

**GLENMARK PHARMACEUTICALS MEXICO, S.A.
DE C.V.**

**Financial Statements for the years ended
March 31, 2023 and 2022 and Independent Auditors' Report**

May 5, 2023

GLENMARK PHARMACEUTICALS MEXICO, S.A. DE C.V.

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Independent Auditor's Report

To the Board of Directors and Shareholders

Glenmark Pharmaceuticals México, S.A. de C.V.

Opinion

We have audited the accompanying financial statements of Glenmark Pharmaceuticals México, S.A. de C.V. (hereinafter referred to as "the Company"), which comprise the situation balance as at March 31, 2023 and March 31, 2022, the statement of results, the statement of changes in net equity and the statement of cash flows for the years then ended, and the related notes to the financial statements and a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial situation of the Company as at March 31, 2023 and March 31, 2022, and its results and cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in compliance with the International Standards on Auditing (ISAs). Our responsibility under said standards is described with further detail in the section "Auditor's Responsibility for the Audit of Financial Statements" of our report. We are an entity independent from the Company in accordance with the ethical requirements applicable to our audit of financial statements in Mexico, and we have fulfilled our other ethical responsibilities in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Auditing Core Issues

Auditing core issues are those issues that, according to our professional judgement, have had a greater relevance in our audit of the financial statements for the current term. These issues have been treated in the context of our audit of the financial statements altogether and in the preparation of our opinion thereon, and we do not express a separate opinion about these issues.

Management's and Governing Bodies' Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of the accompanying financial statements in accordance with the International Financial Reporting Standards (IFRS), 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.

During the preparation of financial statements, Management is responsible for assessing the Company's capability to continue being an operating business, disclosing, given the case, issues related to the operating business and using accounting bases of operating business except when Management intends to liquidate the company or cease operations, or it has no other realistic alternative for doing it.

The entity's governing bodies are responsible for monitoring the financial information procedures of the Company.

Auditor's Responsibility for the Audit of Financial Statements

Our goals are to obtain reasonable assurance about whether the financial statements altogether are free of material misstatement, whether due to fraud or error, and in order to issue the auditor's report containing our opinion. Reasonable assurance represents a high



level of assurance, but it does not guarantee that an audit conducted in compliance with the ISAs will always detect a material misstatement when it exists.

Misstatements may arise due to fraud or error and are considered of material nature if, whether individually or altogether, one can expect them to reasonably impact the financial decisions that users will take based of these financial statements.

When presenting an audit in compliance with the ISAs, the auditor exercises their professional judgment and maintains the professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error; we devise and conduct the auditing procedures that respond to those risks; and we obtain sufficient and appropriate audit evidence to provide a reasonable basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than not detecting that resulting from error, given that fraud involves collusion, forgery, international omissions, distortion, or nullification of internal control.
- We obtain knowledge on the internal control relevant to the audit, in order to design audit procedures that are appropriate within the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- We conclude, concerning the appropriateness of the use of the accountable bases of operating business and, based on the obtained evidence, if there exists a material uncertainty related to events or conditions that might originate a significant doubt about the capability of the Company to continue being an operating business. If we do conclude that there exists a material uncertainty, we are asked, in our auditor's report, to stress what information is to be disclosed related to the financial statements or, if said information for disclosure is insufficient, to modify our opinion. Our conclusions are based in the audit



evidence obtained up to the date of our auditor's report. However, future occurrences or conditions may cause the Company to cease being an operating business.

- We assess the general presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the transactions and underlying occurrences in a manner that they render a reasonable presentation.
- We communicate with governing bodies regarding, among further issues, the intended scope and the moment of audit undertaking and the significant audit results, including any possible significant deficiencies within internal control that may have been identified during our audit.
- We also deliver, for the interest of governing bodies, a declaration stating that we have complied with the pertinent ethical requirements regarding independence from the company.

