

ALPHABET DE MÉXICO DE MONCLOVA, S.A. de C.V.  
(Subsidiary of MSSL (GB) Limited)

Financial statements

Years ended December 31, 2022 and 2021  
with report of independent auditors

**ALPHABET DE MÉXICO DE MONCLOVA, S.A. de C.V.**  
**(Subsidiary of MSSL (GB) Limited)**

**Financial Statements**

**At December 31, 2022 and 2021**

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## INDEPENDENT AUDITORS REPORT

At the General Shareholders' Meeting  
Alphabet de México de Monclova, S.A. de C.V.

### Qualified opinion

We have audited the accompanying financial statements of Alphabet de México de Monclova, S.A. de C.V. ("the Company") which comprise the statement of financial position as at December 31, 2022, and the statement of income, statement of changes in stockholders' equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the issues described in the section "Foundations for qualified opinion", the accompanying financial statements present fairly, in all material respects, the financial position of Alphabet de México de Monclova, S.A. de C.V. as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Mexican Financial Reporting Standards ("MFRS").

### Foundations for qualified opinion

1. As discussed in Note 1b) to the accompanying financial statements, for the years ended December 31, 2022 and 2021, the Company did not recognize the cumulative effects of inflation as required by Mexican Financial Reporting Standard (MFRS B-10 "Effects of inflation") through December 31, 2007. Nevertheless, management determined that it was not practical to calculate the inflation effects for each account of the financial statements as at December 31, 2022 and 2021. The lack of recognition of the effects inflation is considered a material deviation for the accompanying financial statements.
2. As discussed in Note 1n) to the accompanying financial statements, the Company did not recognize deferred taxes as at December 31, 2022 and 2021, as required by Mexican Financial Reporting Standard (Mexican FRS) D-4 Income tax. In accordance with Mexican FRS D-4, deferred taxes should be recognized on all temporary differences between the financial reporting and tax values of assets and liabilities at the reporting date. Nevertheless, management determined that it was not practical to calculate the Company's deferred taxes as at December 31, 2022 and 2021. The lack of recognition of deferred taxes is considered a material deviation for the accompanying financial statements.

3. As discussed in Note 1k) to the accompanying financial statements, the Company did not recognize deferred employee profit sharing as at December 31, 2022 and 2021, as required by Mexican Financial Reporting Standard D-3 Employee benefits, since management determined that it was not practical to calculate the Company's deferred employee profit sharing as at December 31, 2022 and 2021. The lack of recognition of deferred EPS is considered a material deviation for the accompanying financial statements.

4. As discussed in Note 1j) to the accompanying financial statements, the Company did not record a provision for its obligation related to termination benefits as at December 31, 2022 and 2021, which should be calculated using the projected unit credit method in accordance with Mexican FRS D-3 Employee benefits in the amount of \$0,000,000 and \$6,446,857, respectively. The lack of recognition of such liability is considered a material deviation for the accompanying financial statements.

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 according with the "Código de Ética Profesional del Instituto Mexicano de Contadores Públicos" ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the accompanying 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 from material misstatement, whether due to fraud or error.

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

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

### Auditor's responsibilities for the audit of the financial statements

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

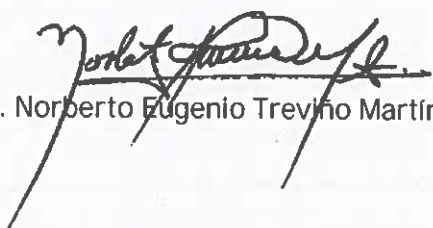
As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Mancera, S.C.  
A Member Practice of  
Ernst & Young Global Limited



C.P.A. Norberto Eugenio Treviño Martínez

San Pedro Garza García, N.L., México.  
May 15, 2023

ALPHABET DE MÉXICO DE MONCLOVA, S.A. de C.V.  
(Subsidiary of MSSL (GB) Limited)

Statements of financial position

(Amounts in Mexican pesos)

