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

Financial statements

Years ended December 31, 2021 and 2020
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, 2021 and 2020

Contents:

Construyendo un mejor entorno de negocios

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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, 2021, 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, 2021, 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, 2021 and 2020, 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, 2021 and 2020. 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, 2021 and 2020, 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, 2021 and 2020. 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, 2021 and 2020, 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, 2021 and 2020. 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 31,2021 and 2020, which should be calculated using the projected unit credit method in accordance with Mexican FRS D-3 Employee benefits in the amount of $6,446,857 and $6,244,865, 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 18, 2022.

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, 2021	December 31, 2020
Assets		
Current assets:		
Cash	$ 2,719,220	$ 7,498,504
Other accounts receivable (Note 2)	7,179,884	6,818,602
Related parties (Note 3)	44,241,611	29,031,751
Prepaid expenses	2,476,588	2,137,357
Total current assets	56,617,303	45,486,214
Machinery, equipment and improvements, net (Note 4)	7,333,873	7,562,312
Right of use assets, net (Note 10)	27,822,881	36,559,439
Total assets	$ 91,774,057	$ 89,607,965
Liabilities and stockholder's equity		
Current liabilities:		
Suppliers	$ 648,270	$ 246,022
Direct benefits to employees (Note 6)	12,208,297	9,655,760
Accrued expenses and other taxes	11,921,723	13,084,419
Lease liabilities (Note 10)	9,885,695	9,047,725
Income tax payable	4,275,071	302,029
Total current liabilities	38,939,056	32,335,955
Long-term liabilities:		
Lease liabilities (Note 10)	24,241,796	32,419,216
Labor obligation (Note 7)	8,802,947	8,527,347
Total long-term liabilities	30,044,743	40,946,563
	71,983,799	73,282,518
Stockholder's equity: (Note 8)		
Capital stock	50,000	50,000
Retained earnings	19,740,258	16,275,447
Total stockholder's equity	19,790,258	16,325,447
Total liabilities and stockholder's equity	$ 91,774,057	$ 89,607,965

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 December 31, 2021	2020
Revenues:		
Maquila revenues (Note 3)	$ 417,375,251	$ 353,651,529
Other income, net	440,704	2,208,827
	417,815,955	355,860,356
Expense and cost:		
Expense of maquila	(388,693,752)	(338,254978)
Operating income	29,122,203	17,605,378
Comprehensive financing cost:		
Interest expense, net	(4,105,701)	(7,129,833)
Exchange (loss), net	(925,120)	(3,076,397)
	5,030,821	(10,206,230)
Income before taxes on profits	24,091,382	7,399,148
Income tax (Note 9)	(7,926,646)	(3,823,626)
Net income	$ 16,164,736	$ 3,575,522

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, 2021 and 2020

(Amounts in Mexican pesos)

	Capital stock	Retained earnings	Total stockholder's equity
Balance as of December 31, 2019	$ 50,000	$ 12,699,925	$ 12,749,925
Net income	-	3,575,522	3,575,522
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

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 December 31, 2021	For the years ended December 31, 2020
Operating activities		
Income before taxes on profits	$ 24,091,381	$ 7,399,148
Items in results of operations not affecting cash:		
Depreciation	1,849,961	1,747,730
Labor obligation	416,966	1,516,809
Accrued interest receivable	(4,105,701)	(2,924)
	22,252,607	10,660,763
Changes in operating assets and liabilities:		
Accounts receivable	(361,282)	(276,945)
Related parties	(15,209,860)	(8,402,108)
Prepaid expenses	(339,232)	604,192
Suppliers	402,248	(1,250,902)
Direct employees benefits	2,552,537	(3,959,642)
Seniority premium	(141,366)	-
Tax on profits	(3,953,604)	(3,823,626)
Other taxes and accrued liabilities	(1,162,694)	(239,377)
Net cash provided by operating activities	4,039,354	(6,687,645)
Investing activities		
Purchase of machinery, equipment and improvements	(2,311,229)	(572,408)
Right of use assets, net	2,086,815	4,253,630
Net cash flows (used in investing activities	(224,414)	3,681,222
Financing activities		
Interest paid	4,105,701	2,924
Dividends paid	(12,699,925)	-
Net cash provided used in financing activities	(8,594,224)	2,924
Net (decrease) increase in cash	(4,779,284)	(3,003,499)
Cash at beginning of year	7,498,504	10,502,003
Cash at end of year	$ 2,719,220	$ 7,498,504

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, 2021 and 2020

(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 18, 2022, the financial statements and these noted 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, 2021 and 2020 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 2021 and 2020.

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, 2021 and 2020, 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.

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 2021 and 2020 is as follows:

	Cumulative inflation for 2020	Cumulative inflation for 2021	Inflation for the year
	(sum of inflation rates for 2018, 2019 and 2020)	(sum of inflation rates for 2019, 2020 and 2021)	(inflation rate for 2021)
Inflation rates	10.81%	13.34%	7.36%

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, 2021 and 2020, 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 2021 and 2020, 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 computated 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:

	Anual 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 2021 and 2020, there were no indicators of impairment.

