

MSSL Wirings Juárez, S. A. de C. V.
(Subsidiary of MSSL (GB) Limited)

Financial Statements

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

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Independent Auditor's Report

**To the Stockholders of
MSSL Wirings Juárez, S. A. de C. V.**

Qualified opinion

We have audited the financial statements of MSSL Wirings Juárez, 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, except for the possible effects and 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 mentioned in the Note 4.j to the accompanying financial statements, as of December 31, 2023, the Company has not recognized the effects of MFRSD-5 "Leases", which requires the recognition of a right of use asset as well as a lease liability for the future commitment at net present value of all long-term or high-value leases. It was not practical to determine the effects resulting from the non-adoption of such Standard; however, the effects are considered important.

As mentioned in the Note 4.m to the accompanying financial statements as of December 31, 2023, the Company did not recognize the full provision for its obligations related to labor benefits as established in MFRS D-3 "Employee benefits", in the amount of Ps.2,149,203.

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, since they were audited by other independent accountants, who issued on July 26, 2023 an adverse opinion due to deviations from MFRS D-3 "Employee benefits".

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.

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
June 13, 2024

MSSL Wirings Juárez, 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		Ps. 326,060	Ps. 919,817
MSSL Wiring System, Inc., related party	Note 5	1,755,920	521,035
Valued added tax recoverable		170,374	138,088
Prepaid expenses		374,577	381,463
Total current assets		<u>2,626,931</u>	<u>1,960,403</u>
Non-current assets:			
Machinery, equipment, and leasehold improvements - Net	Note 6	320,155	449,431
Deferred income tax	Note 8	366,472	366,472
Deferred employees' statutory profit sharing	Note 7	108,251	108,251
Other non-current assets		35,676	39,577
Total assets		<u>Ps. 3,457,485</u>	<u>Ps. 2,924,134</u>
Liabilities and stockholders' equity			
Short term liabilities:			
Suppliers		Ps. 133,217	Ps. 144,686
Employees' statutory profit sharing	Note 7	239,203	188,499
Income tax		144,275	235,693
Accrued expenses and other accounts payable		1,787,209	1,701,584
Total current liabilities		<u>2,303,904</u>	<u>2,270,462</u>
Long-term liabilities:			
Employees' benefits	Note 10	175,912	161,429
Total liabilities		<u>2,479,816</u>	<u>2,431,891</u>
Stockholders' equity:			
Capital	Note 9	50,000	50,000
Accumulated earnings		927,669	442,243
Total Stockholders' equity		<u>977,669</u>	<u>492,243</u>
Contingencies	Note 12		
Total liabilities and equity		<u>Ps. 3,457,485</u>	<u>Ps. 2,924,134</u>

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


Bruno Martinez
Controller

MSSL Wirings Juárez, 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	
Services revenues	Note 5	Ps.	27,753,162	Ps.	25,221,364
Other income			3,516		5,540
			<u>27,756,678</u>		<u>25,226,904</u>
Services cost and expenses	Note 11		<u>26,273,961</u>		<u>24,075,461</u>
Operating profit			1,482,717		1,151,443
Comprehensive financial result:					
Exchange loss - Net			<u>4,506</u>		<u>7,738</u>
Profit before income taxes			1,478,211		1,143,705
Income tax	Note 8		<u>992,785</u>		<u>701,462</u>
Comprehensive profit of the year		Ps.	<u>485,426</u>	Ps.	<u>442,243</u>

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



Bruno Martínez
 Controller

MSSL Wirings Juárez, S. A. de C. V.
 (Subsidiary of MSSL (GB) Limited)
 Statements of changes in Stockholders' equity
 For the years ended December 31, 2023 and 2022
 (Stated in Mexican pesos)

	Capital	Accumulated earnings	Total
Balance as of January 1 st , 2022	Ps. 50,000	Ps. 1,153,588	Ps. 1,203,588
Dividends paid (Note 9)	-	(1,153,588)	(1,153,588)
Comprehensive profit of the year	-	442,243	442,243
Balance as of December 31, 2022	50,000	442,243	492,243
Comprehensive profit of the year	-	485,426	485,426
Balance as of December 31, 2023	Ps. 50,000	Ps. 927,669	Ps. 977,669