|   | December 31,  |               |
|---|---------------|---------------|
|   | 2022          | 2021          |
| <b>Assets</b>                                       |               |               |
| Current assets:                                     |               |               |
| Cash  | \$ 2,719,220  | \$ 2,719,220  |
| Other accounts receivable (Note 2)                  | 7,095,977     | 7,179,884     |
| Related parties (Note 3)                            | 50,173,874    | 44,241,611    |
| Prepaid expenses                                    | 2,710,488     | 2,476,588     |
| Total current assets                                | 64,299,128    | 56,617,303    |
| Machinery, equipment and improvements, net (Note 4) | 5,553,203     | 7,333,873     |
| Right of use assets, net (Note 10)                  | 18,747,115    | 27,822,881    |
| Total assets  | \$ 88,599,446 | \$ 91,774,057 |
| <b>Liabilities and stockholder's equity</b>         |               |               |
| Current liabilities:                                |               |               |
| Suppliers   | \$ 93,883     | \$ 648,270    |
| Direct benefits to employees (Note 6)               | 21,633,498    | 12,208,297    |
| Accrued expenses and other taxes                    | 13,275,553    | 11,921,723    |
| Lease liabilities (Note 10)                         | 11,047,861    | 9,885,695     |
| Income tax payable                                  | 4,410,522     | 4,275,071     |
| Total current liabilities                           | 50,461,317    | 38,939,056    |
| Long-term liabilities:                              |               |               |
| Lease liabilities (Note 10)                         | 13,193,935    | 24,241,796    |
| Labor obligation (Note 7)                           | 8,722,870     | 8,802,947     |
| Total long-term liabilities                         | 21,916,805    | 30,044,743    |
|   | 72,378,122    | 71,983,799    |
| Stockholder's equity: (Note 8)                      |               |               |
| Capital stock                                       | 50,000        | 50,000        |
| Retained earnings                                   | 16,171,324    | 19,740,258    |
| Total stockholder's equity                          | 16,221,324    | 19,790,258    |
| Total liabilities and stockholder's equity          | \$ 88,599,446 | \$ 91,774,057 |

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

  
Enrique Cardenas  
Comptroller

ALPHABET DE MÉXICO DE MONCLOVA, S.A. de C.V.  
(Subsidiary of MSSL (GB) Limited)

Statements of income

(Amounts in Mexican pesos)

|                                | For the years ended<br>December 31, |                      |
|--------------------------------|-------------------------------------|----------------------|
|                                | 2022                                | 2021                 |
| Revenues:                      |                                     |                      |
| Maquila revenues (Note 3)      | \$ 459,142,308                      | \$ 417,375,251       |
| Other income, net              | 460,304                             | 440,704              |
|                                | <u>459,602,612</u>                  | <u>417,815,955</u>   |
| Expense and cost:              |                                     |                      |
| Expense of maquila             | ( 428,728,133)                      | ( 388,693,752)       |
| Operating income               | <u>30,874,479</u>                   | <u>29,122,203</u>    |
| Comprehensive financing cost:  |                                     |                      |
| Interest expense, net          | ( 3,178,732)                        | ( 4,105,701)         |
| Exchange (loss), net           | 35,814                              | ( 925,120)           |
|                                | <u>( 3,142,918)</u>                 | <u>5,030,821</u>     |
| Income before taxes on profits | <u>27,731,561</u>                   | <u>24,091,382</u>    |
| Income tax (Note 9)            | ( 11,560,237)                       | ( 7,926,646)         |
| Net income                     | <u>\$ 16,171,324</u>                | <u>\$ 16,164,736</u> |

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

  
Enrique Cardenas  
Comptroller



ALPHABET DE MÉXICO DE MONCLOVA, S.A. de C.V.  
(Subsidiary of MSSL (GB) Limited)

Statements of changes in stockholder's equity

For the years ended December 31, 2022 and 2021

(Amounts in Mexican pesos)

|                                 | Capital<br>stock | Retained<br>earnings | Total<br>stockholder's<br>equity |
|---------------------------------|------------------|----------------------|----------------------------------|
| Balance as of December 31, 2020 | \$ 50,000        | \$ 16,275,447        | \$ 16,325,447                    |
| Dividend paid                   | -                | ( 12,699,925)        | ( 12,699,925)                    |
| Net income                      | -                | 16,164,736           | 16,164,736                       |
| Balance as of December 31, 2021 | 50,000           | 19,740,258           | 19,790,258                       |
| Dividend paid                   | -                | ( 19,740,258)        | ( 19,740,258)                    |
| Net income                      | -                | 16,171,324           | 16,171,324                       |
| Balance as of December 31, 2022 | \$ 50,000        | \$ 16,171,324        | \$ 16,221,324                    |

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

Enrique Cardenas  
Comptroller


ALPHABET DE MÉXICO DE MONCLOVA, S.A. de C.V.  
(A Subsidiary of MSSL (GB) Limited)

Statements of cash flows

(Amounts in Mexican pesos)

