# EPL Propack de México, S.A. de C.V.
# (Subsidiary of Lamitube Technologies LTD)

## Audited financial statements

March 31, 2023 and 2022

**EPL Propack de México, S.A. de C.V.**
**(Subsidiary of Lamitube Technologies LTD)**

# Audited financial statements

March 31, 2023 and 2022

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# Independent auditors' report

To the Shareholders of
EPL Propack de México, S.A. de C.V.
(Subsidiary of Lamitube Technologies LTD)

## Opinion

We have audited the accompanying financial statements of EPL Propack de México S.A. de C.V. (the Company), which comprise the statements of financial position as of March 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EPL Propack de México S.A. de C.V. as of March 31, 2023 and 2022, and of its financial performance and its cash flows for the years 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 Auditors´ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 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 statement, 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.

mazars

**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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent 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 independent auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

**Mazars Auditores, S. de R.L. de C.V.**

C.P.C. Francisco J. Quiroz Sandoval
Partner

***Mexico City***
***May 9, 2023***

EPL Propack de México, S.A. de C.V.
(Subsidiary of Lamitube Technologies LTD)
Statements of Financial Position
As of March 31, 2023 and 2022
Expressed in Mexican pesos: $ (Note 2c)

| | 2023 | 2022 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 7,072,400 | $ 2,458,287 |
| Trade accounts receivable – Note 3 | 58,311,190 | 45,957,431 |
| Inventories – Note 5 | 85,232,859 | 83,712,575 |
| Advance payments – Note 6 | 17,181,989 | 12,792,265 |
| Recoverable income tax | 5,985,456 | 114,113 |
| Related parties – Note 4 | 11,195,857 | - |
| Prepaid expenses | 2,110,160 | 829,355 |
| Total current assets | 187,089,911 | 145,864,026 |
| Non-current assets: | | |
| Leasehold improvements, machinery, furniture and | 121,588,432 | 87,030,632 |
| Advance for the acquisition of machinery and | - | 5,262,965 |
| Right of use of assets – Note 8 | 26,417,976 | 32,893,991 |
| Guarantee deposits | 1,002,327 | 860,155 |
| Deferred income tax – Note 14 | 11,505,491 | 8,070,755 |
| Deferred Employees' Statutory Profit Sharing | 3,619,240 | 2,352,441 |
| Total non-current assets | 164,133,466 | 136,470,939 |
| Total assets | $ 351,223,377 | $ 282,334,965 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Bank loan – Note 12 | $ 84,879,063 | $ 35,177,959 |
| Derivative Financial Instruments – Note 13 | 399,881 | 852,118 |
| Suppliers | 35,207,738 | 13,676,940 |
| Provisions – Note 9 | 6,011,398 | 7,758,607 |
| Employees' Statutory Profit Sharing | 2,159,238 | 2,414,385 |
| Payable taxes – Note 10 | 4,598,712 | 7,670,618 |
| Lease liability short-term – Note 8 | 9,494,939 | 7,368,927 |
| Related parties – Note 4 | 46,577,049 | 40,793,075 |
| Total current liabilities | 189,328,018 | 115,712,629 |
| Long-term liabilities: | | |
| Labour obligations – Note 11 | 4,129,990 | 3,400,222 |
| Lease liability long-term – Note 8 | 19,941,658 | 27,307,532 |
| Total liabilities | 213,399,666 | 146,420,383 |
| Shareholders' equity: | | |
| Capital stock – Note 17 | 117,453,344 | 117,453,344 |
| Accumulated results: | | |
| From previous years | 18,461,238 | 4,838,290 |
| For the year | 1,909,131 | 13,622,948 |
| Total shareholders' equity | 137,823,713 | 135,914,582 |
| Total liabilities and shareholders' equity | $ 351,223,379 | $ 282,334,965 |

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

EPL Propack de México, S.A. de C.V.
Statements of Income
For the years ended as of March 31, 2023 and 2022
Expressed in Mexican pesos: $ (Note 2c)

| | 2023 | 2022 |
|---|---|---|
| Net revenues | $ 348,578,684 | $ 268,579,365 |
| Cost of sales | 261,319,938 | 203,152,194 |
| Gross profit | 87,258,746 | 65,427,171 |
| Sales and administrative expenses | 59,652,402 | 39,912,785 |
| Other income, net | 494,927 | 695,808 |
| Operating profit | 28,101,271 | 26,210,194 |
| Comprehensive financial result: | | |
| Foreign exchange loss (gain), net | 6,843,201 | (969,077) |
| Accretion of the lease liability – Note 8 | 2,724,272 | 2,190,543 |
| Interest expense | 7,421,925 | 1,990,004 |
| Measurement effect of financial instruments - Note 13 | (452,237) | 852,118 |
| Factoring – Note 3 | 6,893,905 | 3,789,203 |
| | 23,431,066 | 7,852,791 |
| Profit before income tax | 4,670,205 | 18,357,403 |
| Income tax – Note 14 | 2,761,074 | 4,734,455 |
| Net profit for the year | $ 1,909,131 | $ 13,622,948 |

