MOTHERSON TECHNO PRECISION MÉXICO, S.A. DE C.V.
(Subsidiary of Motherson Techno Precision GmbH)

Financial statements

31 December 2021 and 2020
with independent auditor's report

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Torre Equus
335 Ricardo Margain
Valle del Campestre
San Pedro Garza García, Nuevo León
C.P. 66265

Tel: (81) 8152 1800
Fax: (81) 8152 1839
ey.com.mx

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Motherson Techno Precision México, S.A. de C.V.

Opinion

We have audited the accompanying financial statements of Motherson Techno Precision México, S.A. de C.V. ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Motherson Techno Precision México, S.A. de C.V. as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Mexican Financial Reporting Standards ("MFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

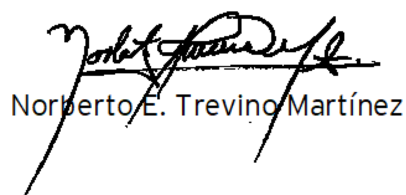
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

The partner in charge of the audit resulting in this independent auditor's report, is who signs it.

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



Norberto E. Trevino Martínez

Monterrey, Nuevo León
11 May 2022.

MOTHERSON TECHNO PRECISION MÉXICO, S.A. DE C.V.
(Subsidiary of Motherson Techno Precision GmbH)

Statements of financial position

(Amounts in Mexican pesos) (Note 1b)

	As at 31 December	
	2021	2020
Assets		
Current assets:		
Cash (Note 3)	$ 11,746,321	$ 31,480,571
Accounts receivable:		
Trade receivables (Note 2.b)	32,285,535	24,828,704
Recoverable taxes (Note 6)	2,065,776	6,083,627
Inventories (Note 7)	60,491,706	23,886,981
Prepaid expenses	6,220,877	2,160,084
Total current assets	112,810,215	88,439,967
Non-current assets:		
Machinery and equipment, net (Note 8)	48,843,346	32,753,805
Intangible assets (Note 9)	394,216	308,065
Right of use assets (Note 10)	26,234,212	31,916,854
Deferred employee profit sharing (Note 14)	9,474,590	9,378,358
Deferred income tax (Note 16)	27,299,851	26,792,740
Total non-current assets	112,246,215	101,149,822
Total assets	$ 225,056,430	$ 189,589,789
Liabilities and equity		
Current liabilities:		
Suppliers	$ 14,683,873	$ 13,740,047
Taxes payable	3,976,648	1,298,392
Lease liabilities (Note 10)	7,033,480	6,371,642
Related parties (Note 5)	885,968	84,228,272
Provisions and accrued liabilities (Note 11)	66,695,613	66,843,228
Short-term employee benefits (Note 14)	5,728,197	4,903,909
Total current liabilities	99,003,779	177,385,490
Long-term liabilities:		
Lease liabilities (Note 10)	19,532,790	25,028,923
Long-term related parties (Note 5)	86,722,290	-
Net employee defined benefit liabilities (Note 13)	2,026,493	1,051,817
Total long-term liabilities	108,281,573	26,080,740
Total liabilities	207,285,352	203,466,230
Equity (Note 15):		
Share capital	50,000	50,000
Accumulated losses	(13,926,441)	(31,336,382)
Net profit	31,647,519	17,409,941
Total equity (deficit)	17,771,078	(13,876,441)
Contingencies and commitments (Note 18)	-	-
Total liabilities and equity	$ 225,056,430	$ 189,589,789

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

Martha Butron
Operations Manager

MOTHERSON TECHNO PRECISION MÉXICO, S.A. DE C.V.
(Subsidiary of Motherson Techno Precision GmbH)

Statements of income

(Amounts in Mexican pesos) (Note 1b)

	For the years ended 31 December	
	2021	2020
Revenue from contracts with customers (Note 2.a.1)	**$ 251,948,750**	$ 197,337,198
Cost of sales (Note 17.a)	**(152,512,816)**	(117,518,793)
Gross profit	**99,435,934**	79,818,405
Operating expenses (Note 17.a)	**(50,800,722)**	(38,415,322)
Operating profit	**48,635,211**	41,403,083
Net financing cost (Note 17.b):		
Interest income	**251**	30,404
Interest expense and other finance expenses	**(2,362,990)**	(2,805,146)
Foreign exchange gain (loss), net	**1,029,144**	(8,186,382)
	(1,333,595)	(10,961,124)
Profit before income tax	**47,301,616**	30,441,959
Income tax (Note 16)	**(15,654,097)**	(13,032,018)
Net profit	**$ 31,647,519**	$ 17,409,941

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

Martha Butron
Operations Manager

MOTHERSON TECHNO PRECISION MÉXICO, S.A. DE C.V.
(Subsidiary of Motherson Techno Precision GmbH)

Statements of changes in equity

For the years ended 31 December 2021 and 2020

(Amounts in Mexican pesos) (Note 1b)

	Share capital	Accumulated losses	Net profit	Total equity (deficit)
Balances at 31 December 2019 (deficit)	$ 50,000	$ (55,264,162)	$ 23,927,780	$ (31,286,382)
Transfer to accumulated losses		23,927,780	(23,927,780)	-
Net profit			17,409,941	17,409,941
Balances at 31 December 2020 (deficit)	50,000	(31,336,382)	17,409,941	(13,876,441)
Transfer to accumulated losses		17,409,941	(17,409,941)	-
Net profit			31,647,519	31,647,519
Balances at 31 December 2021	$ 50,000	$ (13,926,441)	$ 31,647,519	$ 17,771,078

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

Martha Butron
Operations Manager

MOTHERSON TECHNO PRECISION MÉXICO, S.A. DE C.V.
(Subsidiary of Motherson Techno Precision GmbH)

Statements of cash flows

(Amounts in Mexican pesos) (Note 1b)

	For the years ended 31 December 2021	2020
Operating activities		
Profit before income tax	$ 47,301,616	$ 30,441,959
Items not affecting cash flows:		
Employees' benefits (Note 13)	1,762,706	495,337
Deferred employee profit sharing (Note 14)	(96,232)	(121,495)
Items related to investing activities:		
Depreciation of machinery and equipment and right of use assets (Notes 8 and 10)	15,107,033	13,965,430
Amortization (Note 9)	188,625	133,909
Interest income	(251)	(30,404)
Gain on sale of machinery	(57,037)	-
Items related to financing activities:		
Interest expense	2,362,990	2,805,146
Total	66,569,450	47,689,882
Changes in operating assets and liabilities:		
Accounts receivable and others	(7,170,193)	2,116,740
Inventories	(36,604,725)	8,421,300
Prepaid expenses	(4,060,793)	(231,268)
Related parties, net	(593,201)	535,169
Suppliers	943,826	6,318,427
Sundry creditors and other accounts payable	(17,369,944)	(26,481,088)
Employee benefits payment	(788,030)	(106,401)
Interest received	251	30,404
Net cash flows from operating activities	926,641	38,293,165
Investment activities		
Proceeds from sale of equipment	150,962	-
Purchase of machinery and equipment	(22,147,274)	(10,233,476)
Purchase of intangible assets	(274,776)	(166,121)
Net cash used in investment activities	(22,271,088)	(10,399,597)
Cash surplus to be applied to financing activities	(21,344,447)	27,893,568
Financing activities		
Long-term related parties	3,973,187	(339,028)
Interest paid	(2,362,990)	(2,805,146)
Net cash used in financing activities	1,610,197	(3,144,174)
(Decrease) increase of cash	(19,734,250)	24,749,394
Cash at beginning of year	31,480,571	6,731,177
Cash at end of year	$ 11,746,321	$ 31,480,571

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

Martha Butron
Operations Manager

1. Nature of operations, relevant events, and summary of significant accounting policies

Operations

Motherson Techno Precision México, S.A. de C.V. (collectively, "the Company") which is a subsidiary of Motherson Techno Precision GmbH and MSSL GmbH, which in turn is a subsidiary of Motherson Sumi Systems Limited and a corporation incorporated under the laws of Mexico on April 8, 2013 and commences productive activities in 2014. Its main address is San Luis Potosí, SLP and it primarily manufacturing, design, assembly, production and commercialization in any form of any kind of turned and milled parts of high-quality precision, particularly parts for fueling. The Company is a 99.9% owned direct subsidiary of Motherson Techno Precision GmbH (direct holding company), and an indirect subsidiary of Motherson Sumi Systems Limited (ultimate holding company).

