

CLARTON HORN MEXICO S. DE R.L. DE C.V.

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CLARTON HORN MEXICO S. DE R.L. DE C.V.

Subsidiary of CLARTON HORN S.A.U.

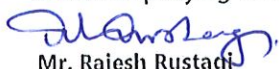
BALANCE SHEETS AT MARCH 31, 2021 AND MARCH 31, 2020

(NOTES 1, 2, 11, 12 AND 13)


(Amounts stated in pesos)

| | Note | MARCH 2021 | MARCH 2020 |
|-------------------------------------|------|-----------------------|-----------------------|
| ASSETS: | | | |
| Machinery and equipment, net | 4 | \$ 100,950,864 | \$ 99,634,858 |
| Intangible assets | | 244,063 | 362,978 |
| Non-current assets | | 101,194,927 | 99,997,836 |
| Inventories | | 24,183,197 | 25,565,984 |
| Current tax asset | | 17,280,417 | 14,676,834 |
| Trade and other receivables | | 38,020,704 | 39,819,124 |
| Related parties receivables | 5 | 707,017 | 2,380,657 |
| Advance to suppliers | | 138,179 | 323,698 |
| Prepayments and other assets | | 1,460,978 | 1,773,102 |
| Cash and cash equivalents | | 7,347,113 | 7,113,532 |
| Current assets | | 89,137,605 | 91,652,931 |
| Total assets | | 190,332,532 | 191,650,767 |
| EQUITY: | | | |
| Capital | 7 | 144,933,010 | 144,933,010 |
| Retained earnings | 8 | (113,847,570) | (79,259,197) |
| - Net loss for the year | | (6,345,815) | (34,588,373) |
| Other Equity | | (414,496) | (4,478,995) |
| Total equity | | 24,325,129 | 26,606,445 |
| LIABILITIES: | | | |
| Loans | 6 | 17,802,290 | 55,160,501 |
| Contingencies | 10 | 0 | 0 |
| Non-current liabilities | | 17,802,290 | 55,160,501 |
| Current income tax liability | 9 | 0 | 0 |
| Current tax liabilities | | 5,222,831 | 4,849,317 |
| Trade and other payables | | 23,563,714 | 28,055,190 |
| Loans | 6 | 47,359,750 | 39,432,904 |
| Related parties payables | 5 | 67,103,264 | 33,303,624 |
| Accrued expenses | | 4,955,554 | 4,242,786 |
| Current liabilities | | 148,205,113 | 109,883,821 |
| Total liabilities | | 166,007,403 | 165,044,322 |
| Total equity and liabilities | | \$ 190,332,532 | \$ 191,650,767 |

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


 Mr. Rajesh Rustagi
 Board Director


 Mr. Juan Pedro Tabernero
 Board Director


 Mr. Iñigo Arricaberri de la Iglesia
 General Manager

CLARTON HORN MEXICO S. DE R.L. DE C.V.
Subsidiary of CLARTON HORN S.A.U.
STATEMENTS OF COMPREHENSIVE INCOME
PERIODS ENDED MARCH 31, 2021 AND MARCH 31, 2020
(NOTES 1, 2, 11, 12 AND 13)
(Amounts stated in pesos)

| | Note | MARCH 2021 | MARCH 2020 |
|---------------------------------|------|-----------------------|------------------------|
| Net sales | | \$ 139,098,701 | \$ 114,427,712 |
| Cost of sales | | 106,551,457 | 95,716,850 |
| Gross profit | | 32,547,244 | 18,710,862 |
| Other operating income | | 3,631,997 | 6,095,791 |
| Selling expenses | | 659,742 | 0 |
| Operating expenses | | 36,829,946 | 29,118,579 |
| Other expenses | | 11,109,500 | 10,616,458 |
| Operating loss | | (12,419,947) | (14,928,384) |
| Net finance costs | | (6,074,132) | 19,659,989 |
| Loss before tax | | (6,345,815) | (34,588,373) |
| Income tax | 9 | 0 | 0 |
| Deferred Income tax | 9 | 0 | 0 |
| Net loss | | (6,345,815) | (34,588,373) |
| Other comprehensive income | | 0 | 0 |
| Exchange translation difference | | 0 | 0 |
| Net comprehensive loss | | \$ (6,345,815) | \$ (34,588,373) |

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

Mr. Rajesh Rustagi
Board Director



Mr. Juan Pedro Tabernero
Board Director



Mr. Iñigo Arricaberri de la Iglesia
General Manager



CLARTON HORN MEXICO S. DE R.L. DE C.V.