|  | For the years ended<br>December 31, |                     |
|--|-------------------------------------|---------------------|
|  | 2022                                | 2021                |
| Operating activities                               |                                     |                     |
| Income before taxes on profits                     | \$ 27,731,561                       | \$ 24,091,381       |
| Items in results of operations not affecting cash: |                                     |                     |
| Depreciation                                       | 1,780,961                           | 1,849,961           |
| Labor obligation                                   | 701,671                             | 416,966             |
| Accrued interest receivable                        | ( 3,178,732)                        | ( 4,105,701)        |
|  | <u>27,035,166</u>                   | <u>22,252,607</u>   |
| Changes in operating assets and liabilities:       |                                     |                     |
| Accounts receivable                                | 83,907                              | ( 361,282)          |
| Related parties                                    | ( 5,932,263)                        | ( 15,209,860)       |
| Prepaid expenses                                   | ( 233,900)                          | ( 339,232)          |
| Suppliers  | ( 544,384)                          | 402,248             |
| Direct employees benefits                          | 9,425,202                           | 2,552,537           |
| Seniority premium                                  | ( 781,748)                          | ( 141,366)          |
| Tax on profits                                     | ( 11,424,785)                       | ( 3,953,604)        |
| Other taxes and accrued liabilities                | 1,353,828                           | ( 1,162,694)        |
| Net cash provided by operating activities          | <u>18,971,023</u>                   | <u>4,039,354</u>    |
| Investing activities                               |                                     |                     |
| Purchase of machinery, equipment and improvements  | -                                   | ( 2,311,229)        |
| Right of use assets, net                           | ( 809,928)                          | 2,086,815           |
| Net cash flows (used in investing activities)      | <u>( 809,928)</u>                   | <u>( 224,414)</u>   |
| Financing activities                               |                                     |                     |
| Interest paid                                      | 3,178,732                           | 4,105,701           |
| Dividends paid                                     | ( 19,740,258)                       | ( 12,699,925)       |
| Net cash provided used in financing activities     | <u>( 16,561,526)</u>                | <u>( 8,594,224)</u> |
| Net (decrease) increase in cash                    | 1,599,569                           | ( 4,779,284)        |
| Cash at beginning of year                          | 2,719,220                           | 7,498,504           |
| Cash at end of year                                | <u>\$ 4,318,220</u>                 | <u>\$ 2,719,220</u> |

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

  
 Enrique Cardenas  
 Comptroller

ALPHABET DE MÉXICO DE MONCLOVA, S.A. DE C.V.  
(A Subsidiary of MSSL (GB) Limited)

Notes to the financial statements

At December 31, 2022 and 2021

(Amounts in Mexican pesos, unless otherwise indicated)

1. Nature of operations and summary of significant accounting policies

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

The period of operations of the Company and the fiscal year, comprise from January 1 to December 31.

On May 15, 2023, the financial statements and these notes were authorized by the Comptroller, Enrique Cardenas, for their issue and subsequent approval by the Company's Board of Directors and the Stockholders who have the authority to modify the financial statements. Information on subsequent events covers the period from April 30, 2022 through the above-mentioned issue date of the financial statements.

Summary of significant accounting policies

a) Compliance with Mexican Financial Reporting Standards

Except as mentioned in paragraphs b), j), k) and n), the accompanying financial statements have been prepared in accordance with Mexican Financial Reporting Standards (Mexican FRS).

b) Basis of preparation

The financial statements as of December 31, 2022 and 2021 have been prepared on a historical-cost basis. The Company did not determine the effects of inflation on its financial information through December 31, 2007 as required under Mexican FRS. Nevertheless, management determined that it was not practical to calculate the inflation effects for each account of the financial statements as at 31 December 2022 and 2021.

From January 1, 2008 Mexico is considered to have a non-inflationary economic environment, as defined under Mexican FRS B-10 "Effects of inflation". As at December 31, 2022 and 2021, Mexico's cumulative inflation rate for the three prior years was 26% (annual average of 8%), which represents the necessary condition for considering Mexico as having a non-inflationary economic environment.

2.

As determined based on the National Consumer Price Index (NCPI) published by the National Statistical and Geographical Information Agency (INEGI), Mexico's annual inflation rate for 2022 and 2021 is as follows:

|                 | Cumulative inflation for<br>2021                    | Cumulative inflation for<br>2022                    | Inflation for<br>the year    |
|-----------------|---|---|------------------------------|
|                 | (sum of inflation rates for<br>2019, 2020 and 2021) | (sum of inflation rates for<br>2020, 2021 and 2022) | (inflation rate for<br>2022) |
| Inflation rates | 13.77%  | 18.82%  | 7.18%                        |

c) Recognition of Income

The company recognizes the maquila income at the time the maquila service is provided, which basically consists of applying a percentage of profit on the costs and expenses incurred in the maquila process.

d) Use of estimates

The preparation of the Company's financial statements, in accordance with the NIF, requires Management to make significant judgments, estimates and accounting assumptions that affect the recognized amounts of income, expenses, assets and liabilities and related disclosures, and the disclosure of contingent liabilities. The Company and its subsidiaries based their estimates on information available when the financial statements were prepared. Uncertainties about such judgments and estimates may mean that some significant adjustment to the carrying value of the affected assets or liabilities is required in future periods.

Estimates and assumptions

Key assumptions regarding the future, as well as other key sources of uncertainty in the closing date estimates, are described below, which have a significant risk of material adjustments to the carrying value of assets and liabilities during the following year. The Company based its assumptions and estimates on the parameters available when the financial statements were formulated. However, existing circumstances and assumptions about future events may be altered due to changes in the market or circumstances beyond the Company's control. Such changes are reflected in the assumptions when they occur.