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

EPL Propack de México, S.A. de C.V.
Statements of Changes in Equity
For the years ended as of March 31, 2023 and 2022
Expressed in Mexican pesos: $ (Note 2c)

| | Capital stock | Accumulated results | Net profit for the year | Total Shareholders' equity |
|---|---|---|---|---|
| Balance as of March 31, 2021 | $ 117,453,344 | $ (8,923,508) | $ 13,761,798 | $ 122,291,634 |
| *Transfer of prior year profit* | - | 13,761,798 | (13,761,798) | - |
| Net profit for the year | - | - | 13,622,948 | 13,622,948 |
| Balance as of March 31, 2022 | 117,453,344 | 4,838,290 | 13,622,948 | 135,914,582 |
| *Transfer of prior year profit* | - | 13,622,948 | (13,622,948) | - |
| Net profit for the year | - | - | 1,909,131 | 1,909,131 |
| Balance as of March 31, 2023 | $ 117,453,344 | $ 18,461,238 | $ 1,909,131 | $ 137,823,713 |

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

# EPL Propack de México, S.A. de C.V.
## Statements of Cash Flows
## For the years ended as of March 31, 2023 and 2022
## Expressed in Mexican pesos: $ (Note 2c)

| | 2023 | 2022 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Profit before income tax | $ 4,670,205 | $ 18,357,403 |
| Items that did not require the use of cash: | | |
| *Related to operating activities:* | | |
| Deferred Employees' Profit Sharing | (1,266,800) | (618,226) |
| Labour cost | 1,286,542 | 1,288,186 |
| Financial instruments valuation | (452,237) | 852,118 |
| *Related to investing activities:* | | |
| Depreciation | 16,103,433 | 10,216,502 |
| Gain (loss) on assets disposals | - | (418,527) |
| Amortization of the right of use assets | 8,766,779 | 6,027,471 |
| Accretion of the lease liability | 2,724,272 | 2,190,543 |
| *Items related to financing activities:* | | |
| Interest expense | 14,315,830 | - |
| | 46,148,024 | 37,895,470 |
| (Increase) decrease in: | | |
| Trade accounts receivable | (12,353,759) | (5,140,059) |
| Inventories | (1,520,284) | (23,429,864) |
| Advance payments | (5,670,529) | (3,598,489) |
| Related parties, net | (5,411,883) | 9,470,488 |
| Other accounts receivable | (5,871,343) | 5,796,343 |
| Guaranty deposits | (142,174) | (603,434) |
| (Decrease) increase in: | | |
| Suppliers | 21,530,799 | 2,780,120 |
| Payable taxes | (9,267,716) | (6,620,167) |
| Provisions | (1,747,209) | 3,736,517 |
| Employees' Statutory Profit Sharing | (255,147) | (504,074) |
| Labour obligations | (556,774) | (426,390) |
| Net cash flows from operating activities | 24,882,005 | 19,356,461 |
| INVESTING ACTIVITIES: | | |
| Acquisition of machinery and equipment | (45,398,268) | (51,811,220) |
| Proceeds from the disposal of machinery and equipment | - | 2,269,001 |
| Net cash flows from investing activities | (45,398,268) | (49,542,219) |
| Cash to be (obtained from) in financing activities | (20,516,263) | (30,185,758) |
| FINANCING ACTIVITIES: | | |
| Loan bank obtained | 87,873,690 | 35,177,959 |
| Loan bank payments | (39,910,674) | - |
| Interest paid | (12,577,742) | - |
| Leasing payments | (10,254,898) | (6,768,471) |
| Net cash flows from financing activities | 25,130,376 | 28,409,488 |
| Increase (decrease) of cash and cash equivalents | 4,614,113 | (1,776,270) |
| Cash and cash equivalents at the beginning of the year | 2,458,287 | 4,234,557 |
| Cash and cash equivalents at the end of the year | $ 7,072,400 | $ 2,458,287 |

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

EPL Propack de México, S.A. de C.V.
(Subsidiary of Lamitube Technologies LTD)
Notes to the Financial Statements
As of March 31, 2023 and 2022
Expressed in Mexican pesos: $ (Note 2c)

## NOTE 1 – DESCRIPTION OF THE COMPANY

EPL Propack de México, S.A. de C.V. ("the Company") was incorporated on April 2, 2001 under General Corporate Mexican Law. The Company's address is Tepotzotlán La Aurora, KM 1, Col Ex Hacienda San Miguel, Cuautitlán Izcalli, C.P. 54715, Mexico, State of Mexico. The Company is a subsidiary of Lamitube Technologies LTD.

