltd, which in turn is a subsidiary of Samvardhana Motherson International Limited (formerly known as Motherson Sumi Systems Limited) with which it has a business relationship.

Balances with related parties a December 31, 2023 and 2022 are comprised as follows:

Receivables		December 31, 2023		2022
SMR Automotive Systems USA, Inc.	Ps.	29,452,702	Ps.	42,998,809
SMR Automotive Vision Systems México, S.A. de C.V.		9,970,773		12,891,534
SMP Automotive Alabama		1,446,810		1,279,846
Ningbo SMR Huaxiang Automotive Mirrors Ltd.		323,454		-
SMP Automotive Systems México, S.A. de C.V.		241,440		651,950
Motherson Sumi Systems Ltd.		237,928		245,037
MSSL Mideast (FZE), Ireland		100,374		-
SMR Automotive Brazil, Ltd.		33,416		346,667
	Ps.	41,806,897	Ps.	58,413,843

Payables		December 31, 2023		2022
Samvardhana Motherson International Limited	Ps.	6,732,192	Ps.	-
MSSL Mideast (FZE) Unit-1		1,840,701		5,277,853
MSSL GB Ltd (EUR)		1,480,370		170,143
Others		1,260,433		1,324,781
	Ps.	11,313,696	Ps.	6,772,777

During the years ended as of December 31, 2023 and 2022, the Company carried out the following transactions with relates parties:

		Years ended December 31, 2023		2022
Income:				
Sales of finished goods	Ps.	502,756,380	Ps.	514,627,559
Sales of acquired inventory for distribution		2,857,195		-
Reimbursement incomes		2,179,965		-
Other income		868,986		-
Total income	Ps.	508,662,526	Ps.	514,627,559

		Years ended December 31, 2023		2022
Cost of sale and expenses:				
Raw material purchases	Ps.	60,189,149	Ps.	64,955,297
Others (principally reimbursement expenses)		8,180,771		12,250,849
Management services		1,870,190		1,920,812
Total	Ps.	70,240,110	Ps.	79,126,958

Note 9. Property, plant and equipment

a) Property, plant and equipment are comprised as follows:

	December 31, 2023		December 31, 2022	Depreciation Rate
Building	Ps.	28,668,416	Ps. 28,668,416	5%
Machinery and equipment		22,138,053	22,138,053	10%
Computer equipment		4,142,367	4,008,498	30%
Transportation equipment		2,865,380	2,503,390	25%
Office furniture		2,895,469	2,895,469	5%
Office equipment		548,227	548,227	10%
Tools (factory equipment)		1,916,930	1,916,932	35%
		63,174,842	62,678,985	
Accumulated depreciation and amortization		(42,407,775)	(38,604,762))	
		20,767,067	24,074,223	
Components not subject to depreciation:				
Land		7,342,588	7,342,588	
Construction in process		579,886	170,598	
		7,922,474	7,513,186	
Total	Ps.	28,689,541	Ps. 31,587,409	

Depreciation expense for the years ended 31 December 2023 and 2022 was Ps.3,812,159 and Ps.4,276,520, respectively, which was recognized in profit and loss as part of cost of sales and operating expenses.

Note 10. Employees' benefits

As of December 31, 2023 and 2022 no contributions were made to a bank fund for the payment of benefits. The Company recognized an amount of obligations of benefits to the Employees' as follows:

a. Reconciliation between the initial and final balances of the present value of Obligations for Defined Benefit (OBD), Plan Assets (PA) and the Net Projected Assets / Liabilities (A / PNP by its Spanish Acronym) for the 2023 and 2022 fiscal year is shown as follow:

	Indemnities December 31,		Seniority premium December 31,		Total December 31,	
	2023	2022	2023	2022	2023	2022
Obligations for defined benefits OBD	Ps. 6,929,574	Ps. 5,158,583	Ps. 3,627,072	Ps. 2,511,098	Ps.10,556,646	Ps. 7,669,681

b. Period Net Cost (CNP by its Spanish acronym)

An analysis of the CNP by plan type is presented as follows:

CNP	Indemnities December 31, 2023	Indemnities December 31, 2022	Seniority premium December 31, 2023	Seniority premium December 31, 2022	Total December 31, 2023	Total December 31, 2022
Financial cost	Ps. 450,007	Ps. 240,319	Ps. 253,709	Ps. 208,686	Ps. 703,716	Ps. 449,005
Labor cost of the current service	2,613,717	1,371,646	563,436	595,632	3,177,153	1,967,278
Total	Ps. 3,063,724	Ps. 1,611,965	Ps. 817,145	Ps. 804,318	Ps.3,880,869	Ps.2,416,283

Analysis of remeasurements of net defined benefit liability /(asset) recognized in OCI:

OCI	Indemnities December 31, 2023	Indemnities December 31, 2022	Seniority premium December 31, 2023	Seniority premium December 31, 2022	Total December 31, 2023	Total December 31, 2022
Net actuarial earning or loss	Ps. (374,057)	Ps. (2,315,248)	Ps. 262,290	Ps. (116,847)	Ps. (111,767)	Ps. (2,432,095)
Total	Ps. (374,057)	Ps. (2,315,248)	Ps. 262,290	Ps. (116,847)	Ps. (111,767)	Ps. (2,432,095)

c. Main actuarial assumptions

The main actuarial assumptions used, expressed in absolute terms, as well as the discount rates, return on plan assets, salary increase and changes in the indices or other variables, referred to December 31, 2023 and 2022, are shown below:

Demographic:	2023	2022
Mortality	EMSSA 2009	
Disability	Mexican experience	
Financial:		
Discount rate	10.2%	9.1%
Legal minimum salary increases	5.00%	4.00%
Expected rate of salary increase	5.8%	5.8%

Note 11. Employees' statutory profit sharing (ESPS)

a) At December 31, 2023 and 2022, the employees' statutory profit-sharing provision recognized in the statements of comprehensive income as follows:

	Year ended December 31 2023	2022
Employees' statutory profit sharing	Ps. 438,389	Ps. 2,880,551
Deferred employee profit sharing	(401,065)	(1,314,680)
	Ps. 37,324	Ps. 1,565,871

b. The main temporary difference on which the deferred Employees' profit sharing was recognized is analyzed as follows:

	Year ended December 31	
	2023	2022
Deferred ESPS assets:		
Provisions	Ps. 22,951,389	Ps. 21,416,881
Property, plant and equipment - Net	17,424,194	15,976,651
Allowance for accounts receivables	426,791	-
Allowance for obsolete inventories	7,117,618	7,948,463
Retirement benefits and termination benefits	10,556,646	7,669,681
Interest payable provision	41,422	618,777
	58,518,070	53,630,453
Deferred ESPS liabilities:		
Advance expenses	(722,510)	(749,189)
	(722,510)	(749,189)
	57,795,560	52,881,264
ESPS rate	10%	10%
Deferred ESPS	Ps. 5,779,555	Ps. 5,288,126

Note 12. Income tax

In 2023, the Company determined a tax profit of Ps.10,058,407 (tax profit of Ps.28,670,200 in 2022) For the years ended December 31, 2023 and 2022 the tax rate was 30%.

The tax result differs from the accounting result, mainly in such items cumulative by the time and deducted differently for accounting and tax purposes, by the recognition of the inflation effects for tax purposes, as well such items only affecting either the accounting or tax result.

a. The income tax provision is analyzed as follows:

	Years ended December 31	
	2023	2022
Current income tax	Ps. 3,017,522	Ps. 8,601,060
Deferred income tax	(319,766)	(2,836,892)
	Ps. 2,697,756	Ps. 5,764,168

b. The effective rate and statutory rate reconciliation at December 31, 2023 and 2022 is as follows:

	Year ended December 31,			
		2023		2022
Profit for income tax	Ps.	(7,976,372)	Ps.	24,938,955
Tax rate		30%		30%
Income tax at legal rate		(2,392,912)		7,481,687
Plus (less) the following items				
Annual inflation adjustment		(875,387)		(751,043)
Non-deductible		166,973		916,706
Hedge 2022 correction		1,375,396		-
Other permanent items		4,423,686		(1,883,182)
Income tax	Ps.	2,697,756	Ps.	5,764,168

c. As of December 31, 2023 and 2022, the main temporary differences on which that deferred income tax was recognized as follows:

	Year ended December 31			
		2023		2022
Deferred tax assets:				
Provisions	Ps.	22,951,397	Ps.	21,416,881
Property plant and equipment - Net		17,424,194		15,976,651
Allowance for accounts receivables		426,791		-
Allowance for obsolete inventories		7,117,618		7,948,463
Retirement benefits and termination benefits		10,556,646		7,669,681
Current employee profit sharing		438,389		2,880,551
Interest payable provision		41,422		618,777
		58,956,457		56,511,004
Deferred tax liabilities:				
Deferred employee profit sharing		(5,779,555)		(5,288,126)
Advance expenses		(722,510)		(749,189)
		(6,502,065)		(6,037,315)
		52,454,392		50,473,689
Income tax rate		30%		30%
Deferred income tax assent net	Ps.	15,736,318	Ps.	15,142,106

Note 13. 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 A	50,000	Ps.	50,000
Variable capital, series B	114,047,957		114,047,957
	114,097,957	Ps.	114,097,957

Capital stock is comprised by common ordinary shares with voting rights, fully issued and paid, with a par value of Ps.1.

b) Legal reserve

The General Corporations Law requires that at least 5% of net income for 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 amount Ps.8,265,311, for both years.

c) Dividends

At the ordinary stockholders' meeting held on 9 June 2022, the stockholders declared dividends of Ps.40,353,645. Such dividends were cash-paid in full on 31 July 2022. For 2023 no dividends were decreed.

14 Cost and operating expenses

As of December 31, 2023 and 2022, the cost and operating expenses have the following values:

	December 31,			
		2023		2022
Changes in inventories of finished goods and products in process	Ps.	281,728,399	Ps.	271,997,240
Wages and salaries		181,335,817		149,672,591
Bus hire and conveyance		19,553,838		17,518,289
Incoming freights		15,062,536		24,370,923
Freight outwards		11,787,891		23,078,896
Other staff cost and welfare expense		10,223,217		3,712,790
Professional and legal expense		9,447,775		10,101,127
Repairs, maintenance and consumables		5,117,268		4,852,188
Administrative and operative expenses		9,681,117		9,169,716
Depreciation		3,812,159		4,276,520
Other expenses		1,066,966		3,634,928
	Ps.	548,816,983	Ps.	522,385,208

Note 15. Contingencies

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.

George Chambers
Legal Representative