Further Issues

Required annexes are integrated with detailed information on assets, accounts payable, accounts receivable and proportions.

The accompanying financial statements have been prepared to allow its parent company Glenmark Pharmaceuticals Ltd. to consolidate its financial statements.

Asesores Profesionales Contadores Públicos Consultores, S.C.

C.P.A. Rafael Arenas Hernandez
México City, the 5th of May, 2023

Glenmark Pharmaceuticals Mexico, S.A. de C.V.

Balance Sheets as of March 31, 2023 and 2022

(In Mexican pesos)

ASSET	Note	2023	2022	LIABILITIES AND STOCKHOLDERS' EQUITY	Note	2023	2022
<i>Current Asset</i>				<i>Current Liabilities</i>			
Cash and Cash equivalents		\$ 88,954,185	\$ 91,528,325	Accounts Payable		\$ 24,473,201	\$ 2,165,875
Accounts Receivable				Taxes Payable		3,247,763	2,413,112
Customers	(3)	49,316,688	57,888,287	Related Parties	(6)	35,264,945	81,200,232
Related Parties	(6)	1,104,716	1,556,328				
Loans and advances		(0)	-	<i>Total current liabilities</i>		62,985,909	85,779,219
Recoverable Value Added Tax		11,573,303	6,740,657				
Advance payment		3,378,769	4,434,326				
				Employee retirement obligations	(7)	7,336,295	6,277,996
Total Accounts Receivable		65,373,476	70,619,598	Accumulated liabilities	(8)	4,354,071	12,004,431
Inventories	(4)	40,605,298	41,098,324	<i>Total liabilities</i>		74,676,275	104,061,645
<i>Total current asset</i>		194,932,959	203,246,247				
<i>EQUIPMENTS</i>				<i>Stockholders' equity</i>			
Equipments - Net	(5)	2,009,802	2,184,866	Common stock	(8)	404,975,502	404,975,502
Right to use Asset		4,354,071	12,004,431	Contributions for future capital increases		24,124,042	-
				Accumulated loss		(250,494,808)	(249,928,060)
Deffered income taxes	(9)	41,317,791	39,743,161	Net loss		21,555,426	(700,733)
				<i>Total Stockholders' equity</i>		200,160,162	154,346,709
Intangibles	(5)	32,221,814	25,353,691				
TOTAL ASSETS		\$ 274,836,437	\$ 282,532,396	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 274,836,437	\$ 258,408,354

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



L. C. Catalino Bocanegra Gómez
Controller

Glenmark Pharmaceuticals Mexico, S.A. de C.V.

Statements of comprehensive (gain) loss

For the years ended March 31, 2023 and 2022

(In Mexican pesos)

	Note	<u>2023</u>	<u>2022</u>
Net Sales		\$ 366,977,535	\$ 297,090,893
Cost of Sales		<u>144,516,438</u>	<u>113,482,565</u>
Gross profit		222,461,097	183,608,329
Operating Expenses		195,425,966	181,008,749
Net Operating loss		<u>27,035,131</u>	<u>2,599,579</u>
Cost (income) from financing			
Interest Earned By		4,286,108	46,733
Bank commissions		46,561	1,950,107
Foreing exchange (gain) loss - net		<u>(1,838,252)</u>	<u>(1,581,088)</u>
		<u>2,494,417</u>	<u>415,753</u>
Oher		<u>222,736</u>	<u>(740,916)</u>
Loss before provisions		<u>24,763,450</u>	<u>1,442,910</u>
Provisions:			
Share of profits		(4,782,655)	-
Deffered Income Tax	(9)	<u>1,574,631</u>	<u>(2,143,643)</u>
Net loss		\$ <u><u>21,555,426</u></u>	\$ <u><u>(700,733)</u></u>

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

L.C. Catalino Bocanegra Gómez
Controller

Glenmark Pharmaceuticals Mexico, S.A. de C.V.