The Company's activity is the production, commercialization and distribution of packaging material in the domestic and foreign market.

## NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance with Mexican Financial Reporting Standards

The financial statements as of and for the years ended as of March 31, 2023 and 2022, to which these notes refer are prepared in accordance with Mexican Financial Reporting Standards (MFRS), issued by the Mexican Accounting Standards Board (CINIF). The accompanying financial statements as of March 31, 2023, were approved on May 8, 2023, by Mr. Roberto Colin (General Director). In accordance with Mexican General Corporate Law, the Company's shareholders are entitled to approve or modify the financial statements after their issuance.

### b) Use of estimates

The preparation of the financial statements in accordance with MFRS requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting periods. Actual results may differ from these estimates. The Company's management considers these estimates to be reasonable.

The most significant estimates made by the Company are related to: the estimated life of the long live assets, labor obligations and the computation of current and deferred income tax and employees' statutory profit sharing.

### c) Basis of preparation

The financial statements are presented in Mexican pesos, which is the Company's functional, recording and reporting currency, and were prepared on the historical cost basis.

### d) Effects of inflation on the financial information

The financial statements are expressed in nominal pesos and have not been adjusted to recognize the effects of inflation in the financial information, since currently the Company operates in a non-inflationary economic environment, in accordance with the prescriptions of the MFRS, due to cumulative inflation for the last three years prior to fiscal years 2023 and 2022 was lower than 26% (21.40% in 2023 and 16.12%, respectively).

Inflation for the years ended as of March 31, 2023 and 2022 was 6.27% and 7.45%, respectively.

e) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts. As of the date of the financial statements, gains or losses in valuation of balances in foreign currency are included in results for the year, as part of *comprehensive financial result.*

f) Financial instruments

MFRS require financial instruments to be recorded in the statement of financial position at their fair value, with changes in said fair value recorded in the statement of income of each period; it also requires that derivative financial instruments used for hedging purposes be recorded in the statement of financial position and valued using the same valuation criteria used to value the hedged asset or liability.

Company's financial instruments consist of cash, accounts receivable and accounts payable. The book value of Company's financial instruments, as recorded in the statement of financial position, is similar to their fair value as of March 31, 2023.

The Company accounts for all assets or liabilities arising from the transactions with derivative financial instruments in the statement of financial position at their fair value, independent of their purpose. Fair value is determined based on recognized market prices and when the instrument does not quote in an observable market, it is determined based on measurement models using data observed in the market.

Changes in the fair value of derivative financial instruments not designated or, as appropriate, that not qualified for hedging purposes, are recognized in the statement of income for the year in captions measurement effect of financial instruments, as part of the comprehensive financial result.

g) Accounts receivable

Accounts receivable represent the collection rights arising from the sales of products and are initially measured at the value of the consideration agreed upon, which are adjusted for the estimated changes of the fair values in which they will be recovered, resulting from the estimates discounts and the estimates of their recoverability.

The allowance for doubtful accounts represents the probable loss inherent in all accounts receivable given the historic trends in the behavior of the accounts receivable and the Company´s policies.

Accounts receivable denominated in foreign currency are measured at the exchange rate in force at the date of the statements of financial position.

h) Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are valued using the average cost formula.

Cost of sales represents the cost of the inventories at the time of sale, increased as appropriate, by the decreases in the net realizable value of the inventories, the changes in the net realizable value are recognized in the statement of income when they occurred.

The Company records the estimates for recognizing decreases in the value of its inventories due to impairment, obsolescence, slow moving and other causes that indicate that use or realization of products could result in a lower value.

i) Prepaid expenses

This caption is mainly comprised by prepaid expenses for the purchase of inventories, property and services (insurances) that will be received after the date of the financial statements or amortized in subsequent periods in the ordinary course of business.

j) Machinery, furniture and equipment, net

Machinery, furniture and equipment is recorded at their acquisition cost and depreciated using the straight-line method, based on the estimated useful live of the assets, applying the rates indicated below. Assets acquired as of December 31, 2007, were updated by inflation using the inflationary index from their acquisition date.
Annual depreciation rates are as follows:

| | (%) |
|---|---|
| Machinery and equipment | 10% |
| Leasehold improvements | 5% and 10% |
| Office equipment | 10% |
| Transportation equipment | 25% |
| Computer equipment | 30% |
| Software | 30% |
| Tools | 10%, 25% and 35% |

Other subsequent expenditures are recognized as repairs and maintenance expenses during the period in which they are incurred.

k) Impairment of assets

The carrying value of machinery, furniture and equipment, is reviewed when factors indicating the existence of impairment factors are identified. For the years ended as of March 31, 2023 and 2022, no impairment factors were identified.

l) Leases

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

The Company determines the lease term as the non-cancellable period of the lease, together with both: i) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and ii) period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

At the commencement date, lease contracts the right-of-use-asset of is measure at cost.
The cost of the right of use asset comprises:

a) The amount of the initial measurement of the lease liability, which is measure at the present value of the lease payments that are not paid at that date.

b) The lease payments are discounted using the interest rate implicit in the lease.