Manufacturing and sales operation of the Company are made in accordance with the terms of contracts between Motherson Techno Precision México, S.A. de C.V., and its client Vitesco Technologies GmbH, in the territories and in accordance with such contract signed in 2020 and ends 31 December 2025. During 2021 the sales to Vitesco Technologies GmbH, represent 99% (98% in 2020) of total production of the Company, consequently, is economically dependent on the continuance of the contract.

The Company has been incorporated for an unspecified term.

The Company's operating period and fiscal year is from January 1 through 31 December.

On 11 May 2022, the financial statements and these notes were authorized by the Company's Plant Manager, Martha Butron, for their issue and subsequent approval by the Company's Board of Directors and shareholders, who have the authority to modify the financial statements. Information on subsequent events covers the period from 1 January 2021 through the above-mentioned issue date of the financial statements.

Relevant events

COVID-19

In late 2019, the disease known as "COVID-19" began to spread in the Wuhan region of the People's Republic of China. On 30 January 2020, the Emergency Committee of the International Health Regulations of the World Health Organization declared an international health emergency due to the outbreak and spread of COVID-19. Because of COVID-19, cases spread to several countries, causing thousands of deaths, the World Health Organization declared the disease a global pandemic in March 2020. The spread of COVID-19 around the world, the declaration of the disease as a pandemic and the actions taken by governments, companies and individuals over the world, have generated high volatility in global financial markets, as well as significant economic impacts worldwide. As of the date of these financial statements, it is impossible to predict how long the COVID-19 pandemic will last, or the measures that will be taken to prevent its spread.

The spread of COVID-19 and other adverse events related to public health in Mexico, could have a significant adverse effect on the Company business, financial position, operations and prospective results. However, the Company has modified its strategy and objectives, to mitigate the effects and uncertainty caused by the COVID-19 disease.

Covid-19, an infectious disease caused by a new virus, was declared a global pandemic by the WHO on 11 March 2020. Measures to slow the spread of Covid-19 have had a significant impact on the global economy. Entities should consider the impact of Covid-19 when preparing their financial statements. Although the application of judgments in specific areas of the financial statements may not change, the impact of Covid-19 created the need for more judgment within those areas. Given the changing nature of Covid-19 and the limited recent experience of the economic and financial impacts of this pandemic, changes may be necessary in the future in the valuation of entities' assets and liabilities.

Entities should consider whether to disclose the measures they have adopted, in accordance with the recommendations of the WHO and the national health secretariats, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home, reduction of work shifts in operational areas to minimize the number of workers commuting to work, rigorous cleaning of workplaces, distribution of personal protective equipment, testing suspected cases and measuring body temperature.

Summary of significant accounting policies

a) Compliance with Mexican Financial Reporting Standards

The financial statements as of 31 December 2021 and 2020 have been prepared in accordance with Mexican Financial Reporting Standards ("MFRS" or "Mexican FRS").

b) Basis of presentation

The financial statements as of 31 December 2021 and 2020, have been prepared on a historical-cost basis.

The amounts shown in the financial statements and these notes are in thousands of Mexican pesos, ($) except where otherwise indicated.

From 1° January 2008 Mexico is considered to have a non-inflationary economic environment, as defined under Mexican FRS B 10 "Effects of inflation". As at 31 December 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. Accordingly, the Company ceased restating its financial statements for inflation as of 1° January 2008.

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%	**13.33%**	**7.36%**

Under Mexican FRS, this cumulative inflation rate represents the necessary condition for considering Mexico as having a non inflationary economic environment, which means that the financial statements should be prepared on a historical cost basis.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Expected to be realized within twelve months after the reporting period.
- Held primarily for the purpose of trading, or
- cash unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- it is held primarily for the purpose of trading.
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

c) Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Valuation area determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for sale in discontinued operations.

At each reporting date, the Valuation area analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the administration verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

On an interim basis, the administration presents the valuation results to the Audit Committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments that are measured at fair value are summarized in the following notes:

Disclosures for valuation methods, significant estimates and assumptions	Notes 1f), 2 and 4.a.4
Quantitative disclosures of fair value measurement hierarchy	Note 2
Financial instruments (including those carried at amortized cost)	Note 1h) and 4.a.4

d) Functional currency

Management has established the US Dollar as functional currency the financial statements are presented on Mexican pesos; this currency is also used to record operations and report financial statements.

The financial statements are issue for legal and tax purposes, therefore are not subject to consolidation or valuation base on equity method, company did not perform the conversion of recording currency to functional currency in accordance with INIF 15 Financial statements, where reporting currency is equal to entry currency, but different from functional currency.

e) Revenue from contracts with customers

The Company's primarily activity is manufactures and sells parts for the automotive industry.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 1f).

Sale of goods

Revenue from sale of automotive parts ("the parts") is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the parts. The normal credit term is 30 to 60 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of parts, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Contract balances

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 1h) of financial instruments initial recognition and subsequent measurement.

Contract liabilities and advances from customers

A contract liability is the obligation to transfer the control over goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is due, and an advance from customers when the payment is made. Contract liabilities (or advance from customer) are recognized as revenue when the Company performs its performance obligations under the contract.

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the product before its sale (e.g., inventory), less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. The Company presents separately the asset from the refund liability.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer.

The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period to take into consideration the corresponding changes of circumstances. Refer to above accounting policy on variable consideration.

f) Use of estimates

The preparation of the Company's financial statements in accordance with Mexican FRS requires management to make judgements, estimates and significant assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The Company and its subsidiaries based its estimates on the available information at the time the financial statements were prepared. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Financial instruments risk management and policies Note 4.a.4
- Sensitivity analyses disclosures Note 4.a.4

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Leases

- Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for leases of buildings with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of buildings with longer non-cancellable periods (i.e., 5 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

- Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment at contract inception date. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Provision for Expected Credit Losses (ECL) of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 1h), 1i), 2.a.2 and 2.b.

Impairment in the value of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years or more, taking into account that growth rates must not be further than five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Additional disclosures related to impairment in the value of the Company's non-financial assets are included in:

- Machinery and equipment — Note 1m)
- Sensitivity analyses, which are described with further detail — Note 4.a.4

Defined benefit plans (pension benefits)

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 12.

g) Cash

Cash principally consist of petty cash balances in local and foreign currency and bank deposits. Cash and cash equivalents are stated at fair value.

Cash in foreign currency are translated using the rate of exchange prevailing at the reporting date. Exchange differences are recognized in the statement of comprehensive income as they accrue.

h) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under Mexican FRS D-1 Revenue from contracts with customers as under Mexican FRS C-20 Financial Assets to collect principal and interest. Refer to the accounting policies in Note 1i) Revenue from contracts with customers.

Impairment of financial assets

The Company recognizes an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit risk exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at the initial date of recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or accounts payable.

All financial liabilities are initially measured at fair value, and for loans and accounts payable are measured including transaction cost directly attributable.

Company's financial liabilities includes trade creditors and other payable accounts, and loans and borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Financial liabilities derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

(iii) Offsetting of financial instruments

The Company may offset a financial asset and a financial liability and present the net amount in its statement of financial position only when:

- It has the right or and an obligation to receive or pay a single net amount and intends to do so, and it has, in effect, only a single financial asset offset or financial liability offset; and
- the net amount resulting from offsetting the financial asset and the financial liability reflects the Company's expected cash flows from settling two or more separate financial instruments.

Based on the above, the Company offsets a financial asset and a financial liability and presents the net amount in its statement of financial position only when it:

- Has an enforceable legal right to set off the recognized amounts under any circumstance; and at the same time
- intends either to settle on a net basis the financial asset and liability, or to realize the financial asset and settle the financial liability simultaneously.

(iv) Transfer of financial assets

The Company is considered to have transferred a financial asset only when it:

(i) Transfers the contractual rights to receive the future cash flows of the financial asset, or
(ii) retains its contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipient in an arrangement that meets all the following conditions:

- The transfer contract establishes the obligation to pay the recipient the amount the Company collects from the original financial asset,
- the Company is prohibited by the terms of the transfer contract from selling or pledging the original asset, and
- the Company has an obligation to remit any cash flows it collects on behalf of the eventual recipients. The Company is not entitled to reinvest the cash flows except for the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed on to the eventual recipients.