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


 Bruno Martínez
 Controller

MSSL Wirings Juárez, 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		
Income before taxes	Ps. 1,478,211	Ps. 1,143,705
Items not affecting cash flows:		
Depreciation	129,276	73,115
Deferred employees' statutory profit sharing	-	(49,431)
Cost net of the period	14,483	36,757
Total	1,621,970	1,204,146
Changes in operation assets and liabilities:		
Accounts receivables and other assets	(21,499)	74,377
Accountant payables and others	74,156	(595,171)
Related parties	(1,234,885)	(893,828)
Employees' statutory profit sharing	50,704	188,499
Income tax paid	(1,084,203)	-
Net cash flow from operating activities	(593,757)	(21,977)
Investment activities:		
Acquisition of property, plant and equipment	-	(241,961)
Net cash flows from investment activities	-	(241,961)
Financing activities:		
Dividends paid to stockholders equal to net cash flow from financing activities	-	(1,153,588)
Decrease in cash and cash equivalents	(593,757)	(1,417,526)
Cash and cash equivalents at beginning of year	919,817	2,337,343
Cash and cash equivalents at end of year	Ps. 326,060	Ps. 919,817

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



Bruno Martínez
Controller

MSSL Wirings Juárez, 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

MSSL Wirings Juárez, S. A. de C. V. (the Company) was incorporated in accordance with the Mexican laws on March 20, 2015 and is a 99.99% owned subsidiary of MSSL (GB) Limited (Holding company).

Business concentration

The Company is dedicated to render administrative, financing and accounting services to its related party MSSL Wiring System, Inc. (MWS) in the United States. Revenues are carried out through a service agreement, which provides that these services are to be billed based on costs incurred plus profit margin.

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

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.

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 except for the matters described in Note 4.j D-5 "Leases" and Note 4.m D-3 "Employee benefits" to the financial statements, they have been prepared under the assumption that the Company operates on a going concern basis.

Use of estimates

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

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

Functional, recording and reporting currency.

The Company accounts for its operations and maintains its accounting books in Mexican pesos. The currency in which most of its operations are carried out and of its economic environment is the Mexican pesos (functional currency). The financial statements are presented in Mexican pesos.

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

Authorization of the issued financial statements

The financial statements for the year ended December 31, 2023, were authorized for issue by Bruno Martínez, Controller on June 13, 2024. These financial statements must be further approved by the Board of Directors and 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, beginning January 1, 2023

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

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

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

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 that 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/ MFRS 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

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 (NCPI, 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 and 2022 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

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) Recognition of revenues

The main activity of the company is the provision of services revenues, based on its contract with its related party MSSL Wiring System, Inc. The income derived from the contract with MSSL Wiring System, Inc. is recognized at the time that control of the services is transferred to it, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for said services. For the determination of revenues of 2023 and 2022, the Company uses a profit factor of 5.63% and 4.44% respectively on the costs and expenses incurred in the maquila process for the fiscal year under review.

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.

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 (CFR).

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.

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.

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.

h) Prepaid expenses

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. 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.

i) Machinery, equipment and leasehold improvements

They are initially recognized at their acquisition or construction cost. Acquisition cost includes all purchasing or construction costs incurred until the date in which they are in use conditions, 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 determined 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 6), which are annually reviewed considering their residual value.

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.

Improvements to leased facilities are accounted for at their acquisition cost and amortized during the lease term.

The value of property, plant and equipment is reviewed when there are indications of impairment in the book value. When the recovery value, which is the greater of the selling price and the use value (which is the present value of future cash flows) is less than the net book value, the difference is recognized as an impairment loss. The impairment loss is reversed when the circumstances that previously gave rise such loss no longer exist and there is clear evidence of an increase in the net book value of the impairment property, plant, and equipment. The amount of the impairment loss is reversed, reducing the depreciation of the period in which the review occurs.