Statements Of Cash Flow

For the years ended March 31, 2023 and 2022

(In Mexican pesos)

	<u>2023</u>	<u>2022</u>
<u>Operating Activities</u>		
Loss before provisions	\$ 24,763,450	\$ (2,844,376)
Items related to operating activities		
Gain for sale of fixed assets	-	-
Depreciation	1,322,674	1,447,719
	<u>26,086,124</u>	<u>(1,396,657)</u>
Net changes in operating accounts	(20,704,007)	(9,456,189)
Net Cash Flows from operating activities	<u>5,382,118</u>	<u>(10,852,846)</u>
<u>Investment Activities</u>		
Acquisition of equipment	(524,292)	(1,220,331)
Intangibles	(7,431,966)	(6,405,897)
Sales of fixed assets	-	-
Legal right for assets	-	-
Net Cash Flows from investing activities	(7,956,258)	(7,626,228)
<u>Financing Activities</u>		
Increases of capital stock	-	24,124,042
Net Cash Flows from financing activities	-	24,124,042
(Decrease) increase of cash and cash equivalents	(2,574,140)	5,644,968
Cash and cash equivalent at the beginning of the period	<u>91,528,324</u>	<u>85,883,357</u>
Cash and cash equivalent at the end of the period	<u>\$ 88,954,185</u>	<u>\$ 91,528,324</u>

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



L.C. Catalino Bocanegra Gómez
Controller

Glenmark Pharmaceuticals Mexico, S.A. de C.V.

Statements of Changes in Stockholders' Equity

For the years ended March 31, 2023 and 2022

(In Mexican pesos)

	Capital Stock	Accumulate loss	Net loss	Total Stockholders 'Equity
<i>Balances as of March 31 , 2021</i>	\$ <u>404,975,502</u>	\$ <u>(242,338,456)</u>	\$ <u>(12,154,864)</u>	\$ <u>150,482,182</u>
Application to acumulated losses	-	(12,154,864)	12,154,864	-
Net gain for the year	-	-	(700,733)	(700,733)
Other Comprehensive Income		4,565,260		4,565,260
Contributions for future capital increases	24,124,042			24,124,042
<i>Balances as of March 31 , 2022</i>	\$ <u>429,099,544</u>	\$ <u>(249,928,060)</u>	\$ <u>(700,733)</u>	\$ <u>178,470,751</u>
Application to acumulated losses		(700,733)	700,733	-
Net gain for the year			54,784,638	54,784,638
Other Comprehensive Income		133,985		133,985
Contributions for future capital increases				
<i>Balances as of March 31 , 2023</i>	\$ <u>429,099,544</u>	\$ <u>(250,494,808)</u>	\$ <u>54,784,638</u>	\$ <u>233,389,374</u>

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



L.C. Catalino Bocanegra Gómez
Controller

GLENMARK PHARMACEUTICALS MEXICO, S.A. DE C.V.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

(Amounts expressed in Mexican pesos)

NOTE 1 LINE OF BUSINESS, BASIS OF PRESENTATION, AND MANAGEMENT

A) Line of Business.

Glenmark Pharmaceuticals México, S.A. de C.V. (the "Company"), is a subsidiary of Glenmark Uruguay S.A. Glenmark Pharmaceuticals LTDA, and Glenmark Pharmaceuticals LTD the latter being the holding company.

The company was incorporated on August 21, 2008, in Mexico City.

The main purpose of the company is the import, distribution and commercialization of pharmaceutical products, of the following therapeutical lines: Dermatological, Respiratory, Hospitalary and Oncological.

B) Management Plan.

The company has plans to continue growing and generating profits, through the penetration of our current portfolios and the new launches of generic and innovative medicines, as well as through product licensing.