Subsidiary of CLARTON HORN S.A.U.

STATEMENTS OF EQUITY

PERIODS ENDED MARCH 31, 2021 AND MARCH 31, 2020

(NOTES 1, 2, 11, 12 AND 13)

(Amounts stated in pesos)

| | CAPITAL (Note 7) | RETAINED EARNINGS (Note 8) | | OCI | PARTNERS' EQUITY |
|---|---------------------|-------------------------------|-----------------|----------------|---------------------|
| | | PRIOR YEARS | CURRENT YEAR | | |
| BALANCES AT | | | | | |
| MARCH 31, 2019 | \$ 95,374,398 | \$ (57,821,743) | \$ (21,437,454) | \$ (2,553,228) | \$ 13,561,973 |
| Appropriation of net loss of fiscal 2019 | | (21,437,454) | 21,437,454 | | 0 |
| Net loss as of march 2020 | | | (34,588,373) | | (34,588,373) |
| Capital increase | 49,558,612 | | | | 49,558,612 |
| Other Comprehensive Income (Loss) Net | | | | (1,925,767) | (1,925,767) |
| BALANCES AT | | | | | |
| MARCH 31, 2020 | \$ 144,933,010 | \$ (79,259,197) | \$ (34,588,373) | \$ (4,478,995) | \$ 26,606,445 |
| Appropriation of net loss of fiscal 2020 | | (34,588,373) | 34,588,373 | | 0 |
| Net loss as of March 2021 | | | (6,345,815) | | (6,345,815) |
| Other Comprehensive Income (Loss) Net | | | | 4,064,499 | 4,064,499 |
| BALANCES AT | | | | | |
| MARCH 31, 2021 | \$ 144,933,010 | \$ (113,847,570) | \$ (6,345,815) | \$ (414,496) | \$ 24,325,129 |

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

Mr. Rajesh Rustagi
Board DirectorMr. Juan Pedro Tabernero
Board DirectorMr. Iñigo Arricaberri de la Iglesia
General Manager

CLARTON HORN MEXICO S. DE R.L. DE C.V.
Subsidiary of CLARTON HORN S.A.U.
STATEMENT OF CASH FLOWS
PERIODS ENDED MARCH 31, 2021 AND MARCH 31, 2020
(NOTES 1, 2, 11, 12 AND 13)
(Amounts stated in pesos)

| | MARCH 2021 | MARCH 2020 |
|--|---------------------|---------------------|
| Cash flow from operating activities: | | |
| Loss before tax | \$ (6,345,815) | \$ (34,588,373) |
| Reconciliation of net income to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 11,109,500 | 10,616,458 |
| | <u>4,763,685</u> | <u>(23,971,915)</u> |
| Changes in operating assets and liabilities: | | |
| (increase) decrease in: | | |
| Accounts receivable | 868,477 | (8,749,244) |
| Inventories | 1,382,787 | (4,682,392) |
| Prepaid and other assets | 497,643 | (343,058) |
| Accounts payable | 16,500,101 | 22,537,181 |
| Other liabilities | 4,777,267 | 834,597 |
| Taxes payable | 373,514 | 1,038,480 |
| Income tax paid | 0 | 0 |
| Cash provided by (used in) operating activities | <u>29,163,474</u> | <u>(13,336,351)</u> |
| Cash flow from investing activities: | | |
| Acquisition of property and equipment | (13,922,647) | (21,648,686) |
| Proceeds from sale | 1,616,056 | 1,132,959 |
| Cash provided by (used in) financing activities | <u>(12,306,591)</u> | <u>(20,515,727)</u> |
| Cash flow from financing activities | | |
| Capital contribution | 0 | 49,558,612 |
| Loan payment and dispositions, net | (16,623,302) | (22,948,059) |
| Net cash flows provided by financing activities | <u>(16,623,302)</u> | <u>26,610,553</u> |
| Cash flow and temporary investments: | | |
| Increase (decrease) in cash and temporary investments | 233,581 | (7,241,525) |
| Balance at beginning of year | 7,113,532 | 14,355,057 |
| Balance at end of year | <u>\$ 7,347,113</u> | <u>\$ 7,113,532</u> |

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

Mr. Rajesh Rustagi
Board Director



Mr. Juan Pedro Tabernero
Board Director



Mr. Iñigo Arricaberri de la Iglesia
General Manager



CLARTON HORN MEXICO S. DE R.L. DE C.V.
Subsidiary of CLARTON HORN S.A.U.
NOTES TO THE FINANCIAL STATEMENTS
AT MARCH 31, 2021 AND MARCH 31, 2020
(Amounts stated in pesos except otherwise stated)

NOTE 1 – DESCRIPTION OF BUSINESS

CLARTON HORN MEXICO S. DE R.L. DE C.V. ("the Company"), a subsidiary of CLARTON HORN S.A.U., was incorporated in accordance with Mexican Law on August, 2014 and manufactures and sells a wide range of competitive automotive horns including specific connectors.