As of December 2023, and 2022, there are no indications of impairment.

j) Leases

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

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

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

As of December 31, 2023, the Company has not recognized the effects of MFRSD-5 "Leases", which requires the recognition of a right of use asset as well as a lease liability for the future commitment at net present value of all long-term or high-value leases. It was not practical to determine the effects resulting from the non-adoption of said standard, however these are considered important.

k) Financial liabilities

The Company's financial liabilities include bank loans, lease obligations, 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).

Subsequently, financial liabilities are measured at amortized cost using the effective interest rate 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 financial result.

l) Provisions and contingent liabilities

Provisions are recognized when:

- (i) There is a present obligation (legal or assumed) because of a past event.
- (ii) There is a likely need of outflow of economic resources, and
- (iii) Amounts can be estimated reliably.

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

m) Employees' benefits

Direct benefits

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

Seniority premium and indemnifications

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

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, the Company did not recognized the full provision for its obligations related to labor benefits as established in MFRS D-3 "Employee benefits", in the amount of Ps.2,149,203, which is considered important in view of the number and seniority of the employees.

n) 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, 2023 (see Note 7), 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 book 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 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. (See Note 7).

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.

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 8).

p) 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.

q) 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 as stockholders' equity are expressed at its modified historical cost.

5. Related parties

As of December 31, 2023 and 2022, accounts receivable with MSSL Wiring System Inc. by Ps.1,755,920 and Ps.521,035, respectively, is generated because of service agreement.

In 2015, the Company entered into a service agreement to render for the supply, storage, distribution, classification, inspection, testing or verification of goods; design or engineering of products; maintenance and support of computer systems, data processing; training, consulting and evaluation for the improvement of human capital; assurance of the quality and processes of the companies in the sector of technologies of the information and processes of administration, finances, accounting, collection, payroll, human and legal resources; control of production and clinical analysis to its related party MSSL Wiring System, Inc. (MWS) in the United States, which provides that these services are to be billed based on costs incurred plus a profit margin.

Transactions with related parties, carried out in the ordinary course of business were as follows:

	Years ended, December 31,	
	2023	2022
Revenues:		
Revenue in bond services	Ps. 27,753,162	Ps. 25,221,364

6. Machinery, equipment, and leasehold improvements

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

	December 31,		Useful life Years
	2023	2022	
Leasehold improvements	Ps. 1,700,787	Ps. 1,700,787	20%
Furniture and fixture	204,056	204,056	20%
Machinery and equipment	161,394	161,394	20%
Computer equipment	241,961	241,961	33.3%
	2,308,198	2,308,198	
Accumulated depreciation and amortization	(1,988,043)	(1,858,767)	
	Ps. 320,155	Ps. 449,431	

b. Depreciation expense for the years ended December 31, 2023 and 2022 amounted to Ps.129,275 and Ps.73,115, respectively. The Company has not recognized the effects of MFRS D-5 "Leases", which requires the recognition of a right of use asset as well as a lease liability for the future commitment at net present value of all long-term or high-value leases.

7. Employees' statutory profit sharing (ESPS)

a. Under the tax mechanism in force, ESPS is determined by applying a 10% rate to the taxable income, reconciled by inflation adjustment, inflation effects on depreciation, payments of ESPS during the year, and amounts of other non-deductible benefits to employees. However, pursuant the mechanism to determine ESPS payable in accordance with the Reform to FLL, effective year 2022, the Company has determined a ESPS payable in the year, computing the equivalent of three-month period of salary or the average of ESPS paid in the immediate three years before, for each employee; resulting in a lower amount to that determined under the described tax mechanism and, represents the Company's current ESPS for that year.