The Company has a lease contract related to the premises where its production plant is installed, which was classified as operating.

m) Income tax

Income tax expense comprises current and deferred tax.

The Company used the assets and liabilities method to compute deferred income taxes, which requires that deferred taxes be determined on temporary differences, tax losses and tax credits, starting from the initial recognition of such items and at the end of each period.

The current cost of income tax is determined considering the respective tax basis and its cost is applied to the net income of the period in which it is incurred.

n) Liabilities

Liabilities are recorded when they correspond to a present obligation, arising from past events, the settlement of which is expected to result in an outflow of resources; and provisions are recognized when: (i) a present obligation (legal or assumed) exists as a result of a past event, (ii) the probability exists that economic resources will be used as the means for complying with such obligation, and (iii) the obligation can be reasonably estimated. The Company recognizes contingent liabilities only when the probability exists of using economic resources. In addition, commitments are recognized only when they generate a loss.

o) Employee benefits

In accordance with the Federal Labor Law (LFT for its acronym in Spanish), the employees of the Company are entitled to a seniority premium when they retire after 15 years of service or at time they are separated, for disability or death. The Company applies NIF D-3, Employee benefits, which prescribes the rules for the valuation and recording of liabilities arising from other remunerations at the termination of the labor relationship. In conformity with NIF D-3, the obligation for projected benefits determined by actuarial study is calculated using estimated wages which will be in force on the date in which such benefits are paid.

p) Employees' statutory profit sharing

Employee profit sharing is a labor obligation with employees in conformity with Mexican Labor Law and is determined applying a rate of 10% on the taxable profit. Deferred Employees' Statutory Profit Sharing is computed on by applying the assets and liabilities method on the timing differences between the tax and book values considering the taxable income.

q) Revenue recognition

Revenues from the sale of packaging materials are recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred. Revenue from the provision of services is recognized when the serviced are rendered and accepted by the client.

The cost of sale is recognized when products are delivery or services rendered.

r) Business and credit concentration

Two clients' accounts for 90% and 81% of the Company's net sales in 2023 and 2022, respectively.

Raw materials and finished goods acquired from related parties accounts for 53% and 53% in 2023 and 2022, respectively.

s) Foreign currency transactions

Foreign currency transactions are registered using the exchange rates in force as of the date of the transaction. Assets and liabilities denominated in foreign currency are translated to Mexican pesos using the exchange rates in force on the date of realization or valuation as of the date of the financial statements. The resulting exchange differences are recognized as profits or losses and presented as part of Comprehensive Financial Result.

t) Presentation of the income statement

The income statements are classified according to their operational function, given that in the opinion of the Company, this classification allows a more objective evaluation of the Company's, operating result, identifying the costs and expenses.

u) Operating profit

The operating profit is obtained by subtracting from net sales the cost of sales and general expenses. Even if not required by NIF B-3, this line item is included in the statement of income being presented to contribute to a better understanding of the economic and financial performance of the Company.

v) New financial standards

The financial standards that were in-force on April 1, 2022, adopted by the Company do not have a significant impact on the financial statements as of March 31, 2023, and for the year ended as of that date.

## NOTE 3 – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as of March 31, are integrated as follows:

| | 2023 | 2022 |
|---|---|---|
| Customers | $ 58,388,968 | $ 46,093,797 |
| Less | | |
| Estimated credit losses | (77,778) | (136,366) |
| Total | $ 58,311,190 | $ 45,957,431 |

The Company has executed a finance factoring contract with J.P. Morgan, S.A., Institución de Banca Múltiple, through this contract the Company can discount the receivable balances due by P&G, paying a variable interest determined when the factoring is used. For the years ended March 31, 2023 and 2022, the interests were $6,893,905 and $3,789,203, respectively.