The key assumptions used as of December 31, 2022 and 2021, in the determination of estimates that imply uncertainty and that may have a significant risk of causing relatively significant adjustments to the carrying amount of assets and liabilities during the following year, are the following:

Trials

In the process of applying the Company's accounting policies, Management has made the following judgments, which have had the most significant effects on the amounts recognized in the financial statements:

## Leases

- Determination of the lease term in contracts with renewal and termination options - The Company as lessee

The Company determines the lease term as the non-cancellable period of a lease, together with the periods covered by an option to extend the lease, whether there is reasonable certainty that the Company will exercise that option, or the periods covered by an option to terminate the lease, if there is reasonable certainty that the Company will not exercise that option.

The Company has several leases that include renewal and termination options. The Company applies its judgment to assess whether there is reasonable certainty that it will exercise the option to renew or cancel a lease. That is, it considers all the relevant facts and circumstances that generate an economic incentive to exercise the option of renewal or termination.

The Company included renewal periods as part of the lease term of machinery and equipment with a shorter non-cancellable period (i.e. three to five years). The Company normally exercises its option to renew such leases because there would be a significant negative impact on production if an asset is not available to replace the leased asset.

- Leases - Estimate the incremental rate of financing

The Company cannot easily determine the interest rate implied in leases and therefore uses its incremental rate of financing to value lease liabilities. The incremental financing rate is the interest rate that the Company would have to pay to obtain, with a similar term and guarantees, the funds needed.

## Impairment of non-financial assets

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is fair value minus selling costs, or its use value, whichever is greater. The calculation of fair value minus costs of sales is based on information available on similar sales transactions, made on terms between independent parties for like goods, or on observable market prices, less incremental costs of disposing of the good. The calculation of the use value is based on a discounted cash flow model. Cash flows arise from the budget for the next five years or more considering that growth rates should not be for more than five years and do not include restructuring activities to which the Company has not yet committed, nor significant future investments that will increase the performance of the good or cash-generating unit being tested. The recoverable amount is very sensitive to the discount rate used for the discounted cash flow model, and to the expected future fund income at the growth rate used for extrapolation purposes.

Other disclosures related to impairment of the Company's non-financial assets include:

- Machinery, equipment and Improvements in Note 4.

#### Defined employee benefits (post-employment)

The net cost of defined benefits pension plan and the present value of these labor obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, and mortality, disability, employee turnover rates, as well as certain financial and demographic assumptions. Due to the complexities involved in the valuation, the underlying assumptions, and the long-term nature of the valuation, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of marketable securities in currencies consistent with the currencies of the post-employment benefit obligation by reference to market yields on high-quality corporate bonds or when no such information is available, by reference to market yields on government bonds. When a corporate bond rate is used, the underlying bonds are further assessed for quality, and those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based due to their low quality. As at 31 December 2022 and 2021, the Company has used a government bond rate to discount its long-term defined employee benefits, since management believes that this rate best reflects the present value of the Company's expected future benefit payments based on the characteristics of plan participants and the estimated future payment dates of the benefits.

The mortality rate is based on Mexico's publicly available mortality tables.

Future salary increases are based on expected future inflation rates for Mexico considering a growth rate in the expected benefits.

Additional information on the assumptions used is provided in Note 7.

#### e) Cash

Cash and cash equivalents in the statement of financial position are represented primarily by balances in legal tender and foreign currency in cash and by bank deposits. Cash and cash equivalents are recognized initially and subsequently at fair value.

Cash and cash equivalents held in foreign currencies are converted using the exchange rate of the closing date of the financial statements. The effects of these conversions are recognized in the comprehensive income statement as they accrue.

#### f) Prepaid expenses

Prepaid expenses are initially recognized as assets as of the date the payment is made, provided that it is probable that the future economic benefits associated with the asset will flow to the Company.



At the time the goods or services are received, prepaid expenses are either capitalized or recognized in profit or loss as an expense, depending on whether there is certainty that the acquired goods or services will generate future economic benefits.

The Company periodically evaluates its prepaid expenses to determine the likelihood that they will cease to generate future economic benefits and to assess their recoverability. Unrecoverable prepaid expenses are recognized as impairment losses in profit or loss.

g) Machinery, equipment and improvements

Machinery, equipment and improvements, net are initially recognized at their acquisition value. In the case of assets that require a substantial period for use, comprehensive financing cost incurred during the construction and installation of the same is capitalized.

The acquisition value of machinery, equipment and improvements includes costs that have been incurred initially to be acquired or constructed and subsequently incurred to replace or increase its service potential. If an item of machinery and equipment consist of several components with different estimated useful lives, important individual components are depreciated over their individual useful lives

The depreciation of machinery, equipment and improvements is computed on the carrying value, using the straight-line method (since management considers that this method best reflects the use of these assets), based on the estimated useful life, as follow:

|                         | Annual<br>rates |
|-------------------------|-----------------|
| Leasehold Improvements  | 5%              |
| Machinery and equipment | 10%             |
| Furniture and fixtures  | 10%             |
| Transport equipment     | 25%             |
| Computer equipment      | 30%             |

An item of machinery, equipment and improvements is derecognized upon disposal or when no future economic benefits are expected from their use or sale. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net revenue from disposal and the carrying amount of the asset) it is included in the statement of comprehensive income when the asset derecognized.