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company translated into English the accompanying financial statements originally issued in Spanish for convenience of users in other countries.

Financial Reporting Standards:

The accompanying financial statements have been prepared in accordance with and comply with Mexican Financial Reporting Standards (MFRS) to present a fair presentation of the financial position of the Company. The MFRS establish that International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations to the International Financial Reporting Standards (IFRIC) and the definitions of Standing Interpretations Committee (SIC) apply as a supplementary part of MFRS, when the absence of MFRS requires it.

Effects of inflation on the financial information:

In accordance with the provisions of MFRS B-10 "Effects of inflation", the Mexican economy is not considered inflationary, since cumulative inflation has been below 26% (threshold for defining whether the Mexican economy should be considered as inflationary) in the most recent three-year period. Therefore, as of January 1, 2008 the Companies would discontinue the recognition of effects of inflation on the financial statements. The accompanying financial statements as of March 31, 2021 and March 31, 2020 are prepared under the historical cost basis.

Monetary unit of financial statements:

Monetary unit of the financial statements - The financial statements and footnotes as of March 31, 2021 and March 31, 2020, and for the years then ended were determined and presented in Mexican pesos of distinct purchasing power.

Functional currency:

The Company's bookings and reporting functional currency is the Mexican peso. In addition, the Company has monetary assets and liabilities denominated in foreign currencies, mainly in US dollars; therefore, the Company is exposed to foreign exchange rate risks arising from transactions entered over the normal course of business.

Comprehensive income:

Comprehensive income comprises net income of the year and items required by specific financial reporting standards to be reflected in equity, but which do not constitute capital contributions, reductions or distributions.

Classification of costs and expenses:

The Company classified its costs and expenses presented in the statements of comprehensive income according to their function because of the practice of the Company's industry.

Approval of Financial Statements

The accompanying financial statements and related notes at and for the periods ended March 31, 2021 and March 31, 2020 were approved by the Board Directors on April 17, 2021 and are duly authorized for such purpose.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The significant accounting policies used in the preparation of the financial statements are described below:

a). Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the

'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

b). Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company has no transactions with derivative financial instruments.

c). Trade accounts receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Recoveries of trade receivables previously written off are recorded when received.

d). Inventory and cost of product sales

Inventories are valued at acquisition or manufacturing average cost which approximates actual cost.

Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity and is determined by using average costs of the month they are consumed in or inventories are realized.

e). Property, machinery and equipment and depreciation

Property, machinery, and equipment are capitalized at historical cost not exceeding the individual acquisition cost. Depreciation is computed using the straight-line method, based on the estimated useful lives of the assets. The depreciation is computed at the time when economic benefits are realized. Annual depreciation rates are as follows:

| | Depreciation rates |
|--------------------------------|-----------------------|
| Machinery | 9% |
| Office furniture and equipment | 10% |
| Computers | 33% |
| Vehicles | 25% |
| Leasehold Improvements* | 19% |
| Software | 33% |
| Tools | 50% |

* Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Maintenance and repairs are expensed as incurred; other disbursements which materially add value to the property are capitalized. Gains or losses on dispositions of property and equipment are added as income.

Management reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount would not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows. Undiscounted cash flows expected to be generated by the related assets are estimated over the asset's useful life based on updated projections. If the evaluation indicates that the carrying amount of the asset would not be recoverable, any potential impairment is measured based upon the fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique.

At March 31, 2021 and March 31, 2020, there are no indicators of impairment and the Company did not consider necessary to recognize an adjustment for this item.

f). Recording of liabilities.

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted.

g). Use of provision and estimates

Provisions are recognised when the entity has a present (legal or constructive) obligation as a result of a past event, it is probable the entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

h). Employee benefits.