When the Company transfers a financial asset, it must evaluate to what extent it retains the risks and rewards of the financial asset in order to identify the appropriate accounting treatment. Consequently:

(i) If the Company substantially transfers all of the risks and rewards of ownership of the financial asset, the Company must derecognize the financial asset and recognize separately as assets and liabilities any rights or obligations created or retained in the transfer (non-recourse transfer);
(ii) if the Company substantially retains all the risks and rewards of ownership of the financial asset, the entity should continue to recognize the financial asset and recognize a liability, since the transaction essentially represents secured borrowing with a pledge of collateral on the financial asset (transfer with recourse);
(iii) if it is not clear and convincing to what extent the Company substantially transfers all the risks and rewards of ownership of the financial asset, the Company must determine whether it has retained control of the financial asset by evaluating the extent of its continuing involvement in the transferred asset. In this case:

- If the Company has not retained control over the financial asset, it must derecognize the financial asset and recognize simultaneously any rights or obligations created or retained in the transfer; or
- if the Company has retained control, it must continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

i) Trade receivables and other accounts receivable

Accounts receivable represent the consideration to which an entity is entitled in exchange for satisfaction of a performance obligation through the transfer of a promised good or service to a customer.

Trade receivables are considered to be financial assets (IFC as are known in Spanish), as they arise from a contract that establishes the contractual obligations of the parties.

Accounts receivable are recognized upon accrual of the transaction giving rise to them, which occurs when control over the promised good or service is transferred to the customer in execution of the terms of the related contract. Accounts receivable are only recognized when they meet the conditions for recognition of the corresponding revenue in accordance with Mexican FRS D-1 Revenue from Contracts with Customers.

The amount of a receivable can vary because of rebates, discounts or refunds, and the corresponding changes to the consideration amount are recognized at the time the customer becomes entitled to such rebate, discount or refund.

Accounts receivable are initially recognized at the transaction price determined in accordance with Mexican FRS D-1 and subsequently adjusted to the amount of the transaction price that has not been collected from the customer.

Receivables denominated in foreign currency or in another medium of exchange are translated to the Company's functional currency using the rate of exchange prevailing at the reporting date. Changes in the amount of trade receivables arising from exchange rate fluctuations are recognized as part of net financing cost.

Accounts receivable are classified as either short-term or long-term depending on the length of their terms. Accounts receivable that are due within one year of the reporting date (or within the entity's normal business cycle if it exceeds one year) are classified as short-term. All other accounts receivables are classified as long-term.

The Company records an allowance for expected credit losses in profit or loss upon initial recognition of its trade receivables, based on an assessment of their recoverability, and then recognizes the changes to the allowance that arise in each subsequent period.

Related party receivables arising from the sale of goods or services are presented and disclosed separately, since these receivables have special characteristics with respect to their collectability.

Other accounts receivables are initially recognized as they accrue and represent amounts owed to an entity arising from transactions that are unrelated to its normal operations (loans to shareholders, officers and employees, insurance claims, recoverable taxes when the Company is entitled in accordance with the corresponding tax law), and which the entity expects to receive within one year of the reporting date (or within the entity's normal business cycle if it exceeds one year). Other accounts receivables are presented as part of current assets.

Other accounts receivables are measured at the amount of the consideration to which the Company is entitled, which is generally the nominal amount of the receivable at initial recognition, and the uncollected nominal amount upon subsequent recognition.

j) Allowance for expected credit losses

The Company recognizes an allowance for expected credit losses and exercises its judgement to determine the expected credit losses of its trade receivables, taking into consideration its historical credit loss experience, current circumstances, and reasonable and sustainable forecasts of different future quantifiable events that could reduce the future cash flows earned from the Company's receivables.

The Company recognizes the allowance for expected credit losses related to accounts receivable in accordance with Mexican FRS C-16 Impairment of financial assets.

k) Inventories

Inventories are valued at the lower of either their cost or net realizable value. The cost of inventories includes all purchase and production costs incurred in bringing each product to its present location and condition. Inventories are valued as follows:

- Raw materials: at cost using the average cost method.

- Finished goods and goods in process: based on the cost of materials and direct labor costs, as well as indirect production expenses, excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

The Company records impairment losses on the value of its inventories when there are losses from firm sales commitments in excess of its inventory stock levels. When the net realizable value of inventories is less than their net carrying amount, the difference is recognized as an impairment loss as part of cost of sales.

l) 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.

Prepaid expenses denominated in foreign currencies are translated using the exchange rates prevailing at the dates of the initial transactions, with no subsequent adjustments recorded for changes in the exchange rates of the currency in which the prepayments were made.

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.

m) Machinery and equipment

Machinery and equipment are measured initially at cost.

Those assets requiring a substantial period of time to get ready for their intended use, the acquisition (construction) cost includes: the acquisition cost of the asset and capitalized borrowing costs incurred during the acquisition period (construction and installation) of the asset.

The cost of acquiring machinery and equipment includes the costs initially incurred to acquire or build the asset, plus costs subsequently incurred to replace the asset or enhance its service capability. For machinery and equipment made up of components with different estimated useful lives, the major individual components are depreciated over their individual useful lives. Repair and maintenance costs are expensed as incurred.

Depreciation of machinery and equipment is calculated on the asset's acquisition cost less the residual value of machinery and equipment on a straight-line basis (since management considers that this method best reflects the use of these assets) and over the estimated useful lives of the assets, as follows:

	Annual depreciation rate
Machinery and equipment	17%
Leasehold improvements	5%
Computer equipment	30%
Office furniture and equipment	8%
Tools	35%
Vehicles	25%

Prepayments to suppliers are capitalized in machinery and equipment at the time the risks and rewards of ownership of the goods have been transferred to the Company.

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

The carrying amount of machinery and equipment 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 items of machinery and equipment, when the circumstances that caused the impairment loss are favorably resolved and there are observable indications that the net carrying amount of the asset has increased, the impairment loss is reversed. When an impairment loss is reversed, the amount recognized shall be net of depreciation for the year in which the reversal occurs.

For the years ended as at 31 December 2021 and 2020, there were no indicators of impairment.

n) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (based on its materiality). The Company recognizes lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

i) Right of use assets

The Company recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation or amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred by the lessee, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated or amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	5 years
Motor vehicles and other equipment	3 years

The Company's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation or amortization is calculated using the estimated useful life of the asset.

The right of use assets is also subject to impairment. Refer to the accounting policies in Note 1f) Use of estimates, specifically about the impairment in the value of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are presented separately in the statement of financial position.

o) Intangible assets

Project development costs are capitalized only when such costs can be reliably quantified, the Company expects to obtain future economic benefits from the investment and the Company maintains control over such benefits.

Capitalized development costs are measured initially at cost.

Intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets, as follows:

	Annual amortization rate
Software	5%

Intangible assets with indefinite useful lives are not amortized.

The Company's policy is to review the carrying amounts of its intangible assets with finite useful lives 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.

Intangible assets with indefinite useful lives, including those that are not yet available for use, and intangible assets with finite useful lives whose amortization period exceeds twenty years from the date they were available for use, are tested for impairment on an annual basis.

For the years ended as at 31 December 2021 and 2020, there were no indicators of impairment in the value of the Company's intangible assets.

p) 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.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is mostly certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provision amounts are determined as the present value of the expected outflow of resources to settle the obligation. The provisions are discounted using a pre-tax rate that reflects the current market conditions at the date of the statement of financial position and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The recognized amounts as provisions are management's best estimates of expenditures required to settle the obligation at the time the financial statements were prepared.

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.

q) Net employee defined benefit liabilities

The Company has a defined benefit pension plan that covers all of its employees. Pensions are determined based on the employees' compensation in their final year of service, the number of years they have worked for the Company, and their age at retirement.

Seniority premiums are paid to workers as required by Mexican Labor Law. Additionally, under Mexican Labor Law, the Company is liable to make certain payments to workers who terminate employment or are dismissed in certain circumstances.

The Company annually recognizes the liability for pensions, seniority premiums and termination benefits for so-called "pre-existing obligations" is based on independent actuarial calculations applying the projected unit credit method, using financial assumptions net of inflation.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets, are immediately recognized in profit.

Past service costs are recognized at the earlier of the following dates:

- When the plan amendment or curtailment occurs.
- When the Company recognizes related restructuring costs.

r) Compensated absences

Costs arising from compensated absences, such as holidays, are cumulatively recognized by which the respective provision is created.

s) Employee Profit Sharing (EPS)

Current and deferred employee profit sharing are 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 determined 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 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.

Deferred employee profit sharing that has not yet been realized are recognized in equity and reclassified to profit or loss immediately as accrued. See Note 14.

t) Exchange differences

Transactions in foreign currencies are initially translated using the exchange rates prevailing on the day of the initial transactions. Foreign currency denominated assets and liabilities are translated using the exchange rate ruling at the reporting date.

Exchange differences from the transaction date to the time foreign currency denominated assets and liabilities are settled are recognized in the statement of income, except for those arising on foreign currency denominated loans obtained for the construction of fixed assets, as such costs are capitalized as borrowing costs during the construction period of the assets. 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 income.