The carrying amount of machinery, equipment and improvements is reviewed whenever there are indicators of impairment in the value of such assets. When the recoverable amount of an asset, which is the higher of the asset's expected net selling price and its value in use (the present value of future cash flows), is less than its net carrying amount, the difference is recognized as an impairment loss.

For the years ended as at 31 December 2022 and 2021, there were no indicators of impairment.

6.

h) Other assets

Are composed mainly of security deposits delivered as part of the lease of the building where the plant is located.

i) Provisions, contingents and commitments

Provisions are recognized when (i) the Company has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are recognized only when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Also, commitments are only recognized when they will generate a loss.

Contingent assets are recognized when the realization of income is mostly certain

j) Reserve for seniority premiums, termination benefits and other benefits

Seniority premiums are paid to workers as required by Mexican labor law. Under Mexican labor law, the Company is also obligated to make certain payments to workers who leave the Company or are dismissed in certain circumstances.

The premium costs seniority and termination benefits are recognized annually based on calculations by independent actuaries using the projected unit credit method using financial assumptions in nominal terms. The latest actuarial valuation was carried out in December 2021.

As at December 31, 2022 and 2021, the Company did not record a provision for its obligation related to termination benefits, which should be calculated using the projected unit credit method in accordance with Mexican FRS D-3 Employee benefits in the amount of \$0,000,000 and \$6,446,857, respectively.

k) Employee Profit Sharing (EPS)

Current and deferred employee profit sharing is presented as part of costs or expenses in the statement of comprehensive income.

Deferred employee profit sharing is determined using the asset and liability method. Under this method, deferred employee profit sharing is calculated by applying the 10% rate to all temporary differences between the values of assets and liabilities for financial and tax reporting purposes. The Company periodically evaluates the possibility of recovering its deferred employee profit sharing assets and if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized.



The Company did not recognize deferred employee profit sharing as at December 31, 2022 and 2021, as required by Mexican FRS D-3, Employee benefits, since management determined that it was not practical to calculate the Company's deferred employee profit sharing as at December 31, 2022 and 2021.

l) Foreign exchange

Transactions in foreign currency are recognized at the prevailing exchange rate on the day of the related transactions. Foreign currency denominated assets and liabilities are valued at the prevailing exchange rate at the date of the statement of financial position.

Exchange differences from the transaction date to the time foreign currency denominated assets and liabilities are settled, as well as those arising from the translation of foreign currency denominated balances at the date of the statement of financial position, are recognized in the statement of comprehensive income.

See Note 5 for the Company's foreign currency position at the end of each period and the exchange rates used to translate foreign currency denominated balances.

m) Comprehensive income

The comprehensive income is the sum of the net profit or loss, Other Comprehensive Income (OCI) and participation in the OCI of other entities. For the years ended December 31, 2022 and 2021, comprehensive income equals net income for the year.

n) Income tax

Current income tax

Current income tax is recognized as a current liability, net of prepayments made during the year. Current income tax is recognized as an expense in profit or loss.

Deferred income tax

Deferred income tax is calculated using the asset and liability method. Under this method, deferred taxes are recognized on all temporary differences between financial reporting and tax values of assets and liabilities, applying the income tax rate as of the date of the statement of financial position, or the enacted rate at the date of the statement of financial position that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets and if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized.

8.

The Company did not recognize deferred taxes as at December 31, 2022 and 2021, as required by Mexican FRS D-4, Income tax, since management determined that it was not practical to calculate the Company's deferred taxes as at December 31, 2022 and 2021.

o) Statement of comprehensive income presentation

Costs and expenses shown in the statement of comprehensive income are analyzed by their function in order to present cost of sales separately from other costs and expenses, since such classification allows for a more accurate evaluation of the Company's operating and gross profit margins.

Although not required to do, the Company includes operating income in the income statement, since this Item is an important indicator for evaluating the Company's operating results.

p) Concentration of risk

As at December 31, 2022 and 2021, the Company provides its maquila services exclusively to its related party MSSL Wiring System, Inc. under a maquila program. Accordingly, in the event that the related party no longer requires these services, the Company's operating results could be adversely affected.

q) New accounting pronouncements

1) Standards, Interpretations and Improvements to Mexican FRS issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issue of the Company's financial statements are disclosed below.

The Company intends to adopt these standards, if applicable, when they become effective.