	Years ended December 31	
	2023	2022
Current ESPS	Ps. 239,203	Ps. 188,499
Deferred ESPS	-	(49,431)
	Ps. 239,203	Ps. 139,068

a. As of December 31, 2023, and 2022, the effects of temporary differences of assets and liabilities to determine deferred profit sharing are detailed below:

	As of December 31,	
	2023	2022
Deferred tax assets:		
Other provisions	Ps. 46,554	Ps. 67,048
Fixed assets	12,761	46,396
Deferred profit-sharing allowance valuation	56,283	-
Deferred tax liabilities:		
Prepaid expenses	(7,347)	(5,193)
	<u>Ps. 108,251</u>	<u>Ps. 108,251</u>

8. Income tax

In 2023, the Company determined a tax profit of Ps.3,309,283 (tax profit of Ps. 2,786,439 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. 992,785	Ps. 835,931
Deferred income tax	-	(134,469)
	<u>Ps. 992,785</u>	<u>Ps. 701,462</u>

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. 1,478,211	Ps. 1,143,705
Tax rate	30%	30%
Income tax at legal rate	443,463	343,112
Plus (less) the following items:		
Annual inflation adjustment	24,587	25,769
Non-deductible	573,503	460,230
Other permanent items	(48,768)	(124,649)
Income tax	<u>Ps. 992,785</u>	<u>Ps. 701,462</u>
Effective tax rate	<u>67%</u>	<u>61%</u>

c. As of December 31, 2023, and 2022, the effects of temporary differences of assets and liabilities to determine deferred income tax are detailed below:

	As of December 31,	
	2023	2022
Deferred tax assets:		
Other provisions	Ps. 139,660	Ps. 201,142
Employee profit sharing	71,761	56,550
Fixed assets	38,284	139,189
Deferred ESPS	16,885	(14,829)
Deferred income tax valuation allowance	121,923	-
Deferred tax liabilities:		
Prepaid expenses	(22,041)	(15,580)
	<u>Ps. 366,472</u>	<u>Ps. 366,472</u>

9. 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
	<u>50,000 Ps.</u>	<u>50,000</u>

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. At December 31, 2023 and 2022, the Company has not separated the legal reserve.

c. Dividends

The distribution of equity, except for imports imported from the capital stock contributed and withheld taxable profits, causing the ISR on dividends to Company charge at the current rate. The tax paid for such distribution may be credited against the income tax for the year in which the dividend tax is paid and in the following two immediate years, against the tax for the year and the provisional payments thereof.

At regular Stockholders' meeting held on June 13, 2022, the Stockholders declared dividends of Ps.1,153,588; the dividends were paid during 2022 until the company's liquidity helped.

The profits that are distributed in excess to the balance of the CUFIN (Net Tax Profit Account), necessarily subject to the payment of the corporate income tax at the rate in force at the time of distribution.

Dividends paid to natural persons and legal entities resident abroad will be fixed to a withholding of an additional 10% tax.

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	2022
CUCA account balance	Ps. 75,506	Ps. 72,144
CUFIN account balance	3,114,649	2,589,176

10. Employee benefits

Defined benefits obligation (DBO) is basically denied from seniority premiums was Ps.175,912 and Ps.161,429 in 2023 and 2022., respectively. Other disclosures required under accounting provisions are not considered material.

The Company maintains a defined benefit pension plan for all employees, which pays benefits to employees whom reach 65 years of age. Benefits consist of a lump sum payment of 12 days' wage for each year worked, calculated using the most recent salary, not to exceed twice the minimum wage established by law. The related liability and annual cost of such benefits are calculated by an independent actuary on the basis of formulas defined in the plans using the projected unit credit method.

Weighted average assumptions used to determine the benefit obligation as of December:

	2023	2022
Discount rate	9.30%	9.35%
General salary increases	5.00%	5.00%
Minimum salary increases	4.00%	4.00%

11. Services cost and expenses

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

	December 31,	
	2023	2022
Wages and salaries	Ps. 17,442,492	Ps. 16,353,059
Administrative and operative expenses	3,494,317	2,901,257
Social security and payroll tax	3,173,247	2,818,610
Rent expenses	1,546,846	1,647,124
Fees expenses	330,184	283,944
Maintenance expenses and supplies	188,023	41,604
Other expenses	98,852	29,863
	Ps. 26,273,961	Ps. 24,075,461

12. Contingencies

As of December 31, 2023, MSSL Wirings Juárez, S.A. de C.V., is responsible for the following 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.



Bruno Martínez
Controller