See Note 12 for the Company's foreign currency position at the end of each period and the exchange rates used to translate foreign currency denominated balances.

u) Comprehensive income

For the years ended 31 December 2021 and 2020, comprehensive income equals net income for the year.

v) 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, except to the extent that it arises from transactions or other events recognized outside profit or loss, either in comprehensive income or directly in equity.

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 enacted 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.

Asset tax is treated as a tax credit, and the Company makes an appropriate evaluation of its recovery in the future

w) 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 so under Mexican FRS, the Company includes operating income in the income statement, since this item is an important indicator for evaluating the Company's operating results, given that this is a common disclosure in the industry in which the Company operates.

x) Equity

Changes in the Company's equity, legal reserve and cumulative losses are recognized in terms of historical cost.

y) Financial risk management objectives and policies

The Company's main financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's main financial assets include loans, trade and other receivables, as well as cash and short-term deposits that derive directly from its operations. The Company also holds available-for-sale investments and enters into derivative transactions.

The Company is exposed to (i) market risk (which includes interest rate risk and foreign currency risk), (ii) credit risk, and (iii) liquidity risk.

(i) Market risks

- Interest rate risk – This risk results from fluctuations in market interest rates, which affect the value of the Company's contracted debt, lease obligations and derivative financial instruments.

- Foreign currency risk – This risk results from volatility in the foreign currency market, which affects the value of the Company's foreign currency holdings, and its foreign-currency denominated in cash, accounts receivable, related-party transactions, supplier accounts and other accounts payable, debt and derivative financial instruments.

(ii) Credit risk

Credit risk is the risk that the counterparty (customer, supplier or related party) will default on its payment of obligations with the Company.

(iii) Liquidity risk

Liquidity risk is the risk that debt and equity market conditions will impede the Company from having the financial resources it needs for its business activities.

The Company monitors its liquidity risk using liquidity planning tools.

Concentration of risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Company to manage risk concentrations at both the relationship and industry levels.

The credit risk in accounts receivable is mitigated by the fact the Company has a broad customer base that is geographically diverse. The Company continuously monitors its customer accounts and it requires no collateral to guarantee collection of its receivables. Nevertheless, in the event that the Company's collection cycles deteriorate significantly, its financial performance could be adversely affected.

z) Capital management

For the purpose of the Company's capital management, capital includes issued capital, convertible preference shares, share premiums and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of its financial covenants. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

aa) 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, 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 financial statements.

Mexican Financial Reporting Standard (Mexican FRS) C-15 Impairment of long-lived assets (effective for annual periods beginning on or after 1 January 2022)

Mexican FRS C-15 Impairment of long-lived assets was issued by the CINIF in December 2020 and sets out the framework for the accounting recognition of impairment losses on the value of long lived assets, and their reversal.

Mexican FRS C-15 will supersede Bulletin C-15 Accounting for the Impairment or Disposal of Long-lived Assets. The most important changes contained in the new standard are as follows: Mexican FRS C-15 provides new examples to assess whether there is any indication that an asset may be impaired, for the purpose of impairment testing, the term net selling price is now replaced by the term fair value less costs to sell, entities now have the option to use an estimate of future cash flows and a real discount rate, to determine the recoverable amount, new guidelines for the accounting treatment of foreign currency future cash flows, new guidelines for the allocation of goodwill at a cash-generating unit (CGU) level and recognition of an impairment loss, impairment tests will no longer be determined using the perpetuity value for intangible assets with indefinite useful lives and, as a result, such impairment tests have been modified, new guidelines that address the impairment of corporate assets, and as a result of the aforementioned changes, the disclosure guidelines have been modified.

Mexican FRS C-15 is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The adoption of Mexican FRS C-15 had no effect on the Company's 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:

(i) Mexican FRS B-15 Foreign currency translation

This improvement clarifies certain issues surrounding the practical expedient for foreign currency translation exemptions when the entity's recording currency is the same as the presentation currency but different from the functional currency. These issues were previously addressed by Interpretation to Mexican FRS 15, which was then superseded by this improvement.

The practical expedient may be applied by entities that prepare financial statements exclusively for legal and tax purposes, and that are separate legal entities with no subsidiaries, holding company or users who are required to prepare annual financial statements that take into account the effects of translation into the entity's functional currency.

The practical expedient may also be applied by subsidiaries, associates or joint ventures that have no users who are required to prepare annual financial statements that take into account the effects of translation into the entity's functional currency.

This improvement is 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 financial statements.

(ii) Mexican FRS D-3 Employee benefits

Mexican FRS D-3 establishes a procedure to determine deferred employee profit sharing in the cases in which it is deemed that employee profit sharing will be paid at a rate lower than the current rate in future periods, as a result of changes in the calculation of current employee profit sharing arising from the labor outsourcing reform.

Under the aforementioned procedure, entities are required to prepare financial and tax projections to make the best possible estimate of the rate that will be in effect when temporary differences are expected to be realized in order to calculate deferred employee profit sharing. An estimate may also be made based on the current employee profit sharing rate for the period.

This improvement is 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 financial statements.

(iii) 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 is 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 financial statements.

(iv) Mexican FRS C-6 Property, plant and equipment

Entities are no longer required to disclose the stage of completion of construction in process, when there is an approved plan in place.

This improvement is 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 financial statements.

2) New Standards, Interpretations and Improvements to Mexican FRS effective as at 1 January 2021

The Company applied for the first-time certain standards, interpretations and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective, even if early application is permitted.

The following new accounting pronouncements are effective for annual periods beginning on or after 1 January 2021:

Interpretation to Mexican FRS 24 Recognition of the effect of the application of new benchmark interest rates

Interpretation to Mexican FRS 24 Recognition of the effect of the application of new benchmark interest rates was issued by the CINIF in October 2020 to establish guidelines regarding the effects of adopting the new benchmark interest rates applicable to financial assets and liabilities or hedging relationships. The referred benchmark interest rates replace the 'IBOR' rates (e.g., TIIE, LIBOR, EURIBOR, Prime Offering Rate, etc.) applied under the previous guidance. The Interpretation also addresses whether the adjustments arising from the replacement or change in interest rates shall cause the financial instrument to be derecognized or the hedging relationship to be discontinued.

The new Interpretation also establishes new disclosures related to the adoption of the new benchmark interest rates.

Interpretation to Mexican FRS 24 was effective for annual periods beginning on or after 1 January 2021, with early application permitted. The effects of the change to benchmark interest rates must be recognized prospectively.

The adoption of Interpretation to Mexican FRS 24 had no effect on the Company's financial statements.

Amendments to Interpretation to Mexican FRS 23 Recognition of the effect of rent relief related to the COVID-19 Pandemic

Interpretation to Mexican FRS 23 Recognition of the Effect of rent relief related to the COVID-19 Pandemic was issued by the CINIF in 2020 to establish guidelines for the recognition of lessees in order to reflect the effects of rent relief received directly as a result of the Covid-19 pandemic.

In 2021, the CINIF decided to extend the term of the practical expedient set out by Interpretation to Mexican FRS 23, as a result of the significant and prolonged effects of the Covid-19 pandemic. Therefore, it issued Amendments to extend the term of the recognition of rent relief when it meets the requirements of Interpretation to Mexican FRS 23 as originally issued, and which apply to rental payments due by no later than 30 June 2022.

If reductions in the lease payments extend beyond 30 June 2022, the entire amount of the relief will be outside the scope of Interpretation to Mexican FRS 23 and its Amendments, and should instead be recognized in accordance with Mexican FRS D-5 Leases.

The effect of initial application of Amendments to Interpretation to Mexican FRS 23 by lessees must be recognized using the modified retrospective approach, in accordance with Mexican FRS B-1 for annual periods beginning on or after 1 April 2021.

The adoption of Amendments to Interpretation to Mexican FRS 23 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-3 Statement of comprehensive income: Mexican FRS C-2 Investment in financial instruments; Mexican FRS C-19 Financial liabilities; and Mexican FRS C-20 Financial assets

Entities are now required to separately recognize, as part of operating results in the statement of comprehensive income, any gains and losses arising on derecognition of liabilities as well as the effects of renegotiation of financial assets to collect principal and interest ("IFCPI" as it stands for in Spanish) or financial assets to collect or sell ("IFCV" as it stands for in Spanish), known as "loan reduction".

This improvement was 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 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 were 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.