In accordance with the Mexican Federal Labor Law, permanent employees and workers are eligible for a seniority bonus equivalent to twelve days salary for each year of service (the computable daily wage should not exceed the double of the minimum salary in effect), provided that employees have completed at least fifteen years of service. This requirement is not necessary in the event of death, disability, or separation due to an unjustified reason.

In accordance with the Federal Labor Law, the Company has a contingent liability for severance payments to personnel in cases of voluntary retirement under certain circumstances. The amount of severance payments to personnel are expensed as incurred. At March 31, 2021 and March 31, 2020 the Company has not calculated the potential exposure of this contingency.

i). Statutory employee profit.

The Employees' statutory profit sharing (PTU) is booked in the results of the year when incurred and disclosed as expense. At March 31, 2021 and March 31, 2020, the Company did not require to accrue a provision for this purpose.

j). Income taxes

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for the country, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

The Company recognizes current and deferred taxes in accordance with MFRS D-4 "Income Taxes", MFRS D-4; Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

At March 31, 2021 and March 31, 2020, the Company has not accrued a provision for this purpose; Management has analyzed the potential provision and concluded that there is no certainty about applying the potential deferred tax assets from tax loss carry forward versus future income taxes.

k). Financial expense.

Financial expense in the Statements of comprehensive income includes the financial expenses and income, as well as the exchange rate profit and loss, net of the amounts capitalized.

l). Foreign currency transactions.

Foreign currency transactions are recorded at the exchange rate at the date on which they are carried out. Foreign currency denominated assets and liabilities are stated in local currency at the current exchange rate at the closing date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

m). Rounding of amounts

Amounts in this report have been rounded off to the nearest currency unit.

NOTE 3 – FOREIGN CURRENCY POSITION

At March 31, 2021, the exchange rate was \$ 20.6047 per US dollar; \$ 24.2198 per Euro.

At March 31, 2020, the exchange rate was \$ 23.5122 per US dollar; \$ 25.7976 per Euro.

At March 31, 2021 and March 31, 2020, the Company had the following foreign currencies monetary assets and liabilities:

US Dollars

| | MARCH 2021 | MARCH 2020 |
|------------------------|----------------|---------------|
| Assets | \$ 1,644,550 | \$ 563,963 |
| Liabilities | 3,602,477 | 967,883 |
| Monetary position, net | \$ (1,957,927) | \$ (403,920) |

Euros

| | MARCH 2021 | MARCH 2020 |
|------------------------|---------------|---------------|
| Assets | € 151,989 | € 25,769 |
| Liabilities | 3,050,918 | 3,825,720 |
| Monetary position, net | € (2,898,929) | € (3,799,951) |

NOTE 4 – MACHINERY AND EQUIPMENT, NET

This line item is summarized as follows:

| | MARCH 2021 | MARCH 2020 |
|---------------------------|----------------|---------------|
| Machinery and equipment | \$ 99,123,217 | \$ 67,256,170 |
| Furniture and equipment | 1,303,739 | 304,144 |
| Computer applications | 2,579,699 | 2,579,699 |
| Tooling | 13,825,797 | 8,607,255 |
| Technical Facilities | 6,149,744 | 7,273,699 |
| Building and improvements | 357,134 | 795,667 |
| Total Investment | 123,339,330 | 86,816,634 |
| Accumulated depreciation | 37,598,659 | 27,731,402 |
| Subtotal | 85,740,671 | 59,085,232 |
| Construction in process | 15,210,193 | 40,549,626 |
| | \$ 100,950,864 | \$ 99,634,858 |

Machinery and equipment comprise down payments to suppliers for machinery and equipment acquisitions. The charge to the results of the year for depreciation and amortization amounted to \$11,109,500 as of March, 2021 (and \$10,616,458 as of March, 2020).

NOTE 5 –RELATED PARTIES

This line item is summarized as follows:

Receivables

| Company | Nature | Term | MARCH 2021 | MARCH 2020 |
|------------------|------------------------|------|---------------|---------------|
| Clarton Horn SAU | Other operating income | None | \$ 707,017 | \$ 2,380,657 |

Payables

| | | | | |
|------------------|-----------------------|------|---------------|---------------|
| Clarton Horn SAU | Purchase and expenses | None | \$ 48,393,528 | \$ 28,411,612 |
| Clarton Horn SAU | Loans | None | 18,709,736 | 4,892,012 |
| | | | \$ 67,103,264 | \$ 33,303,624 |

The accounts receivable and payable and loans aforementioned resulted from the transactions carried out during March 31, 2021 and March 31, 2020 which are detailed in the chart below and which are to be settled through cash collections and or payments.