## NOTE 4 – RELATED PARTIES

Accounts receivable and payable to related parties at March 31, are comprised as follows:

| | 2023 | 2022 |
|---|---|---|
| EPL Brasil, Ltda | $ 7,696,627 | $ - |
| EPL America, LLC | 3,112,722 | - |
| Laminate Packaging Colombia SAS | 386,508 | - |
| Total receivable | $ 11,195,857 | $ - |

| | 2023 | 2022 |
|---|---|---|
| EPL Packaging (Guangzhou) Limited | $ 27,233,162 | $ 11,877,530 |
| EPL America, LLC | 18,802,935 | 12,057,796 |
| EPL Limited | 494,514 | 16,606,695 |
| Laminate Packaging Colombia SAS | 46,438 | 251,054 |
| Total payable | $ 46,577,049 | $ 40,793,075 |

Operations carried out with related parties during the years ended as of March 31 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Revenues from: | | |
| Sales of fixed assets and spares | $ 109,788 | $ - |
| Sales of inventories | $ 19,581,185 | $ 2,845,624 |
| Reimbursement of expenses | $ 148,697 | $ 3,012,787 |
| Acquisition of: | | |
| Inventories | $ 107,369,553 | $ 79,775,953 |
| Fixed assets and Spares | $ 10,480,315 | $ 454,326 |
| Consulting, IT and advisory services | $ 6,291,054 | $ 7,334,849 |

The Company has executed a contract with EPL Limited through which the later provided IT services to the Company. The consideration paid in the years ended as of March 31, 2023, and 2022 was for $946,219 and $3,499,565, respectively.

## NOTE 5 – INVENTORIES

As of March 31, this caption is comprised as follows:

| | 2023 | 2022 |
|---|---|---|
| Raw materials | $ 27,394,483 | $ 30,689,600 |
| Products in process | 5,469,671 | 3,007,083 |
| Finished product | 29,664,084 | 22,918,094 |
| Materials, spare parts and accessories | 16,724,635 | 13,721,379 |
| Packing material | 1,554,124 | 2,399,145 |
| Merchandise in transit | 12,192,285 | 13,464,675 |
| | 92,999,282 | 86,199,976 |
| Estimation for obsolete and slow-moving inventories | (7,766,423) | (2,487,401) |
| Total | $ 85,232,859 | $ 83,712,575 |

## NOTE 6 – ADVANCE PAYMENTS AND PREPAID EXPENSES

As of March 31, the prepaid expenses are integrated as follows:

| | 2023 | 2022 |
|---|---|---|
| For the acquisition of inventories | $ 17,047,060 | $ 12,104,651 |
| Others | 134,929 | 687,614 |
| Total | $ 17,181,989 | $ 12,792,265 |

## NOTE 7 – LEASEHOLD IMPROVEMENTS, MACHINERY, FURNITURE AND EQUIPMENT, NET

As of March 31, this caption is integrated as follows:

| | 2022 | Acquisitions | Disposals | 2023 |
|---|---|---|---|---|
| Machinery and equipment | $ 89,613,038 | $ 56,960,245 | $ - | $ 146,573,283 |
| Leasehold improvements | 14,772,855 | - | - | 14,772,855 |
| Office equipment | 3,662,842 | - | - | 3,662,842 |
| Transportation equipment | 2,002,653 | - | (208,261) | 1,794,392 |
| Computer equipment | 3,002,959 | 382,655 | - | 3,385,614 |
| Software | 3,700,528 | 17,992 | - | 3,718,520 |
| Tools | 19,892,954 | 4,319,235 | - | 24,212,189 |
| Projects in progress | 44,950,699 | 50,661,233 | (61,680,127) | 33,931,805 |
| | 181,598,528 | 112,341,360 | (61,888,388) | 232,051,500 |
| Accumulated depreciation | (94,567,896) | (16,103,433) | 208,261 | (110,463,068) |
| Total | $ 87,030,632 | $ 96,237,927 | $ (61,680,127) | $ 121,588,432 |

The depreciation for the years ended as of March 31, 2023 and 2022 was $16,103,433 and $10,216,502, respectively.

## NOTE 8 – RIGHT OF USED ASSET AND LEASE LIABILITY

The Company leases the premises where its facilities are located, with lease agreements with definite terms. The right of use asset is computed considering the present value of the lease payments during the terms of the contracts, using a discount rate of 10%. The accretion of interest is recorded in the income statement of the year.