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, 2021 and 2020, 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 $ 6,446,857 and $6,244,854, 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, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020, 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.

The Company did not recognize deferred taxes as at December 31, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020, 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) C-17 Investment Property (effective for annual periods beginning on or after 1 January 2021)

Mexican FRS C-17 Investment Property was issued by the CINIF in December 2019 and addresses the accounting for investment properties.

Mexican FRS C-17 eliminates the supplementary application of IAS 40 Investment Property and supersedes Circular 55 Supplementary application of IAS 40 as of the date of adoption of the new standard.

The most important changes contained in the new Mexican FRS C-17 compared to Circular 55 are: i) entities may now choose to subsequently measure investment properties at either cost or fair value; and ii) the definition of investment property has been modified for considering these assets held for capital appreciation in the medium-term through its sell. As a result of this change, assets held to earn rentals by a lease commitment are outside the scope of Mexican FRS C-17.

Mexican FRS C-17 is effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The adoption of Mexican FRS C-17 had no effect on the Company's financial statements.

Improvements to Mexican FRS for 2021

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-1 Accounting changes and error corrections

Entities are now required to recognize prospectively the initial effect of an accounting change or error correction when it is impracticable to determine such initial effect using the retrospective approach.

This improvement is effective for annual periods beginning on or after 1 January 2021, with early adoption permitted for annual periods beginning on or after 1 January 2020. Any accounting changes arising from the adoption of this improvement are to be recognized prospectively.

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

(ii) Mexican FRS D-5 Leases

a) Lease recognition exemption disclosures

Mexican FRS D-5 clarifies certain issues surrounding the expense related to short-term leases and leases of low-value assets, for which no right-of-use asset is recognized.

b) Sale-leaseback transactions

Mexican FRS D-5 explains and clarifies certain issues surrounding the determination of the lease liability arising in a sale and leaseback transaction. Consequently, the illustrative example of a sale and leaseback transaction provided in Mexican FRS D-5 has been modified.

These improvements are effective for annual periods beginning on or after 1 January 2021, with early adoption permitted for annual periods beginning on or after 1 January 2020.

The adoption of these improvements had no effect on the Company's financial statements.

2) New Standards, Interpretations and Improvements to Mexican FRS effective as at 1 January 2020

Guidance on Mexican FRS 5 Alternatives for transitioning to Mexican FRS D-5 Leases

Guidance on Mexican FRS 5 Alternatives for transitioning to Mexican FRS D-5 Leases contains guidance on accounting for the transition to Mexican FRS D-5 upon initial adoption and provides a number of illustrative examples.

The adoption of Guidance on Mexican FRS 5 had no effect on the Company's financial statements.

Guidance on Mexican FRS 6 Discount rate, lease term and certain disclosures under Mexican FRS D-5 Leases

Guidance on Mexican FRS 6 Discount rate, lease term and certain disclosures under Mexican FRS D-5 Leases provides guidelines related to determination of the discount rate and lease term and certain disclosures arising from application of Mexican FRS D-5.

The adoption of Guidance on Mexican FRS 6 had no effect on the Company's financial statements.

Improvements to Mexican FRS for 2020

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

(i) Mexican FRS D-4 Income taxes and Mexican FRS D-3 Employee benefits

Entities are now required to account for the effects of uncertain tax treatments on their income tax and employee profit sharing. The improvements address matters such as: whether an entity should consider uncertain tax treatments separate or combined basis, the assumptions an entity must make when determining whether the tax treatment will be reviewed by the tax authorities, how an entity should determine its taxable profit, tax base, unused tax losses, unused tax credits and tax rates, methods for estimating the uncertainty, and how an entity should evaluate changes in facts and circumstances.

Since employee profit sharing is determined based on the same tax laws and using practically the same tax base as income tax, the above mentioned considerations related to the effects of uncertainty are also applicable to current and deferred employee profit sharing.

These improvements are effective for annual periods beginning on or after 1 January 2020, with early adoption permitted for annual periods beginning on or after 1 January 2019.

The adoption of these improvements had no effect on the Company's financial statements.

(ii) Mexican FRS D-4 Income taxes

Entities are now required to recognize the tax effects of distributions of dividends in equity, so when an entity recognizes a liability for distribution of dividends, it must also recognize the corresponding income tax liability, if applicable.

This improvement is effective for annual periods beginning on or after 1 January 2020, with early adoption recommended for annual periods beginning on or after 1 January 2019.

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

(iii) Mexican FRS D-5 Leases

a) Use of a risk free rate to discount future lease payments

Mexican FRS D-5 now includes an option for lessees to measure the lease liability at the commencement date of the lease, at the present value of the lease payments that are not paid at that date using a risk free rate. Lessees must elect whether to apply this option to each lease agreement and, if this option is elected, it must be applied until the end of the lease term.

Mexican FRS D-5 establishes that a risk free rate is the rate that reflects the time value of money under prevailing market conditions established for government bonds with specific maturities; a risk free rate does not take any other risks into account.

b) Separating components of a lease

Limitations were imposed on the use of the practical expedient set forth in Mexican FRS D-5 related to the separation of non-lease components or relatively insignificant components when determining the right of use asset and the lease liability.