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

The following new accounting pronouncements are effective for annual periods beginning on or after 1 January 2020:

Interpretation to Mexican FRS 22 Recognition of the effect of the interest rate benchmark reform on hedging relationships

Interpretation to Mexican FRS 22 Recognition of the effect of the interest rate benchmark reform on hedging relationships was issued by the CINIF in October 2019 to set out guidelines for accounting the effects that the interest rate benchmark reform will have on hedging relationships. This reform consists of replacing the interest rate benchmarks used to determine the interest rates for financial instruments (e.g., the weighted interbank interest rate [known as TIIE] used in Mexico, or the London Interbank Offering Rate [LIBOR], used abroad) with alternative benchmark rates.

The accounting effects of the interest rate benchmark reform may be varied i.e., from changes to contracts designated using the current benchmarks or accounting changes in hedging relationships that result in the hedge no longer being effective due to the uncertainty caused by the change.

Interpretation to Mexican FRS 22 indicates that, until the new interest rate benchmarks are established, it should be assumed that the instrument's current interest rate benchmark will continue existing until the termination of the hedging relationship and that the effectiveness requirements will continue to be met. If an entity concludes that the new benchmarks will cause a hedging relationship to no longer meet the effectiveness requirements, hedge accounting of the relationship should be discontinued in accordance with Mexican FRS C-10 Derivative Financial Instruments and Hedging Relationships.

The Interpretation also establishes new disclosures related to hedging relationships that are in the transition process of the new interest rate benchmarks.

Interpretation to Mexican FRS 22 was effective for annual periods beginning on or after 1 January 2020. However, in order to avoid having hedging relationships be discontinued in 2019 and reinstated in 2020 as a result of the future uncertainty of the interest rate benchmarks, the CINIF recommended that entities early adopt Interpretation to Mexican FRS 22 in 2019, which will eliminate the need for retrospective recognition of the reinstatement of hedge accounting.

The adoption of Interpretation to Mexican FRS 22 had no effect on the Company's financial statements.

Interpretation to Mexican FRS 23 Recognition of the effect of rent relief related to the COVID-19 pandemic

Interpretation to Mexican FRS 23 Recognition of the effect of rent relief related to the COVID-19 pandemic was issued by the CINIF in June 2020 to establish guidelines for the recognition of lessees in order to reflect the effects of rent relief received directly as a result of the COVID-19 pandemic.

Interpretation to Mexican FRS 23 establishes a practical expedient to exempt lessees from applying Mexican FRS D-5 Leases guidance on lease modification accounting for rent reliefs or concessions arising as a direct consequence of the Covid-19 pandemic. As part of this a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent relief from a lessor is a lease modification. Lessees that make this election shall account for any gain resulting from rent forgiveness as a partial reduction to the lease liability in net profit or loss in the year in which the event or condition triggering the payment occurred, without it being necessary to adjust the right-of-use asset.

Interpretation to Mexican FRS 23 was effective from 1 July 2020 until 30 June 2021, with early adoption permitted. The practical expedient offered under Interpretation to Mexican FRS 23 must be applied retrospectively if the entity received relief prior to electing to use the practical expedient.

The adoption of Interpretation to Mexican FRS 23 had no effect on the Company's financial statements.

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

(i) Mexican FRS C-16 Impairment of financial assets

Mexican FRS C-16 was amended to include the requirement that entities must use the original effective interest rate (EIR) for subsequent measurement of a financial asset to collect principal and interest, that was not derecognized as a result of a renegotiation or modification of the contractual cash flows.

When this occurs, the original EIR should only be adjusted to include the unamortized renegotiation costs.

This improvement was 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 this improvement had no effect on the Company's financial statements.

(ii) Mexican FRS C-19 Financial liabilities and Mexican FRS C-20 Financial assets to collect principal and interest

Entities are no longer required to periodically recalculate the EIR for financial liabilities and financial assets to collect principal and interest with variable interest rate when the effects of the periodic recalculation of the contractual cash flows are relatively immaterial. This means that, in these cases, entities will continue to amortize the transaction costs based on the initial EIR, and the effects of interest rate fluctuations will be recognized in profit or loss as they occur.

These improvements were effective for annual periods beginning on or after 1 January 2020, with early adoption permitted. Any accounting changes arising from the adoption of these improvements are to be recognized prospectively.

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

(iii) 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 were 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.

(iv) 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 was 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.

(v) 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 were 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. Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

- Fair value measurement hierarchy for assets as at 31 December 2021:

As of 31 December 2021, cash is also held at fair value.

- Fair value measurement hierarchy for liabilities as at 31 December 2021:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings:					
Floating rate borrowings	31 December 2021	$ 21,511,350	$ -	$ -	$ 21,511,350
Fixed rate borrowing	31 December 2021	65,210,940	-	-	65,210,940

- Fair value measurement hierarchy for assets as at 31 December 2020:

As of 31 December 2020, cash is also held at fair value.

- Fair value measurement hierarchy for liabilities as at 31 December 2020:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings:					
Floating rate borrowings	31 December 2020	$ 20,864,550	$ -	$ -	$ 20,864,550
Fixed rate borrowing	31 December 2020	61,884,553	-	-	61,884,553

2.a Revenue from contracts with customers

2.a.1 Disaggregated revenue information

For the years ended 31 December 2021 and 2020, all income from the comprehensive income statement, 99% corresponds to the sale of auto parts of goods and 1% corresponds to other income and have a time of recognition of income at a given time.

2.a.2 Contract balances

	2021	2020
Trade receivables (Note 2.b)	$ 32,285,535	$ 24,828,704
	$ 32,285,535	$ 24,828,704

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

2.a.3 Performance obligations from contracts with customers

Information about the Company's performance obligations are summarized below:

Automotive parts

The performance obligation is satisfied upon delivery of the automotive parts, and payment is generally due within 60 to 90 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

2.b. Trade receivables

Trade receivables

As of 31 December 2021 and 2020, the accounts receivable is described below:

	2021	2020
Receivables from third-party customers	$ 32,285,535	$ 24,828,704
	$ 32,285,535	$ 24,828,704

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

The significant changes in the balances of trade receivables are disclosed in Note 2.a.2 while the information about the credit exposures are disclosed in Note 1i).

3. Cash

An analysis of cash and cash equivalents as at 31 December 2021 and 2020 is as follows:

	2021	2020
Cash and cash in banks	$ 11,746,321	$ 31,480,571

4.a. Financial assets and financial liabilities

4.a.1 Financial assets

	2021	2020
Debt instruments at amortized cost:		
Trade receivables (Note 2.b)	$ 32,285,535	$ 24,828,704
Total financial assets (*)	$ 32,285,535	$ 24,828,704
Total current	$ 32,285,535	$ 24,828,704

(*) Financial assets, other than cash and short-term deposits.

Debt instruments at amortized cost

Include trade receivables.

4.a.2 Financial liabilities: Interest-bearing loans and borrowings

	Interest rate	Maturity	2021	2020
Current interest-bearing loans and borrowings:				
Loan with related part USD $1,487,000	LIBOR+2.75%	31 December 2021	$ -	$ 20,864,550
Loan with related part EUR $2,590,000	2.75%	31 December 2021	-	61,884,553
Total current interest-bearing loans and borrowings			-	82,749,103
Non-current interest-bearing loans and borrowings:				
Loan with related part USD $1,050,000	LIBOR+2.75%	31 December 2021	21,511,350	-
Loan with related part EUR $2,800,000	2.75%	31 December 2021	65,210,940	-
Total non-current interest-bearing loans and borrowings			86,722,290	-
Total interest-bearing loans and borrowings			$ 86,722,290	$ 82,749,103

Other financial liabilities

	2021	2020
Other financial liabilities at amortized cost, other than interest-bearing loans and borrowings:		
Trade payables	$ 14,683,873	$ 13,740,047
Total other financial liabilities	$ 14,683,873	$ 13,740,047
Total current	$ 14,683,873	$ 13,740,047

4.a.3 Fair value

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair value:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Interest-bearing loans and borrowings:				
Floating rate borrowings	$ 21,511,350	$ 21,511,350	$ 20,864,550	$ 20,864,550
Fixed rate borrowing	65,210,940	65,210,940	61,884,553	61,884,553
Total	$ 86,722,290	$ 86,722,290	$ 82,749,103	$ 82,749,103

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.

- The fair values of the Company's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2019 was assessed to be insignificant.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2021 and 2020 are shown below:

	Valuation technique	Significant unobservable Inputs	Range (weighted average)	Sensitivity of the input to fair value
Loans to related parties	DCF method	Discount for non-performance risk	**2021: 0%** 2020: 0%	Not applicable

4.a.4 Financial instruments risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2021 and 2020.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed of the debt constant.