As of March 31, the right of use is comprised as follows:

| | 2023 | 2022 |
|---|---|---|
| Right of use of asset | $ 46,540,134 | $ 30,147,430 |
| Accumulated amortization | (22,412,922) | (13,646,143) |
| Increase of the right of use of asset adjustment | 2,290,764 | 16,392,704 |
| | $ 26,417,976 | $ 32,893,991 |

As of March 31, the lease liability is as follows:

| | 2023 | 2022 |
|---|---|---|
| Opening balance | $ 34,676,459 | $ 22,861,683 |
| Lease payments | (10,254,898) | (6,768,471) |
| Interest expenses | 2,724,272 | 2,190,543 |
| Increase of the right of use of asset adjustment | 2,290,764 | 16,392,704 |
| Balance at year end | $ 29,436,597 | $ 34,676,459 |

For years ended March 31, 2023 and 2022, the effects of the lease contracts on the financial statements are the following:

| | 2023 | 2022 |
|---|---|---|
| Amortization of the right of used | $ 8,766,779 | $ 6,027,471 |
| Interest expense related to lease contracts | $ 2,724,272 | $ 2,190,543 |
| Lease payments | $ (10,254,898) | $ (6,768,471) |

The Company has a lease contract with a non-related third party, through which it leases the premises where its offices and factory are located. On November 26, 2021, the Company executed an amendment to the lease contract to increase the area leased and to extend the term of the contract till January 2026.

## NOTE 9 – PROVISIONS

As of March 31, this caption is integrated as follows:

| | 2023 | 2022 |
|---|---|---|
| Payroll | $ 128,722 | $ 637,137 |
| Expenses | 2,407,262 | 3,465,149 |
| Social security contributions and local tax | 1,188,160 | 1,186,988 |
| Bonus | 2,287,254 | 2,469,333 |
| Total | $ 6,011,398 | $ 7,758,607 |

## NOTE 10 – PAYABLE TAXES

This caption as of March 31, is integrated as follows:

| | 2023 | 2022 |
|---|---|---|
| Income Tax | $ - | $ 399,785 |
| VAT payable | 4,510,948 | 7,237,557 |
| Surcharges | - | - |
| Withholding taxes | 87,764 | 33,276 |
| Total | $ 4,598,712 | $ 7,670,618 |

## NOTE 11 – LABOR OBLIGATIONS

The liability related seniority premiums and severances is recognized by the Company considering its legal obligations at the financial statements date. Seniority premium consists of a single payment of 12 days for each year worked based on the last salary, limited to twice the minimum salary established by law. Severances for reasons other than restructuring and retirement, consists of a lump payment equivalent to 3 months of salary. As of March 31, 2023, the liability was calculated by independent actuaries, using the projected unit credit method.

The reconciliation of the benefit obligation for the year ended as of March, is shown as follows:

| | Seniority premium | Severances | 2023 | 2022 |
|---|---|---|---|---|
| DBO at the beginning of the Year | $ 1,089,983 | $ 2,081,827 | $ 3,171,810 | $ 2,390,512 |
| Labor Cost | 425,010 | 571,242 | 996,252 | 1,059,774 |
| Payments | (136,306) | (192,056) | (328,362) | (278,476) |
| DBO at the end of the fiscal Year | $ 1,378,687 | $ 2,461,013 | $ 3,839,700 | $ 3,171,810 |
| January to March 2023 labor Cost | | | 290,290 | 228,412 |
| | | | $ 4,129,990 | $ 3,400,222 |

The components of cost for the year ended as of March, are as follows:

| | Seniority premium | Severances | 2023 | 2022 |
|---|---|---|---|---|
| Labor cost | $ 510,245 | $ 552,322 | $ 1,062,567 | $ 937,482 |
| Interest cost | 76,000 | 147,416 | 223,416 | 167,800 |
| Actuarial loss (gain) | 129,056 | (128,497) | 559 | 182,904 |
| Net cost for the year | $ 715,301 | $ 571,241 | $ 1,286,542 | $ 1,288,186 |

The main assumptions used in the determination of the net cost of the period and the labor liability for the years ended as of March 31, were the following:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | 7.50% | 7.50% |
| Rate of salary increase | 4.00% | 4.00% |

## NOTE 12 – BANK LOAN

On July 1, 2021, the Company executed a revolving loan agreement with HSBC Mexico, S.A., Institución de Banca Múltiple, for a total amount of $39,952,000, which accrued interest at rate equivalent to the Interbank Equilibrium Interest Rate (TIIE) plus 290 base points. The term of the credit is 36 months, and it is secured by a Stand Letter of Credit issued by EPL America, LLC. As of March 31, 2023 and 2022 the balance of the loan is $33,535,946 and $35,177,959, respectively; interest expensed in the years ended were $3,786,000 and $1,792,242, respectively.

On October 18, 2022, the Company executed a long-term loan agreement with HSBC Mexico, S.A., Institución de Banca Múltiple, for a total amount of $50,000,000, which accrued interest at rate equivalent to the Interbank Equilibrium Interest Rate (TIIE) plus 300 base points. The term of the credit is 5 years, and it is secured by a pledge on purchased equipment. As of March 31, 2023 the balance of the loan is $50,000,000; interests expensed in the year were $3,241,224.

## NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS

As of March 31, 2023 and 2022, the financial instruments (forwards) contracted by the Company with HSBC Mexico, S.A., Institución de Banca Múltiple; and their valuation as of that date is shown in the tables below:

| Contract date | Expiration date | Notional amount US dollars USD | Notional amount in Mexican pesos | Foreign exchange rate | Fair value as of March 31, 2023 | Effect in the results of the year |
|---|---|---|---|---|---|---|
| 24-Mar-23 | 28-Apr-23 | 150,000 | 2,795,865 | 18.6391 | 2,716,938 | (78,927) |
| 24-Mar-23 | 20-Apr-23 | 113,173 | 2,105,829 | 18.6071 | 2,046,577 | (59,252) |
| 24-Mar-23 | 13-Apr-23 | 169,338 | 3,146,249 | 18.5797 | 3,057,839 | (88,410) |
| 24-Mar-23 | 05-Apr-23 | 226,070 | 4,193,033 | 18.5475 | 4,075,360 | (117,673) |
| | | 658,581 | 12,240,976 | | 11,896,714 | (344,262) |

| Contract date | Expiration date | Notional amount Euro EUR | Notional amount in Mexican pesos | Foreign exchange rate | Fair value as of March 31, 2022 | Effect in the results of the year |
|---|---|---|---|---|---|---|
| 24-Mar-23 | 05-Apr-23 | 95,000 | 1,916,663 | 20.1754 | 1,861,044 | (55,619) |
| | | 95,000 | 1,916,663 | | 1,861,044 | (55,619) |

As indicated in Note 2f above, the Company contracts forwards to hedge the risk of variations in the foreign exchange rate on the liabilities denominated in US dollars.

## NOTE 14 – INCOME TAX (IT)

### a. Income tax

Income tax is computed by applying a 30% tax rate to the taxable income. The IT is calculated considering certain effects of inflation as taxable or deductible, the effect of inflation on certain liabilities and monetary assets is accumulated or deducted through the annual adjustment for inflation. Furthermore, amounts paid to employees which are not taxable for then in accordance with Tax Law are partially deductible for the Company.

During the years ended March 31, 2023 and 2022, the Company generated a taxable income of $19,200,017and $22,423,426, respectively.

The cost of income tax included in the statements of income for years ended March 31, are integrated as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Current income tax | $ | 6,195,810 | $ | 6,727,028 |
| Deferred income tax | | (3,434,736) | | (1,992,573) |
| Income tax cost | $ | 2,761,074 | $ | 4,734,455 |

### b. Deferred income tax

As mentioned in Note 2m, the Company determines and incorporates, as applicable, in the financial statements, in accordance with the assets and liabilities method, the deferred IT on temporary differences of assets and liabilities.

As of March 31, timing differences, which generate the net deferred tax assets and liabilities, shown in the statements of financial position, are comprised as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Deferred assets: | | | | |
| Provisions | $ | 4,283,678 | $ | 3,077,895 |
| Fixed assets | | 16,156,057 | | 10,643,937 |
| Payroll provision | | 2,008,974 | | 3,479,475 |
| Provision for employee's benefit | | 4,129,990 | | 3,400,222 |
| Profit sharing payable | | 2,159,238 | | 3,378,115 |

| | | | | |
|---|---|---|---|---|
| Estimation for doubtful accounts | | 77,778 | | 136,366 |
| Lease liabilities | | 3,018,621 | | 1,782,468 |
| Allowance for obsolete inventory | | 7,766,423 | | 2,487,401 |
| | $ | 39,600,759 | $ | 28,385,879 |
| Deferred liabilities: | | | | |
| Prepaid expenses | | (1,249,122) | | (1,483,361) |
| Deferred assets, net | $ | 38,351,637 | $ | 26,902,518 |
| Tax rate | | 30% | | 30% |
| Deferred income tax | $ | 11,505,491 | $ | 8,070,755 |
| Benefit recorded in the statements of income | $ | 3,434,736 | $ | 1,992,573 |

The reconciliation between the attributable tax rate and the effective tax rate for the year ended as of March 31, is shown in the following table:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| 30% profit before income tax | $ | 1,401,058 | $ | 5,507,222 |
| Plus (less): | | | | |
| Depreciation | | (1,334,458) | | (1,284,233) |
| Inflationary effects | | 513,764 | | (43,261) |
| Non-tax-deductible expenses | | 1,023,685 | | 1,117,764 |
| Provisions | | (163,875) | | (176,376) |
| Others | | 88,785 | | (386,661) |
| Income tax cost | $ | 1,528,959 | $ | 4,734,455 |
| Prior year income tax adjustment | | 1,232,116 | | - |
| Income tax cost for the year | $ | 2,761,074 | $ | 4,734,455 |
| Effective tax rate | | 50.7% | | 25.8% |

## NOTE 15 – COMMITEMENTS AND CONTINGENCIES

a. The Company has executed a lease contract with HSBC México, S. A. Institución de Banca Múltiple (lessor) for the premises in which its plant is located, the contract last up to January 2026.