- Focus efforts on products with the highest volume and profitability in each of the therapeutic areas.
- Reinforce the position of Dirnelid AZ, and continue with Misdapre as number one in the market
- Market launch of the products: Mupirocina in the therapeutic and dermatological areas, as well as the licensing of oncological products.
- Increasing sales through the growth of the four product portfolios, by means of an efficient promotion of our products to physicians, as well as the growth and opening of new distribution channels;
- Take advantage of opportunities in the institutional market by participating in tenders with our Oncology products mainly.
- Continue with the optimal management of operating expenses and assertiveness in the investment of new products;
- Accelerating the submission and approval processes for new products in the oncological, respiratory, dermatological and hospital areas;

- Successfully introducing new products, making larger investments on scientific and academic content, as well as creating demand through medical facilities and ensuring the presence of our products in key sales points throughout the country.

C) Goals Reached

- It will be improved to win the tenders in which they competed with oncology and hospital products in which they participated contributing a significant percentage of the growth generated;
- Total net sales grew 12% over the last year. Next year, sales are planned to grow over 30%, including new products and improving the performance of existing products included in the promotion, as well as in the distribution channels and sales points, as well as alliances with other laboratories in co-marketing arrangements or product licensing.

D) Bases of Presentation.

- The Company prepares financial statements in compliance with the International Financial Reporting Standards (IFRS). Said standards demand consistent provision and implementation of accounting policies for transactions and occurrences. Outlined in note 2 are those policies considered particularly significant.
- In some cases, it is necessary to use estimations and further professional judgements to apply the accounting policies. Judgements undertaken by Management during the process for implementing accounting policies and that possess greater significance on the amounts presented in the financial statements are established in note 2.
- The Company's Management, making use of their professional judgement, believes that the estimates and assumptions were appropriate to the given circumstances.
- Costs and expenses shown in the Statement of Results are presented in accordance with their function, given that this classification allows the pertinent assessment on the gross income.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES.

The most significant accounting policies, as followed by the Company and in compliance with the IFRS, are as follow:

A) Cash and Cash Equivalentts.

Cash on hand and cash at banks denominated in domestic currency is expressed in nominal value. Equivalent amounts of cash denominated in foreign currencies and demand investments are expressed in their fair value.

B) Accounts Receivable and Revenue Recognition

Accounts receivable represent amounts payable by customers and originate from the sale of goods during the normal flow of their operations. Revenue is recognized in the term in which the risks and benefits are transferred from the inventories to the customers.

C) Inventories

Inventories and their cost of sales are expressed in their historical value, determined by the average cost method. The specified value of the inventories, of their net realizable value.

D) Leases

Leases are classified as finance leases, provided that the terms of the lease substantially transfer all the risks and benefits inherent to the ownership of the asset leased to the Company. All the other leases are classified as operative.

The rights over the assets held in finance leases are recognized as assets of the Company at the fair value of the leased property (or, if lower, at the present value of the minimum lease payments) at the beginning of the lease. The corresponding liability with the lessor is included in the statement of financial position as a financial lease obligation. The lease payments are divided between financial charges and reduction of the lease obligation, in order to achieve a constant interest rate on the remaining balance of the liability. Financial charges are deducted over the results. Assets held in financial leases are included as property, plant and equipment, and the depreciation and evaluation of impairment losses are carried out in the same way as for the assets owned by the Group.

Income tax payable from operative leases are charged to the results on a linear basis for the term of the corresponding lease.

E) Equipment and Leasehold improvements

Equipment are recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of assets in both years as follows:

	<u>Years</u>
Computer equipment	3
Vehicles	4
Furniture and equipment	10
Leasehold improvements	20

F) Liabilities, provisions, contingent liabilities and commitments

The liabilities for provisions are recognized for current obligations (legal or assumed) as a result of a past event, are probable to result in the future use of economic resources and that can be reasonably estimated

The provisions for contingent liabilities are only recognized when there is a probable output of economic resources for their cancellation. As well, commitments are only recognized when they generate a loss.