The practical expedient establishes that, when it is difficult to separate the components, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. Lessees still may not apply this practical expedient to embedded derivates that meet the separation criteria in Mexican FRS C-10.

These improvements are effective for annual periods beginning on or after 1 January 2020, with early adoption permitted for annual periods beginning on or after 1 January 2019.

The adoption of these improvements had no effect on the Company's financial statements.

2. Other accounts receivable

At December 31, 2021 and 2020, other accounts receivable were $7,179,884 and $6,818,602 respectively.

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, 2021 and 2020 parts are as follows:

	2021	2020
Receivable:		
MSSL Wiring System Inc. [(a)]	$ 44,241,611	$ 29,031,751

(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:

	2021	2020
Revenue:		
Revenue for maquila service	$ 417,375,251	$ 353,651,529

4. Machinery, equipment and improvements, net

At December 31, 2021 and 2020, the balances of machinery, equipment and improvements, are integrated as follows:

	2021		2020	
	Acquisition value	Accumulated depreciation	Acquisition value	Accumulated depreciation
Components subject to depreciation:				
Leasehold improvements	$ 11,592,299	$ 6,686,657	$ 10,794,023	$ 5,364,247
Machinery and equipment	11,007,569	8,579,341	10,130,978	8,227,046
Computer equipment	1,678,905	1,678,903	1,678,903	1,678,903
Furniture and fixtures	972,622	972,621	972,621	972,621
	25,251,395	17,917,522	23,576,526	16,242,817
Construction in progress	-	-	228,603	-
Net fixed assets	$ 7,333,873	$ -	$ 7,562,312	$

Depreciation for the year 2021 and 2020 that was recognized in the income statement amounted to $1,674,705 and $1,747,730, respectively.

5. Transaction in foreign currency

a) At December 31, 2021 and 2020, the Company has assets and liabilities denominated in US dollars as follows:

	2021		2020	
Dollars:				
Monetary assets	US$	53,187	US$	144,632
Monetary liabilities		(1,054)		(176)
Net monetary liability position	US$	52,132	US$	144,456

b) The exchange rates used to convert amounts before national currency were $20.58 and $19.87 for the US dollar as of December 31, 2021 and 2020, respectively. At May 18, 2022, date of the financial statements, the exchange rate is $19.96 per dollar.

6. Direct benefits to employee

At December 31, 2021 and 2020, the Company has the following accruals related to direct benefits to employee:

	2021		2020	
Holidays and holidays bonus	$	5,750,497	$	5,013,904
Wages to paid		3,532,351		2,830,762
Employee profit sharing		2,925,449		1,811,094
	$	12,208,297	$	9,655,760

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, 2021 and 2020, the net cost of the period, defined benefit obligations related to the retirement plan (Seniority premium retirement), are as follows:

a) Net period cost:

	2021		2020	
Integration net period cost:				
Labor cost of actual service	$	1,467,230	$	1,211,126
Net interest of liabilities (assets) net by defined benefit		535,822		471,131
Remediation recycling		(93,746)		(165,448)
Net period cost	$	1,909,306	$	1,516,809

b) Defined benefit obligations are shown below:

	2021	2020
Provisions to:		
Obligations for Benefits Acquired (OBA)	$ 1,540,401	$ 1,205,632
Obligations for benefits not acquired	7,262,546	7,321,715
Defined benefit obligations, net	$ 8,802,947	$ 8,527,347

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

	2021	2020
Discount benefit obligations:		
Projected present value	8.12%	6.43%
Salary increase	5.00%	5.00%

8. Stockholders' equity

a) As of December 31, 2021 and 2020, 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, 2021 and 2020 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.

d) At regular shareholders' meetings held on December 31, 2020, the shareholders declared dividends of $12,699,925 which comes from CUFIN. Such dividends were cash-paid in full on March 4, 2021.

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 2021 and 2020.

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, 2021 and 2020, the Company reported a taxable income of $26,422,152 and $12,745,421, respectively, on which correspond income tax of $7,926,646 and $3,823,626, 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:

	2021	2020
As at January 1st, 2021 and 2020	$ 54,385,080	$ 45,198,026
Accumulated amortization	(26,562,199)	(8,638,587)
As at December 31, 2021 and 2020	$ 27,822,881	$ 36,559,439

Leases liabilities

Tems and conditions for the leases as of December 31, 2021 are as follows:

Currency	Maturity	Present value
MXN	2023	$ 34,127,490

Amortization and interest amounts into the P&L as of December 31 2021 y 2020 were as follows:

Amounts:	2021	2020
Interest	$ 4,107,898	$ 5,507,162
Amortization	9,105,051	9,451,900

11. Contingencies

As of December 31, 2021, 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, 2021 and 2020, 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, 2021 and 2020, the Entity held in custody temporarily imported inventory owned by its holding company, with an approximate value of US$16,128,381 and US$8,477,387, respectively (unaudited figures).
- As of December 31, 2021 and 2020, the Entity had in its custody fixed assets temporarily imported owned by your holding company with an approximate value of MXN $167,290,890 y MXN $162,942,659 (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