Mexican Financial Reporting Standard (Mexican FRS) A-1 Conceptual Framework in Mexican FRS (effective for annual periods beginning on or after 1 January 2023)

Mexican FRS A-1 Conceptual Framework in Mexican FRS was issued by the Mexican Financial Reporting Standards Board (Consejo Mexicano de Normas de Información Financiera, A.C. or CINIF) in November 2021 to define and set out the Conceptual Framework that supports each specific Financial Reporting Standard and address concerns arising from the accounting recognition of transactions and any other events that have an economic impact on an entity.

New Mexican FRS A-1 supersedes the eight individual standards contained in the previous Mexican FRS Series A Conceptual Framework for the purpose of achieving maximum convergence to International Financial Reporting Standards (IFRS), under which, unlike Mexican FRS, the Conceptual Framework is not a standard.

In addition, the Conceptual Framework has been revised to be consistent with the specific standards issued in recent years.

In order for this Conceptual Framework to be more practical and functional, the new Mexican FRS A-1 is divided into ten chapters. Some of the main changes, compared to the previous Conceptual Framework, include adjustments to the definition of an asset and liability, the restructuring of the hierarchy and description of the qualitative characteristics of financial statements, changes to valuation concepts, inclusion of requirements related to effective communication of the financial statements, and addition of compensation and grouping criteria of Items in presentation and disclosure standards, and the inclusion of CINIF Technical Reports as an integral part of Mexican FRS, among others.

New Mexican FRS A-1 is effective for annual periods beginning on or after 1 January 2023, with early application permitted.

The adoption of new Mexican FRS A-1 had no effect on the Company's consolidated financial statements.

#### Improvements to Mexican FRS for 2023

The improvements that give rise to accounting changes related to valuation, disclosures or presentation in the financial statements are as follows:

##### (i) Mexican FRS B-11 Disposal of Long-lived Assets and Discontinued Operations and Mexican FRS C-11 Equity

These standards include a number of clarifications regarding the valuation and disclosure related to the delivery of long-lived assets to settle a liability or a capital reimbursement to the owners of an entity, since any difference between the carrying amount of the assets delivered to the owners and the amount of the dividend or capital reimbursement paid must be recognized in retained earnings as a shareholder transaction and must be accompanied by the relevant disclosure as of the date when the asset or disposal group has been classified as held for distribution to owners, as well as at the liquidation date.

Several amendments were made to Mexican FRS C-11 to make sure there is consistency between both accounting standards.

This improvement to Mexican FRS B-11 and C-11 represents a deviation from IFRIC 17 Distributions of Non-cash Assets to Owners since the valuation difference described above is recognized in profit or loss and the dividends payable are recognized at the fair value of the asset delivered.

This improvement is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. Any accounting changes arising from the adoption of this improvement should be recognized in accordance with Mexican FRS B-1 Accounting Changes and Error Corrections.

The adoption of this improvement had no effect on the Company's consolidated financial statements.

#### Improvements to Mexican FRS for 2022

The improvements that give rise to accounting changes related to valuation, disclosures or presentation in the financial statements are as follows:

##### (iv) Mexican FRS B-1 *Accounting Changes and Error Corrections*

Entities are no longer required to disclose proforma financial information when there is a change in the entity's financial structure. In addition, when there is a change in an entity's financial structure, such entity is required to disclose the effect of this change on its revenue, as well as on its net profit and comprehensive income or in the net changes in equity and, if applicable, on its earnings per share for each of the comparative periods reported in respect of the period in which the change is made.

This improvement was effective for annual periods beginning on or after 1 January 2022, with early adoption permitted for annual periods beginning on or after 1 January 2021. Any accounting changes arising from the adoption of these improvements are to be recognized prospectively.

The adoption of this improvement had no effect on the Company's consolidated financial statements.

##### (v) Mexican FRS B-10 *Effects of Inflation*

Inflation disclosures for entities that operate in a non-inflationary economic environment are now limited to relevant scenarios, e.g., it is expected that an increase in inflation rates could eventually lead to a change in the inflationary economic environment.

This improvement was effective for annual periods beginning on or after 1 January 2022, with early adoption permitted for annual periods beginning on or after 1 January 2021. Any accounting changes arising from the adoption of these improvements are to be recognized prospectively.

The adoption of this improvement had no effect on the Company's consolidated financial statements.

#### 2. Other accounts receivable

At December 31, 2022 and 2021, other accounts receivable were \$7,095,977 and \$7,179,884, respectively.

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### 3. Related parties

The companies mentioned in this note are considered as affiliates, and the stockholders of these companies are also stockholders of the Company.