The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2021 and 2020.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed rate loans. The Company’s policy is to maintain borrowings at fixed rates of interest. At 31 December 2021 and 2020, after taking into account the effect of interest rate 100% of the Company’s borrowings are at a fixed rate of interest.

Interest rate sensitivity

As of 31 December 2021 and 2020, the sensitivity analysis is not presented since all of the company's loans are agreed at fixed interest rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to the Company’s operating activities (when revenue or expense is denominated in a foreign currency) and the Company’s net investments in foreign exchanges.

The Company hedges its exposure to fluctuations on the translation into USD of its foreign operations by holding net borrowings in foreign currencies.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and Euro exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	Effect on profit before tax
2021	**+5%**	**$ 1,091,802**
	-5%	**(1,091,802)**
2020	+5%	$ 1,169,092
	-5%	(1,169,092)

	Change in Euro rate	Effect on profit before tax
2021	**+5%**	**$ (3,702,640)**
	-5%	**3,702,640**
2020	+5%	$ (3,195,786)
	-5%	3,195,786

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating).

The Company evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy.

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2021 and 2020 is the carrying amounts as illustrated in Note 4.a.4.

Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2021	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	$ 86,722,290	$ -	$ -	$ 86,722,290	$ -	$ 86,722,290
Lease liabilities (Note 10)	26,566,270	-	7,033,480	19,532,790	-	26,566,270
Suppliers	14,483,873	11,877,871	2,606,002	-	-	14,483,873
	$ 127,772,433	$ 11,877,871	$ 9,639,482	$ 106,255,080	$ -	$ 127,772,433

Year ended 31 December 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	$ 82,749,103	$ -	$ 82,749,103	$ -	$ -	$ 82,749,103
Lease liabilities (Note 10)	31,400,565	-	6,371,642	25,028,923	-	31,400,565
Suppliers	13,740,047	11,713,112	2,026,935	-	-	13,740,047
	$ 127,889,715	$ 11,713,112	$ 91,147,680	$ 25,028,923	$ -	$ 127,889,715

4.a.5 Changes in liabilities arising from financing activities

	1 January 2021	Cash flows and foreign exchange movements	31 December 2021
Current interest-bearing loans and borrowings	**$ 82,749,103**	**$ 3,973,187**	**$ 86,722,290**
Total liabilities from financing activities	**$ 82,749,103**	**$ 3,973,187**	**$ 86,722,290**

	1 January 2020	Cash flows and foreign exchange movements	31 December 2020
Current interest-bearing loans and borrowings	$ 83,088,131	$ (339,028)	$ 82,749,103
Total liabilities from financing activities	$ 83,088,131	$ (339,028)	$ 82,749,103

5. Balances and transactions with related parties

The companies mentioned in this note are considered affiliates, as the Company's shareholders are also shareholders in such companies.

a) An analysis of balances due from and to related parties as at 31 December 2021 and 2020 is as follows:

	2021	2020
Payables:		
Motherson Techno Precision GmbH (holding)	**$ 794,939**	$ 1,384,667
Montherson Sumi Infotech and Desing Ltd. (affiliate)	**55,990**	20,119
MSSL GmbH (shareholder)	**35,039**	74,383
Motherson Techno Precision GmbH (holding) [(1)]	**-**	82,749,103
	$ 885,968	$ 84,228,272
Long- term payable:		
Motherson Techno Precision GmbH (holding) [(2)]	**$ 86,722,290**	$ -

(1) Corresponds to two loans for an amount of Dls. $1,050,000 and Eur. $2,550,000. These loans accrued an interest rate of 2.75% plus three month of rate LIBOR and 2.75%, respectively. These loans expire on 31 December 2021.

(2) Corresponds to two loans for an amount of Dls. $1,050,000 and Eur. $2,800,003. These loans accrued an interest rate of 2.75% plus three month of rate LIBOR and 2.75%, respectively. These loans expire on 31 December 2023 for Dls. loan and 31 December 2025 for Eur. loan.

As at 31 December 2021 and 2020, balances payable due to related parties consist of unsecured current accounts that bear no interest and are payable in cash within 60 days.

b) The Company has entered into the following agreements with its related parties:

- In 2021, the Company received two loans totaling Dls. $1,050,000 and Eur. $2,800,003 of its Holding, Motherson Techno Precision GmbH. These loans accrued an interest rate of 2.75% plus three month of rate LIBOR and 2.75%, respectively and the loans mature on 31 December 2021. The proceeds of these loans will be used to finance the Company's working capital.

- Administrative services agreement with Motherson Techno Precision GmbH, for which the Company pays a royalty equal to 5% of its net sales. This agreement is renewable thereafter indefinitely by mutual accord.

c) During the years ended 31 December 2021 and 2020, the Company had the following transactions with its related parties:

	2021	2020
Income:		
Other income (sale of materials at cost)	$ 16,195	$ 67,115
Expenses:		
Purchase of machinery and equipment	$ 15,192,681	$ 8,221,243
Services	13,045,550	9,430,748
Other expenses (Services freight and consumables)	2,631,106	862,937
Interests	2,301,297	2,734,350
Cutting tools	1,448,240	2,305,763
Software	236,144	438,036
Maintenance	211,457	1,106,775
Travel expenses	122,379	284,359
	$ 35,188,854	$ 25,384,211

6. Recoverable taxes

An analysis of recoverable taxes as at 31 December 2021 and 2020 is as follows:

	2021	2020
Recoverable value added tax	$ 2,065,776	$ 1,821,795
Recoverable income tax	-	4,261,832
	$ 2,065,776	$ 6,083,627

7. Inventories

An analysis of inventories as at 31 December 2021 and 2020 is as follows:

	2021	2020
Raw material	$ 12,642,060	$ 4,232,828
Work in progress	18,275,301	11,931,932
Finish goods	28,407,972	6,567,574
Spare parts for machines	1,166,373	1,154,647
	$ 60,491,706	$ 23,886,981

Inventories recognized in profit as part of cost of sales for the years ended as at 31 December 2021 and 2020 totaled $90,385,283 and $81,489,615, respectively.

An analysis of inventories existence granted on consignment as at 31 December 2021 and 2020 is as follows:

	2021	2020
Inventories received on consignment	$ 9,591,426	$ 8,273,146
	$ 9,591,426	$ 8,273,146

The Company's inventory turnover rate is 145 days.

Variances in the balance of inventories between the years ended as at 31 December 2021 and 2020 are primarily due to:

Raw materials and finish goods:

In 2021, the Company received a higher number of orders from it customer, compared to the previous period, in view of the normal high production cycle, raw materials shows a increase as of 31 December 2021 compared to the balance shown in that item as of 31 December 2020, while the balance of finished products shows a increase in that same period.

Work in progress

In 2021, the Company received an increased number of orders from its customers compared to the prior period. There is an increase in work in progress as at 31 December 2021 compared to the balance as at 31 December 2020, and there is a parallel increase in the balance of finished goods at that same date.

8. Machinery and equipment, net

a) An analysis of machinery and equipment as at 31 December 2021 and 2020 is as follows:

	2021		2020	
Components subject to depreciation	**Investment**	**Accumulated depreciation**	Investment	Accumulated depreciation
Machinery and equipment	$ 81,944,417	$ (54,183,414)	$ 67,915,919	$ (49,298,214)
Leasehold improvements	5,725,757	(2,138,691)	5,545,438	(1,861,419)
Computer equipment	3,577,404	(3,153,785)	3,121,080	(3,026,250)
Office furniture and equipment	823,426	(464,481)	823,426	(382,574)
Vehicles	463,001	(77,414)	110,022	-
Tools	4,557,168	(4,121,734)	4,541,850	(3,623,352)
	$ 97,091,173	$ (64,139,519)	$ 82,057,735	$ (58,191,809)
Components not subject to depreciation				
Construction in process	$ 15,891,692		$ 8,887,879	
Machinery and equipment, net	$ 48,843,346		$ 32,753,805	

Depreciation expense for the years ended 31 December 2021 and 2020 was $5,963,807 and $5,720,205, respectively, which was recognized in profit and loss as part of cost of sales and administrative expenses.

b) Items of machinery and equipment that have been fully depreciated as at 31 December 2021 and 2020 amount to $42,606,837 and $32,075,145, respectively.

c) The Company sold Vehicles in the amount of $150,962 in 2021, which are presented as part of other income.

d) Construction projects in progress correspond to new production lines and are expected to be completed in a period not exceeding one year and are mainly made up of machinery and equipment in process. The amount to which construction projects in progress will amount is expected to be completed in a period not exceeding one year. As of 31 December 2021 and 2020, there are no commitments made for this project.