The following transactions were performed with related parties:

| | MARCH 2021 | MARCH 2020 |
|------------------------|----------------------|----------------------|
| Expenses | \$ 4,980,541 | \$ 4,017,581 |
| Purchases | 55,954,054 | 65,575,871 |
| | <u>60,934,595</u> | <u>69,593,452</u> |
| Other operating income | 744,814 | 2,380,657 |
| | <u>\$ 61,679,409</u> | <u>\$ 67,212,795</u> |

Additionally, the following transactions were performed with related parties.

| | MARCH 2021 | MARCH 2020 |
|----------------------------------|---------------|---------------|
| Machinery and equipment purchase | \$ 147,005 | \$ 3,504,081 |
| Loan | \$ 19,131,160 | \$ 20,733,747 |

NOTE 6 – LOANS

This line item is summarized as follows:

| | MARCH 2021 | MARCH 2020 |
|--------------------------------|----------------------|----------------------|
| Total Loan | \$ 65,162,040 | \$ 94,593,405 |
| Less current maturities (Eur) | 30,194,011 | 32,160,991 |
| Less current maturities (DlIs) | <u>17,165,739</u> | <u>7,271,913</u> |
| Total Short-term | <u>47,359,750</u> | <u>39,432,904</u> |
| Total Long-term loans | <u>\$ 17,802,290</u> | <u>\$ 55,160,501</u> |

On June 30, 2015, the Company entered into a term loan with La Caixa bank in the amount of €3,525,000, payable in quarterly installments of principal effective on June 30, 2017, through maturity on June 30, 2022. The interest rate is comprised by a fixed rate of 1.0400%, and a floating interest rate of 0.329% per annum. Interest rate would be payable effective December 31, 2015 through maturity date. At March 31, 2021, the current balance amounts €3,525,000 (€3,525,000 in March 31, 2020).

On December 18, 2017, BBVA agreed to finance foreign trade operations of the Company for a maximum amount of €500,000. The annual interest rate is EURIBOR +0.8500 points according to the interval of payable days. At March 31, 2021, the current balance amounts \$469,684 US dollar with due date in June 2021.

On November 15, 2018, the Company entered into a term loan with La Caixa bank in the amount of €1,625,000, payable in quarterly installments of principal effective on April 01, 2020, through maturity on December 31, 2022. The interest rate on the loan is comprised by a fixed rate of 0.800%, and a floating interest rate of 0.839% per annum. Interest rate would be payable

effective December 31, 2018 through maturity date. At March 31, 2021, the current balance amounts €1,625,000 (€1,625,000 in March 31, 2020).

On February 14, 2018, the Company entered into a term loan with La Caixa bank in the amount of \$500,000 US dollars, through maturity on June 13, 2021. The interest rate on the loan is a fixed rate of 2.577%, per annum. At March 31, 2021, the current balance amounts \$363,415 US dollars (\$151,010 US dollars in March 31, 2020).

NOTE 7 – CAPITAL

The fixed and variable capital stock is represented by registered common shares with a par value.

| | MARCH 2021 | MARCH 2020 |
|------------------|----------------|----------------|
| Fixed capital | \$ 5,000 | \$ 5,000 |
| Variable portion | 144,928,010 | 144,928,010 |
| | \$ 144,933,010 | \$ 144,933,010 |

In accordance with the partner's resolution dated on November 30, 2019; the Company increased the capital contributed amounting 16,108,688 pesos (sixteen million one hundred eight thousand six hundred eighty-eight pesos).

In accordance with the partner's resolution of February 24, 2020, the Company increased the capital contributed amounting 33,449,924 pesos (thirty-three million four hundred and forty-nine thousand nine hundred and twenty-four pesos).

NOTE 8 – RETAINED EARNINGS

a). Net income of the year is subject to the resolutions adopted at the General Partners' Meeting, as well as the provisions of its bylaws and the General Corporate Law, which set forth that 5% of income should be allocated to increase the legal reserve until that reserve equals 20% of paid-in capital.

b). Dividends.

If dividends are paid out of the CUFIN will be free of income tax, they have already been taxed. If the Company decides to pay dividends in 2020 exceeding the balance of the CUFIN, income tax will be due by applying a 30% rate to the result of multiplying the dividends paid in excess by the 1.4286 factor. Income tax due will be payable by the Company, and it would be credited against income tax the Company is subject to in the three following fiscal years.