Balances with related parties at December 31, 2022 and 2021 parts are as follows:

|  | 2022          | 2021          |
|--|---------------|---------------|
| Receivable:                            |               |               |
| MSSL Wiring System Inc. <sup>(a)</sup> | \$ 50,173,874 | \$ 44,241,611 |

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

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

|                             | 2022           | 2021           |
|-----------------------------|----------------|----------------|
| Revenue:                    |                |                |
| Revenue for maquila service | \$ 459,142,308 | \$ 417,375,251 |

### 4. Machinery, equipment and improvements, net

At December 31, 2022 and 2021, the balances of machinery, equipment and improvements, are integrated as follows:

|                                     | 2022              |                          | 2021              |                          |
|-------------------------------------|-------------------|--------------------------|-------------------|--------------------------|
|                                     | Acquisition value | Accumulated depreciation | Acquisition Value | Accumulated depreciation |
| Components subject to depreciation: |                   |                          |                   |                          |
| Leasehold improvements              | \$ 11,592,299     | \$ 8,151,124             | \$ 11,592,299     | \$ 6,686,657             |
| Machinery and equipment             | 11,007,569        | 8,895,541                | 11,007,569        | 8,579,341                |
| Computer equipment                  | 1,678,903         | 1,678,903                | 1,678,905         | 1,678,903                |
| Furniture and fixtures              | 972,621           | 972,621                  | 972,622           | 972,621                  |
|                                     | 25,251,392        | 19,698,189               | 25,251,395        | 17,917,522               |
| Construction in progress            | -                 | -                        | -                 | -                        |
| Net fixed assets                    | \$ 5,553,203      |                          | \$ 7,333,873      |                          |

Depreciation for the year 2022 and 2021 that was recognized in the income statement amounted to \$1,780,667 and \$1,674,705, respectively.



## 5. Transaction in foreign currency

a) At December 31, 2022 and 2021, the Company has assets and liabilities denominated in US dollars as follows:

|                                 | 2022        | 2021        |
|---------------------------------|-------------|-------------|
| Dollars:                        |             |             |
| Monetary assets                 | US\$ 70,908 | US\$ 53,187 |
| Monetary liabilities            | ( 6,295)    | ( 1,054)    |
| Net monetary liability position | US\$ 64,613 | US\$ 52,132 |

b) The exchange rates used to convert amounts before national currency were \$19.36 and \$20.58 for the US dollar as of December 31, 2022 and 2021, respectively. At May 15, 2023, date of the financial statements, the exchange rate is \$17.61 per dollar.

## 6. Direct benefits to employee

At December 31, 2022 and 2021, the Company has the following accruals related to direct benefits to employee:

|                             | 2022          | 2021          |
|-----------------------------|---------------|---------------|
| Holidays and holidays bonus | \$ 11,749,508 | \$ 5,750,497  |
| Wages to paid               | 5,557,757     | 3,532,351     |
| Employee profit sharing     | 4,326,234     | 2,925,449     |
|                             | \$ 21,633,498 | \$ 12,208,297 |

## 7. Labor obligations

Seniority premium consists of a single payment of 12 days per worked based on the last salary, limited to twice the minimum wage established by law year. The related liability and annual cost of benefits is calculated by an independent actuary on the basis defined in the plans using the projected unit credit method.

At December 31, 2022 and 2021, the net cost of the period, defined benefit obligations related to the retirement plan (Seniority premium retirement), are as follows:

a) Net period cost:

|   | 2022         | 2021         |
|---|--------------|--------------|
| Integration net period cost:                                |              |              |
| Labor cost of actual service                                | \$ 1,317,194 | \$ 1,467,230 |
| Net interest of liabilities (assets) net by defined benefit | 693,822      | 535,822      |
| Remediation recycling                                       | ( 265,978)   | ( 93,746)    |
| Net period cost   | \$ 1,744,972 | \$ 1,909,306 |

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b) Defined benefit obligations are shown below:

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| Provisions to:                          |                     |                     |
| Obligations for Benefits Acquired (OBA) | \$ 2,143,458        | \$ 1,540,401        |
| Obligations for benefits not acquired   | 6,579,412           | 7,262,546           |
| Defined benefit obligations, net        | <u>\$ 8,722,870</u> | <u>\$ 8,802,947</u> |

c) The real interest rates used in the actuarial calculations were as follows:

|                               | 2022  | 2021  |
|-------------------------------|-------|-------|
| Discount benefit obligations: |       |       |
| Projected present value       | 9.45% | 8.12% |
| Salary increase               | 5.00% | 5.00% |

#### 8. Stockholders' equity

a) As of December 31, 2022 and 2021, the share capital is variable, with an authorized fixed minimum of \$50,000 fully subscribed and paid in cash, the maximum share capital of the company will be unlimited. The minimum fixed share capital is represented by nominative, common and released representative of the fixed portion of the capital without the right to withdrawal. Both the fixed and the variable portion of the share capital are represented by shares of the series "B", with a nominal value of one peso each and are subscribed in their entirety by foreign investors, these shares will be freely subscribed.

b) According to the general law of commercial companies, the company must separate from the net income of each year at least 5% to increase the legal reserve until it reaches 20% of the share capital. At December 31, 2022 and 2021 the company has not created the legal reserve.

c) The earnings distributed in excess of the balances of the accounts CUFINRE and CUFIN (Net Tax Income Account), shall be subject to corporate income tax in force at the time of distribution rate. The payment of this tax may be credited against income tax.

c) At ordinary shareholders meeting held on June 13, 2022, the shareholders declared dividends of \$19,740,258 which comes from CUFIN. Such dividends were cash-paid in full on July 18, 2022 accordingly to its shareholding.