9. Intangible assets

An analysis of intangible assets as at 31 December 2021 and 2020 is as follows:

	Finite useful life
	Software
Cost:	
As at 31 December 2019	$ 861,233
Additions	166,121
As at 31 December 2020	1,027,354
Additions	**274,776**
As at 31 December 2021	**$ 1,302,130**

	Finite useful life
	Software
Amortization:	
As at 31 December 2019	$ (585,380)
Amortization	(133,909)
As at 31 December 2020	(719,289)
Amortization	(188,625)
As at 31 December 2021	$ (907,914)
Net book value:	
As at 31 December 2021	$ 394,216
As at 31 December 2020	$ 308,065

Amortization expense for the years ended 31 December 2021 and 2020 of $188,625 and $133,909, respectively, was recognized in profit and loss as part of administrative expenses.

10. Leases

Company as a lessee

The Company has lease contracts for various items of buildings, vehicles and other equipment used in its operations. Leases of buildings generally have lease terms between 3 and 5 years, while motor vehicles and other equipment generally have lease terms between 2 and 3 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right of use assets recognized and the movements during the period:

	Buildings	Motor vehicles	Other equipment	Total
As at 1 January 2020	$ 8,239,809	$ 1,078,019	$ 79,490	$ 9,397,318
Additions	37,845,356	-	-	37,845,356
Disposal	(7,062,693)	(17,902)	-	(7,080,595)
Depreciation/amortization expense	(7,632,543)	(533,192)	(79,490)	(8,245,225)
As at 31 December 2020	$ 31,389,929	$ 526,925	$ -	$ 31,916,854
As at 1 January 2021	**$ 31,389,929**	**$ 526,925**	**$ -**	**$ 31,916,854**
Additions	**465,786**	**2,617,007**	**377,790**	**3,460,583**
Disposal				
Depreciation/amortization expense	**(8,098,109)**	**(929,681)**	**(115,435)**	**(9,143,225)**
As at 31 December 2021	**$ 23,757,606**	**$ 2,214,251**	**$ 262,355**	**$ 26,234,212**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021	2020
As at 1 January	**$ 31,400,565**	$ 9,209,519
Additions	**3,460,583**	37,845,356
Disposal	**-**	(7,863,817)
Accretion of interest	**(61,693)**	(70,796)
Payments	**(8,233,185)**	(7,719,697)
As at 31 December	**$ 26,566,270**	$ 31,400,565
Current (Note 4.a.4)	**$ 7,033,480**	$ 6,371,642
Non-current (Note 4.a.4)	**$ 19,532,790**	$ 25,028,923

The maturity analysis of lease liabilities is disclosed in Note 4.a.4.

The following are the amounts recognized in profit:

	2021	2020
Depreciation expense of right of use assets	**$ 9,143,225**	$ 8,245,225
Interest expense on lease liabilities	**61,693**	70,796
Total amount recognized in profit	**$ 9,204,918**	$ 8,316,021

The Company had total cash outflows for leases of $8,233,185 in 2021 ($7,719,697 in 2020).

11. Provisions and accrued liabilities

The analysis of the most significant provision is presented as follows:

Type of provision	Balance at 1 January 2019	Increasing	Applications	Balance at 31 December 2020
Accruals	$ 61,005,252	$ 19,091,299	$ 17,738,864	$ 62,357,687
Fees and service	1,391,335	794,725	1,613,155	572,905
Salaries	1,649,012	2,311,330	2,240,448	1,719,894
Local taxes	1,360,725	12,245,630	11,660,814	1,945,541
Other	153,862	11,868,067	11,774,728	247,201
	$ 65,560,186	$ 46,311,051	$ 45,028,009	$ 66,843,228

Type of provision	**Balance at 1 January 2020**	**Increasing**	**Applications**	**Balance at 31 December 2021**
Accruals	**62,357,687**	**22,605,515**	**23,048,461**	**61,914,741**
Fees and service	**572,905**	**973,545**	**1,085,595**	**460,855**
Salaries	**1,719,894**	**3,266,642**	**2,726,290**	**2,260,246**
Local taxes	**1,945,541**	**16,525,982**	**16,682,042**	**1,789,481**
Other	**247,201**	**19,261,999**	**19,238,909**	**270,291**
	66,843,228	**62,633,683**	**62,781,297**	**66,695,614**

The other provisions recognized represent services contracted during the year that will be paid in the following year.

12. Foreign currency position

a) The financial statements as at 31 December 2021 and 2020 include the following on U.S. dollar (Dls.) and Euros (Eur) denominated assets and liabilities:

	2021	2020
Dollars:		
Assets	**US$ 1,777,140**	US$ 2,811,133
Liabilities	**(711,292)**	(1,634,451)
Net asset position	**US$ 1,065,848**	US$ 1,176,682
Euro:		
Assets	**Eur 286,421**	Eur -
Liabilities	**(3,466,069)**	(2,633,696)
Net liability position	**Eur (3,179,648)**	Eur (2,633,696)

The exchange rates used to translate the amounts prior to Mexican pesos as of 31 December 2021 and 2020 and 26 May 2021 were:

	2021	2020	11 May 2022
Dollars (USD)	$ 20.48	$ 19.87	$ 20.37
Euro (EUR)	23.28	24.21	21.40

13. Net employee defined benefit liabilities

The Company has two separate pension plans for its unionized and non-unionized workers, both of which are classified as defined benefit pension plans.

The average remaining working lifetime of the Company's employees is 3 years.

An analysis of the net periodic benefit cost, the net defined benefit liability and the fair value of plan assets associated with the Company's post-employment benefits pension plan, seniority premiums, and termination benefit plan as at and for the years ended 31 December 2021 and 2020 is as follows:

a) Net periodic benefit cost:

	2021		
	Retirement benefits	Termination benefits	Total
Analysis of net periodic benefit cost for 2021:			
Current year service cost	$ 37,045	$ 388,665	$ 425,710
Net interest cost on net defined benefit liability	8,561	58,606	67,167
Actuarial loss from settlements	46,539	1,223,290	1,269,829
Net periodic benefit cost for 2021	$ 92,145	$ 1,670,561	$ 1,762,706

	2020		
	Retirement benefits	Termination benefits	Total
Analysis of net periodic benefit cost for 2020:			
Current year service cost	$ 21,913	$ 279,105	$ 301,018
Net interest cost on net defined benefit liability	4,910	41,766	46,676
Actuarial loss from settlements	34,462	113,181	147,643
Net periodic benefit cost for 2020	$ 61,285	$ 434,052	$ 495,337

b) An analysis of changes in the Company's net defined benefit liability is as follows:

	Retirement benefits	Termination benefits	Total
Net defined benefit liability:			
Net defined benefit liability as at 1 January 2020	$ 62,063	$ 600,818	$ 662,881
Current year service cost	21,913	279,105	301,018
Net interest on net defined benefit liability	4,910	41,766	46,676
Benefits paid	-	(106,401)	(106,401)
Actuarial loss from settlements	34,462	113,181	147,643
Net defined benefit liability as at 31 December 2020	$ 123,348	$ 928,469	$ 1,051,817

	Retirement benefits	Termination benefits	Total
Net defined benefit liability as at 1 January 2021	**$ 123,348**	**$ 928,469**	**$ 1,051,817**
Current year service cost	**37,045**	**388,665**	**425,710**
Net interest on net defined benefit liability	**8,561**	**58,606**	**67,167**
Benefits paid	**(27,673)**	**(760,357)**	**(788,030)**
Actuarial loss from settlements	**46,539**	**1,223,290**	**1,269,829**
Net defined benefit liability as at 31 December 2021	**$ 187,820**	**$ 1,838,673**	**$ 2,026,493**

c) An analysis of the net defined benefit liability is as follows:

	2021		
	Retirement benefits	**Termination benefits**	**Total**
Provisions for:			
Vested benefit obligation	**$ 187,820**	**$ 1,838,673**	**$ 2,026,493**
Net defined benefit liability	**$ 187,820**	**$ 1,838,673**	**$ 2,026,493**

	2020		
	Retirement benefits	Termination benefits	Total
Provisions for:			
Vested benefit obligation	$ 123,348	$ 928,469	$ 1,051,817
Net defined benefit liability	$ 123,348	$ 928,469	$ 1,051,817

d) The key assumptions used in the actuarial study, expressed in absolute terms, were as follows:

	2021	2020
Financial assumptions:		
Discount rate	**8.40%**	7.00%
Expected salary increase rate	**5.00%**	5.00%
Inflation rate	**4.00%**	4.00%
Biometric assumptions:		
Mortality rate	**EMSSA 2009**	EMSSA 2009
Disability in active employees	**IMSS - 97**	IMSS-97