At March 31, 2021 and March 31, 2020, the Company has not originated profits.

NOTE 9 – INCOME TAX.

a). Accounting and tax criteria include items that affect the real Income Tax rate set forth by currently enacted tax legislation 30% for 2021 and 2020. The main differences between book and taxable income are due to the different treatment of provisions for accounting purposes.

b). Summary of Income Tax.

As of March 31, 2021 and March 31, 2020 the Company has incurred in tax losses, consequently there is not current income tax due.

c). Summary of Deferred Income Tax.

At March 31, 2021 and March 31, 2020, the Company has not recognized a deferred income tax as mentioned in Note 2. j).

NOTE 10 - CONTINGENCIES

a) At March 31, 2021 and March 31, 2020, the Company has a potential liability for tax differences in case of discrepancies in the interpretation of the laws applied by the authorities as a result of any revision of the tax returns submitted by the Company.

b) The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Company up to March 31 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Mexican Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

NOTE 11 – FINANCIAL INSTRUMENTS

a). Value of financial instruments

The amount of cash and marketable securities, accounts receivable, trade payables, accounts payable, and other accrued liabilities approximate their fair value, due to the short term of their due date. In addition, the net value of accounts receivable and taxes recoverable approximate expected cash flows.

b). Concentration of risk

Financial instruments that are potentially subject to an excessive concentration of risk are mainly cash and cash equivalents, accounts receivable, trade payables, and accounts payable. The Company invests its cash surpluses in prestigious institutions. The concentration of credit risk in connection with accounts payable is limited. The monetary risk of the liabilities payable to its creditors is due to the fact that most of those liabilities are denominated in foreign currency (Euro).

NOTE 12 – NEW PRONOUNCEMENTS IN 2020

The Mexican Board (CINIF) released the following MFRS standards effective January 1, 2020:

a) Section I. Improvements to MFRS that bring accounting changes.

- MFRS C-16 Impairment of financial instruments
- MFRS C-19 Financial instruments payable
- MFRS C-20 Impairment of receivable financial instruments
- MFRS D-3 Employee benefits
- MFRS D-4 Tax on profits
- MFRS D-5 Leasing

II. Improvements to MFRS that do not cause accounting changes.

- MFRS B-1 Accounting changes and errors
- MFRS B-8 Consolidates and combines financial statements
- MFRS B-11 Long term assets disposals and discontinued activities
- MFRS C-2 Financial Instruments
- MFRS C-3 Receivables
- MFRS D-2 Customer contracts costs
- MFRS D-5 Leasing

The attached financial statements do not recognize the accounting impact from the leasing contracts, which must be registered in accordance with NIF D-5 effective as of the January 1, 2019, in this regard, the rule establishes that an asset for right of use and a liability must be recognized at present value in the short and long term at the beginning of 2019 and the difference between the two must be recognized in the accumulated results. It also establishes that during the 2019 fiscal year, a charge must be booked for the amortization of the right of use, a charge to the integral cost of financing for the interests determined at a risk-free rate and that the rent amount charged to the results must be cancelled. The impact of the deferred income tax and the deferred profits sharing to workers on the right-of-use asset and the lease liability must also be recognized. The Company has not determined the accounting effects that should be recorded, which are estimated to be significant.

NOTE 13 – NEW PRONOUNCEMENTS EFFECTIVE IN FUTURE YEARS

The Mexican Board (CINIF) released the following MFRS standards effective January 1, 2021:

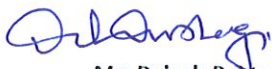
a) Section I. Improvements to MFRS that bring accounting changes.

- MFRS C-2 Financial Instruments
- MFRS C-19 Financial instruments payable
- MFRS C-20 Impairment of receivable financial instruments
- MFRS D-5 Leasing

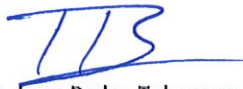
b) Section II. Improvements to MFRS that do not cause accounting changes.

- MFRS C-4 Inventories
- MFRS C-8 Intangibles

The Company is evaluating the potential impact of these new pronouncements on its financial statements and disclosures in the explanatory notes. These notes are an integral part of the accompanying financial statements.



Mr. Rajesh Rustagi
Board Director



Mr. Juan Pedro Tabernero
Board Director



Mr. Iñigo Arricaberri de la Iglesia
General Manager