G) Benefits to the employees

Severance payments-

The Federal Labor Law establishes the obligation to pay severance payments to the personnel that stop rendering their services in certain circumstances.

Seniority premium –

According to the provision of the Federal Labor Law, when an employee has worked fifteen years or more, when leaving their job they must receive a compensation equivalent to twelve salary days for each year worked

The liabilities due to employee benefits granted by the entity are determined as follows:

-The liabilities for direct short-term benefits, are recognized as these are incurred, based on the current salaries, expressed at their nominal value. As of March 31, 2023 there are no direct long-term benefits.

-The liabilities due to the retirement and termination of the labor relation before reaching retirement age are determined by considering the present value of the obligation due to benefits defined as of the date of the general balance sheet. The remuneration included in the determination of these liabilities correspond to severance indemnities and seniority premium attributable to death, disability, severance and voluntary withdrawal before retirement date, all of these determined in accordance with the applicable labor provision.

-The cost of the severance and retirement benefits is determined on the basis of actuarial calculations prepared by independent experts.

- Other payments based on seniority of employment or death, in accordance with the Federal Labor Law, will be charged to the expenses of the year, when these are due.

Current and deferred income tax.

Pursuant to the provisions in force established in the IFRS NIC-12 "Income Tax", the incurred tax determined on the basis of the tax provisions in force is recorded in the income for the year to which it is attributable. The income tax caused in the year, is presented as a short term liability net payments carried out during the year.

The deferred income tax are determined on the method of the assets and liabilities, which consists of comparing the accounting and tax values of the assets and liabilities of the entity, from which both deductible and accruable temporary differences arise. The respective tax rate is applied to all the resulting temporary differences and they are recognized as a deferred asset or liability. The Company recognized the deferred income tax asset, whenever the financial and tax projections prepared by the Company show that they will essentially pay income tax in the future.

Transactions and valuation of balances in foreign currency.

The recognition of operations and balances in foreign currency are valued at the exchange rate in effect on the date of execution. Assets and liabilities are expressed at the exchange rate at the balance sheet date. The exchange differences arising from fluctuations in the exchange rate between the date on which the transactions were carried out and those of settlement or valuation at the date of the statement of financial position, are recorded within the comprehensive financing result.

Use of Estimations.

The preparation of financial statements in agreement with the IFRS, requires that the administration of the company carries out estimations that affect the amounts reported in the financial statements. The real results could differ from these estimations.

NOTE 3 ACCOUNTS RECEIVABLE

As of March 31, 2023 and 2022, this heading was as follows:

	2023	2022
Customers	\$ 49,316,688	\$ 57,888,287
Allowance for doubtful accounts	<u>-</u>	<u>(7,189,202)</u>
	\$ 49,316,688	\$ 50,699,085

NOTE 4 INVENTORIES

As of March 31, 2023 and 2022 this heading was as follows:

	2023	2022
Finished goods	\$ 39,541,176	\$ 31,749,910
Goods in transit	<u>1,064,122</u>	<u>9,348,414</u>
	\$ 40,605,298	\$ 41,098,324

NOTE 5 EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of March 31, 2023 and 2022 this heading was as follows:

	2023	2022
Office equipment	\$ 612,889	\$ 612,889
Computer equipment	3,857,472	3,673,642
Vehicles	151,888	151,888
Machinery equipment	446,108	446,108
Software	1,962,540	1,622,080
Leasehold improvements	1,075,743	1,075,743
Leases	<u>7,738,881</u>	<u>12,004,431</u>
	15,845,520	19,586,780
Less: Accumulated depreciation:		
Equipment – Net	<u>(6,096,838)</u>	<u>(5,397,483)</u>
Intangibles	<u>34,518,398</u>	<u>27,608,930</u>
	34,518,398	27,608,930
Less: Accumulated amortization		
Intangibles – Net	<u>(2,296,584)</u>	<u>(2,255,239)</u>
	\$ 32,221,814	\$ 25,353,691