14. Short-term employee benefits

a) Short-term employee benefits

As at 31 December 2021 and 2020, the Company has recognized accrued liabilities for short-term employee benefits. An analysis is as follows:

	2021	2020
Employee profit sharing payable	**$ 5,728,197**	$ 4,903,909
	$ 5,728,197	$ 4,903,909

b) Employee Profit Sharing (EPS)

An analysis of employee profit sharing for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
Current employee profit sharing	**$ 5,667,025**	$ 4,815,517
Deferred employee profit sharing	**(96,232)**	(121,495)
Total Employee Profit Sharing	**$ 5,570,793**	$ 4,694,022

c) Deferred Employee Profit Sharing (DEPS)

An analysis of the Company's Deferred Employee Profit Sharing (DEPS) assets (liabilities) as at 31 December 2021 and 2020 is as follows:

	2021	2020
Deferred EPS assets		
Provisions	$ 66,974,255	$ 64,782,107
Retirement benefits and termination benefits	2,026,493	1,051,817
Machinery and equipment	30,415,134	28,963,545
Intangible asset	79,920	-
Lease liability	26,566,270	31,400,565
	126,062,072	126,198,034
Deferred EPS liabilities		
Prepaid expenses	(4,157,834)	(400,165)
Intangible asset	-	(97,433)
Asset use rights	(26,234,212)	(31,916,854)
Deferred income	(924,129)	-
	(31,316,175)	(32,414,452)
	94,745,897	93,783,582
EPS rate	10%	10%
Deferred employee profit sharing assets, net	$ 9,474,590	$ 9,378,358

Based on financial and tax projections prepared by Company management, the Company has determined that its net deferred employee profit sharing asset.

Current and deferred employee profit sharing are presented as part of operating costs in the statement of comprehensive income.

15. Equity

a) The capital stock at 31 December 2021 and 2020 is composed as follows:

Shares (*)	Description	Amount
50,000	Series "A" fix part without right to withdrawal	$ 50,000
50,000	Subscribed capital stock	$ 50,000

(*) Ordinary nominative shares with para value of $1 each, totally subscribed and paid in.

b) In accordance with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's share capital. At 31 December 2021 the legal reserve is $10,000 ($10,000 in 2020).

c) There was no dividend decree between the closing date of the accompanying financial statements and the date of authorization to issue them.

Earnings distributed in excess of the Net Reinvested Taxed Profits Account (CUFINRE by its acronym in Spanish) and Net Taxed Profits Account (CUFIN by its acronym in Spanish) balances will be subject to the payment of corporate income tax at the statutory rate at that time. The payment of this tax may be credited against the Company's current income tax.

Dividends paid to individuals and foreign corporations from earnings generated as of 1 January 2014 shall be subject to an additional 10% withholding tax.

16. Income tax

a) Income tax

The Mexican Income Tax Law (MITL) establishes a corporate income tax rate of 30% for fiscal years 2021 and 2020.

Income tax for the year is calculated by applying the statutory income tax rate to the Company's taxable income for the year.

The MITL establishes 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.

b) Employee Profit Sharing (EPS)

The MITL establishes that entities are to calculate their EPS 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 MITL.

c) An analysis of income tax recognized in profit and loss for the years ended 31 December 2021 and 2020 is as follows:

In 2021, the Company determined a tax profit of $53,870,695 ($43,223,947 in 2020). The tax result differs from the accounting result, mainly for those items that accumulate over time and are deducted differently for accounting and tax purposes, for the recognition of the effects of inflation for tax purposes, as well as those items that only affect the accounting or fiscal result.

	2021	2020
Current income tax	**$ 16,161,208**	$ 12,967,182
Deferred income tax	**(507,111)**	64,836
Total income tax	**$ 15,654,097**	$ 13,032,018

An analysis of deferred taxes shown in the statement of financial position is as follows:

	2021	2020
Deferred tax assets:		
Provisions	**$ 66,974,255**	$ 64,782,107
Current employee profit sharing	**5,728,197**	4,903,909
Retirement benefits and termination benefits	**2,026,493**	1,051,817
Machinery and equipment	**30,415,134**	28,963,545
Intangible asset	**79,920**	-
Lease liability	**26,566,270**	31,400,565
	131,790,269	131,101,943
Deferred tax liabilities:		
Deferred employee profit sharing	**(9,474,590)**	(9,378,358)
Prepaid expenses	**(4,157,834)**	(400,165)
Intangible assets	**-**	(97,433)
Asset use rights	**(26,234,212)**	(31,916,854)
Deferred revenue	**(924,129)**	-
	(40,790,765)	(41,792,810)
	90,999,504	89,309,133
Income tax rate	**30%**	30%
Deferred tax liability, net	**$ 27,299,851**	$ 26,792,740

d) A reconciliation of the statutory income tax rate to the effective income tax rate recognized by the Company for financial reporting purposes is as follows:

	2021	2020
Income before income taxes	$ 48,635,211	$ 30,441,959
Income tax legal rate (30%)	30%	30%
Income tax	14,590,563	9,132,588
Plus (less) income tax effect of permanent items:		
Not deductible expenses	1,188,133	4,455,613
Income tax for inflation	1,195,836	(376,705)
Others	(1,320,435)	(179,478)
Total income tax	$ 15,654,097	$ 13,032,018
Effective income tax rate	32%	43%

e) Tax balances

As at 31 December 2021, the Company has the following tax balances:

	Amount
Restated Contributed Capital Account (CUCA)	$ 73,161
Net Taxed Profits Account (CUFIN)	9,314,159

17.a. Analysis of cost of sales and operating expenses

An analysis of the Company's cost of sales and relevant operating expenses recognized in the statement of income as at 31 December 2021 and 2020 is as follows:

	2021	2020
Changes in inventories of finished goods and products in process	$ 90,385,283	$ 81,489,615
Wages and salaries	37,619,709	24,089,962
Freight and maneuvers	17,699,025	7,151,430
Depreciations and amortization	15,295,658	14,099,339
Outsourced services	13,045,550	9,444,671
Tooling	6,864,778	4,097,429
Employees' Statutory Profit Sharing (ESPS) (Note 14)	5,667,025	4,815,517
Maintenance and repairment	4,035,397	1,882,124
Electricity	3,481,831	2,334,322
Other	2,608,254	2,815,760
Employees' benefits Net periodic cost (Note 13)	1,762,706	495,337
Consumables	1,664,807	751,052

	2021	2020
Professional schedules	1,639,941	1,093,890
Security services	854,741	631,608
Non-deductible	411,600	334,446
Telephone	343,859	268,922
Travel expenses	29,607	260,186
Deferred Employee Profit Sharing (DESPS) (Note 14)	(96,232)	(121,495)
Total	$ 203,313,539	$ 155,934,115

17.b. Analysis of net financing cost

An analysis of the Company's net financing cost recognized in the statement of income as at 31 December 2021 and 2020 is as follows:

	2021	2020
Interest income	$ 251	$ 30,404
Interest expense	(2,301,297)	(2,734,350)
Interest on lease liabilities	(61,693)	(70,796)
Foreign exchange gain (loss), net	1,029,144	(8,186,382)
	$ (1,333,595)	$ (10,961,124)

18. Contingencies and commitments

I. Contingencies

a) Enacted changes made to the Mexican Federal Labor Law that came into effect on 1 December 2012 could have an effect on the Company's financial position. The effects of these changes may vary from a disclosure in the financial statements to the recognition of an additional liability for employee profit sharing or other liabilities related to employee benefits. As at 31 December 2020, the Company has evaluated the effects that the changes in the Labor Law may have on its financial information and has concluded that the changes have had no effect as at 31 December 2021. However, this situation may change in the future and so the Company will continue assessing the effects of the changes to the law in the years to come.

b) In accordance with the MITL, companies that carry out transactions with related parties are subject to tax restrictions and obligations with respect to the determination of the prices charged, since such prices should be similar to the prices that would have been used with or between independent parties in comparable transactions.

Should the tax authorities review and reject the Company's intercompany pricing, they may demand payment of the omitted taxes, plus restatements and surcharges, as well as fines for amounts of up to 100% of the restated omitted taxes.

II. Commitments

As of 31 December 2021, the Company has the following commitments:

a) Loan agreements with related parties (See Note 5).

b) Lease agreements for the building where its offices and warehouse are located (see Note 10).

19. Subsequent events

In preparing the financial statements, the Company has evaluated the events and transactions for their recognition or disclosure subsequent to December 31, 2021 and until 11 May 2022 (date of issuance of the financial statements), and has concluded that there are no subsequent events that will affect them.