Dividends to individuals and legal persons resident abroad are paid on profits generated from 2014, will be subject to a withholding tax of an additional 10%.

## 9. Income tax

### a) Income tax

The Mexican Income Tax Law (MITL) establishes a corporate income tax rate for Mexico of 30% for fiscal years 2022 and 2021.

The MITL establishes new requirements and limits regarding certain deductions, including restrictions on the deductibility of payroll-related expenses that are considered tax-exempt for employees, contributions to create or increase pension fund reserves, and Mexican Social Security Institute dues that are paid by the Company but that should be paid by the employees. The MITL also establishes that certain payments made to related parties shall not be deductible if they do not meet certain requirements.

For the years ended at December 31, 2022 and 2021, the Company reported a taxable income of \$38,534,122 and \$26,422,152, respectively, on which correspond income tax of \$11,560,237 and \$7,926,646, respectively.

### b) Employee profit sharing

The MITL establishes that as of January 1, 2014, entities are to calculate their employee profit sharing on the basis of their taxable earnings for the year determined for income tax purposes, plus or minus the effects of certain adjustments specified in the Law.

## 10. Leases

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

|                                  | 2022          | 2021          |
|----------------------------------|---------------|---------------|
| As at January 1st, 2022 and 2021 | \$ 54,385,080 | \$ 54,385,080 |
| Accumulated amortization         | ( 35,637,968) | ( 26,562,199) |
| As at December 31, 2022 and 2021 | \$ 18,747,114 | \$ 27,822,881 |

### Leases liabilities

Terms and conditions for the leases as of December 31, 2022 are as follows:

| Currency | Maturity | Present value |
|----------|----------|---------------|
| MXN      | 2023     | \$ 34,127,490 |



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Amortization and interest amounts into the P&L as of December 31 2022 and 2021 were as follows:

| Amounts:     | 2022         | 2021         |
|--------------|--------------|--------------|
| Interest     | \$ 3,181,197 | \$ 4,107,898 |
| Amortization | 9,075,769    | 9,105,051    |

## 11. Contingencies

As of December 31, 2022, the entity has the following contingencies:

- a) There is a contingent liability arising from the labour obligations referred to in the Note 1j).
- b) In accordance with the tax legislation in force, the authorities have the power to review up to the five tax years prior to the last income tax return presented.
- c) In accordance with the Income Tax Law, companies that carry out operations with related parties are subject to limitations and tax obligations, as to the determination of the agreed prices, since these must be comparable to those that are use with or between independent parties in comparable transactions. In case the tax authorities will review the prices and reject the amounts determined, they may demand, in addition to the collection of the tax, the corresponding accessories (update and surcharges), and fines on omitted contributions, which could be up to 100% of the updated amount of contributions. The company's compliance with provisions taxation relating to the determination of maquila income is through an Agreement Advance Prices.
- d) As of December 31, 2022 and 2021, and at the date of issuance of these financial statements, the Entity as a maquiladora industry has the following commitments inherent to the program IMMEX, which have been fulfilled:
  - Annually make sales abroad worth more than \$500,000 dollars of the United States of America, or its equivalent in national currency, or invoicing exports of at least 10% of its total turnover.
  - Allocate goods temporarily imported under the IMMEX program to the authorized purposes.
  - Return the goods abroad within the corresponding deadlines in accordance with the established in the Customs Law or in the maquila program. As of December 31, 2022 and 2021, the Entity held in custody temporarily imported inventory owned by its holding company, with an approximate value of US\$6,022,648 and US\$16,128,381, respectively (unaudited figures).
  - As of December 31, 2022 and 2021, the Entity had in its custody fixed assets temporarily imported owned by your holding company with an approxlmate value of MXN \$178,569,411 and \$167,290,890 (unaudited figures).
  - Keep the goods temporarily imported at the registered address in the program.

- Request the Ministry of Economy, prior procedure before the Administration Services Tax (SAT), the record of changes in the data manifested in the application for the approval of the maquila program, such as company name, domicile and registration federal taxpayers, as well as suspension of activities.
- Keep an automated inventory control with some minimal information.
- Submit an annual report electronically to the Ministry of Economy and the SAT for total sales and exports for the fiscal year immediately preceding, no later than the last working day of the month of May of the following year.
- Additionally, upon return of temporarily imported materials and inputs, the maquiladora must pay the import taxes corresponding to those materials with whose country of origin a free trade agreement has not been signed, as well the VAT corresponding to the importation of machinery and equipment must be paid, once the IMMEX program is canceled and these assets remain in Mexico.



Enrique Cardenas  
Comptroller