NOTE 6 RELATED PARTIES

As of March 31, 2023 and 2022, payable balances and transactions with related parties were as follows:

a) Balances:

	2023	2022
<u>Accounts Receivable</u>		
Glenmark Pharmaceuticals LTD	<u>\$ 1,104,716</u>	<u>\$ 1,219,977</u>
<u>Liabilities</u>		
Glenmark Pharmaceuticals Ltd – India		
Closing balance of payables	\$ 32,052,790	\$ 78,329,822
Glenmark Farmacéutica LTDA – Brasil		
Closing balance of payables	\$ 3,170,802	\$ 2,019,448
Glenmark Generics, S.A		
Closing balance of payables	<u>\$ -</u>	<u>\$ 850,962</u>
Glenmark Pharmaceuticals Europe LTD		
Closing balance of payables	<u>\$ 41,352</u>	<u>\$ -</u>
	\$ 35,264,945	\$ 81,200,232

b) Transactions

	2023	2022
<u>Glenmark Generics, S.A.</u>		
Purchase of finished goods	\$ 10,897,615	\$ 5,525,424
<u>Glenmark Pharmaceuticals Ltd – India</u>		
Purchase of finished goods	\$ 17,341,614	\$ 19,525,424
<u>Glenmark Pharmaceuticals LTDA - Brasil</u>		
Purchase of finished goods	\$ 2,020,008	\$ 2,793,682

NOTE 7 EMPLOYEE BENEFITS

Employee benefit plans have been established for the end of the labor relation and due to retirement for reasons other than restructuring. Benefit plans for the end of the labor relation consider severance indemnities (including accrued seniority premium) and which will not reach the separation or retirement plan benefits. The retirement benefit plan consider the years of service by the employee and his/her remuneration as of the date of separation or retirement. The retirement plan benefits include severance and seniority premium that workers are entitled to receive at the end of the labor relation, as well as other defined benefits. The valuation of both benefit plans was made on the basis of actuarial calculations carried out by independent experts.

NOTE 8 STOCKHOLDERS' EQUITY

Under Mexico's current Income Tax Law, the distribution of dividends or the reductions of capital, except in fiscal profit accounts and contributions of restated capital which do not exceed the stockholder's equity, will incur an income tax applicable to dividends payable by the Company equal to 1.4286% of the dividends paid. The income tax paid from this distributions can be credited during the following two fiscal periods against the Company's income tax payable.

	Termination benefits	Retirement benefits	Total 2023
Defined benefit obligation	934,824	5,343,172	6,277,996
Interest paid	82,068	427,106	509,174
Plan assets	268,582	53,010	321,591
Non-amortized items	(85,491)	(370,081)	(455,573)
Recognition of actuarial losses	(183,090)	(317,072)	(133,981)
Net projected liability	1,341,268	5,995,026	7,336,295

NOTE 9 FISCAL ENVIRONMENT

- A) Income tax rate: income tax is payable at 30% rate on the basis that differs from the accounting income, mainly due to the effects of inflation, through the depreciation of fixed assets and the annual adjustment for inflation, as well as other items of expenses that are not deductible for tax purposes.
- B) Tax profit obtained: for the period ended March 31, 2023, the Company generated a tax profit of \$ 38,421,102, which was amortized against tax losses from previous years. In the 2022 period a loss of \$38,421,102 was amortized. A remaining balance of \$19,272,079 that in accordance with article 57 of the ISR law lost the right of amortizing said remnant for having exceeded the corresponding 10 years. The non-amortized tax losses, at historical values, for the fiscal years 2012 to 2016 amount to \$151,204,587.
- C) Deferred income tax is determined by using the method of assets and liabilities. A summary of the main items that comprise the deferred tax as at March 31, 2023 and 2022, is as follows:

Deferred tax assets (liabilities)	2023	2022
Labor obligation upon retirement	(7,516,025)	(9,662,735)
Prepaid expenses	(387,431)	(1,286,934)
Accrued expenses	-	-
Assets to be destroyed	(4,002,015)	(4,257,742)
Reserve of uncollectible accounts	(7,189,202)	(7,189,202)
Fixed asset	(205,865)	(216,321)
Tax loss carryforwards	(150,142,722)	(177,941,791)
Employee participation in profits	(3,692,003)	(916,587)
Total deferred taxes	<u>(173,135,263)</u>	<u>(198,897,444)</u>
Less: Valuation allowances	<u>9,660,558</u>	<u>23,597,039</u>
Total current deferred taxes	<u>\$ (42,280,021)</u>	<u>\$ (36,072,194)</u>

NOTE 10 POSITION IN FOREIGN CURRENCY

The company has a policy of valuing foreign currency for corporate exchange rate, based on global economic analysis, obtained from the website www.oanda.com

As of March 31, 2022 and 2021, the company has the following position in foreign currency:

	American Dollars	
	2023	2022
Asset	1,941,508	1,846,321
Liabilities	<u>(4,711,325)</u>	<u>(5,690,103)</u>
Position (liabilities) assets, net	<u>(2,769,817)</u>	<u>(3,843,782)</u>

As of March 31, 2023 and 2022, the foreign exchange rate stood at \$ 18.0932 / US \$1.00 and \$ 19.8632/ US \$1.00, respectively.

NOTE 11 LEASES - IFRS 16

In January 2016, the IASB issued the new IFRS 16 Leases, with which it introduces a single accounting lease model for lessees. The lessee recognizes a right-of-use asset that represents its right to use the underlying asset and a lease liability that represents its obligation to make lease payments.

The standard is effective for the annual periods as of January 1st, 2019, or later. Early adoption is permitted provided that the entities apply IFRS 15 on the date of initial application. The Company adopted its application as of January 1st, 2019.

As at March 31, 2023, the balances were as follows:

	Short term	Long term
Vehicles lease	\$ 4,631,214	\$ 2,988,667
Office Equipment lease	<u>\$ 84,000</u>	<u>\$ 35,000</u>
	\$ 4,715,214	\$ 3,023,667

NOTE 12 RECENT ISSUINGS

I.- Improvements on FRS that convey accounting changes

FRS C-1 Cash and cash equivalents and FRS B-2 Statement of cash flows. Amendment to the definitions of cash, cash equivalents and high liquidity financial instruments. Assessment of cash and cash equivalents.

FRS B-10 Effects of inflation and Bulletin C-9 Liabilities, provisions, contingent assets and liabilities and commitments. Amendment to the definitions of financial instruments available for sale. Amendment to the classification criteria for dated financial instruments. Induction of the term "transaction cost". Valuation effects from financial instruments. Reversion for the loss caused by impairment of financial instruments classified as held-to-maturity.

II.- Improvements on FRS that do not convey accounting changes

Several FRS. Standardization for the definition of fair value

FRS C-3 Accounts receivable. Clarification on the scope of the standard

The Company believes that these provisions did not represent a material impact on the presentation of their financial statements.

NOTE 13 COMMITMENTS

The company leases its administrative offices and a storage contract, packaging, order preparation process, transport and physical distribution of products, which has the right to occupy a warehouse space granted and assigned.

The contracts are the following:

<u>Location</u>	Expiration date	Amount paid
Mexico Central offices	July 14 th , 2023	\$ 2,773,356
Warehouse	July 30 th , 2023	\$ 3,435,526

NOTE 14 AUTHORIZATION FOR ISSUING THE FINANCIAL STATEMENTS

The emission of these Financial Statements was authorized for Mr. Catalino Bocanegra, Controller, on may 5, 2023.

These notes are an integral part of the financial statements.



L.C. Catalino Bocanegra Gómez
Controller