   On November 26, 2021, the Company executed an amendment to the lease contract to increase the area leased and to extend the term of the lease till January 2026. The rent is updated by inflation on a yearly basis considering the National Consumer Price Index (see Note 8).

b. In accordance with current tax legislation, the authorities have the faculty to review up to five tax years prior to the last income tax return declaration presented. In February 2023, a tax control was started by the tax authorities, regarding fiscal year 2020, the amount claimed by the tax authorities is $13,904,920; based on the estimates of the Company's Management and its tax advisors a favorable outcome is estimated as more likely than not.

According to the Income Tax Law, the companies that carry out transactions with related parties are subject to fiscal limitations and obligations, as regards the determination of the agreed prices, since these should be comparable to those that would be used with or between independent parties in comparable operations. In case the tax authorities review the prices and reject the determined amounts, they could demand, in addition to the collection of the corresponding tax and accessories (update and surcharges), fines on the omitted contributions, which could be up to 100% of the updated amount of contributions.

## NOTE 16 – SHAREHOLDERS' EQUITY

As of March 31, 2023 and 2022 the capital stock of the Company is represented by common shares with nominal value of $1,000 each, as follows:

| Shareholder | Shares | Value | Total | % |
|---|---|---|---|---|
| MTL Panamá, S.A. | 37,175 | $ 1,000 | $ 37,175,000 | 33% |
| Lamitube Techologies, Ltd. | 75,572 | $ 1,000 | 75,572,000 | 67% |
| Total | 112,747 | | $ 112,747,000 | 100% |
| Inflation adjustment | | | 4,706,344 | |
| Capital stock | | | $ 117,453,344 | |

In accordance with Mexican General Corporate Law, companies should segregate at least 5% from their net profit for each year to increase their legal reserve until it reaches 20% of the capital stock. As of March 31, 2023, no legal reserved has been created.

Income Tax Law prescribes that dividends originating from income that has already paid corporate income tax shall not be subject to the payment of such tax, and for that purpose, tax profits shall be controlled, through the Net Tax Profit Account ("CUFIN" for its acronym in Spanish). The amount distributed that exceeds the balance of the CUFIN is subject to the payment of income tax in terms of the legislation in force as of the date of the dividend distribution.

Dividends paid on profits generated in 2014 and onwards are subject to a 10% withholding tax rate, notwithstanding they are paid from CUFIN balances or not.

The balances of both CUCA and CUFIN as of March 31, 2023 and 2022, are the following:

| | 2023 | 2022 |
|---|---|---|
| CUCA | $ 206,718,705 | $ 193,481,335 |
| CUFIN generated up to 2013 | $ (2,372,382) | $ (2,220,465) |
| CUFIN generated in 2014 and onwards | $ 93,247,459 | $ 80,833,287 |

NOTE 17 – FOREING CURRENCY

Balances denominated in dollars of the United States of America (US dollar) and Euros (EUR) are as follows:

| | USD | | EUR | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Assets | 895,447 | 469,796 | - | - |
| Liabilities | (2,665,071) | (2,095,644) | (101,120) | (15,488) |
| Net | (1,769,624) | (1,625,848) | (101,120) | (15,488) |
| Equivalent in Mexican pesos | $ (32,039,386) | $ (32,507,530) | $ (1,983,165) | $ (342,169) |

As of March 31, 2023 and 2022 the exchange rate of the Mexican peso was $18.1052 and $19.9942 per one US dollar, respectively and of $19.6120 and $22.0925 per one Euro, respectively. As of May 8, 2023, date of issuance of these financial statements, the exchange rate was $17.9575 Mexican pesos per one US dollar and of $19.6899 Mexican pesos per one Euro.

NOTE 18 – RISK MANAGEMENT

a. Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange), credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is the responsibility of the corporate finance function. The Company's operations, along with the corporate finance function, identify, evaluate, and, where appropriate, hedge financial risks.

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from cash and cash equivalents and trade and other receivables.

The Company minimizes financial institution counterparty risk by dealing exclusively with creditworthy entities.

In respect of trade and other receivables, the Company's exposure to credit risk is limited as the Company primarily deals with large multinational firms that are financially sound and have a long operating history.

Liquidity risk is the risk that the Company will encounter difficulties in meeting financial obligations due to shortage of funds. The Company regularly monitors current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

b. Capital Management

The Company manages capital to safeguard the Company's ability to continue as going concern, in order to maximize returns for shareholders and to maintain an optimal capital structure to as to minimize its cost of capital.