Grupo Kaltex, S. A. de C. V.
and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022, and Independent Auditors’ Report Dated June 26, 2024

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2023 and 2022

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Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Kaltex, S. A. de C. V.

(In thousands of Mexican pesos)

Opinion

We have audited the accompanying consolidated financial statements of Grupo Kaltex, S. A. de C. V. and Subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the consolidated statements of loss and other comprehensive (loss) income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows, for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor´s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), together with the Ethics Code issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1a to the consolidated financial statements, which indicates that the Entity incurred consolidated net losses of $290,003 and $1,044,219 for the years ended December 31, 2023 and 2022, respectively, and, as of those dates, had accumulated deficits of $5,002,840 and $4,684,319, respectively, which deficits exceeded two thirds of the Entity's capital stock, and the Entity's current liabilities exceeded its current assets by $3,420,168 and $1,190,703, respectively. In addition, the Entity suffered negative operating cash flows of $36,812 for the year ended December 31, 2023.

As stated in Note 1a, these events or conditions, along with other matters described in Note 1c, indicate that a material uncertainty exists that may cause significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of Long-Lived Assets

We consider the potential impairment of Long-Lived Assets as a key audit matter, mainly because impairment tests involve the application of significant judgments and estimates by the Entity's management to determine the recoverable value of the Cash Generating Units. Every year the Entity performs an impairment analysis according to IAS 36, Impairment of Assets (IAS 36), in which discounted future cash flows are calculated to ascertain whether the value of assets has become impaired. However, a risk exists whereby the assumptions utilized by management to calculate future cash flows may not be fair based on current conditions and those prevailing in the foreseeable future.

The audit procedures we applied to cover the risk of the impairment of long-lived assets include the following:

We verified, according to our knowledge of the business and historical audited information, the regularization of any nonrecurring effect, so as to avoid considering these effects in the projections. We analyzed the assumptions, variables and supporting information used in the impairment test of the Cash Generating Units; estimate a discount rate based on the Weighted Average Cost of Capital (WACC) methodology in order to make a comparison against the discount rate estimated by the Entity; perform a referential sensitivity exercise based on the Entity's model in relation to the veracity and use of risk analysis.

Our fair value valuation specialists assisted us by preparing an independent evaluation of the discount rates and methodology used to prepare the impairment testing model, together with the utilized market multiple estimates. We also tested the completeness and accuracy of the impairment model. The results derived from the application of our audit tests were reasonable.

Responsibilities of Management's and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity´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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity´s financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors´ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

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

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

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
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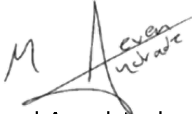

C. P. C. Miguel Angel Andrade Leven
June 26, 2024

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2023 and 2022
(In thousands of Mexican pesos)

Assets	Note	2023	2022
Current assets:			
Cash and cash equivalents	5	$ 163,383	$ 220,883
Accounts receivable, net	6	1,921,085	2,230,526
Due from related parties	21	34,166	11
Inventories, net	7	1,931,991	1,949,918
Prepaid expenses		52,339	113,616
Assets available for sale	8	-	467,869
Total current assets		4,102,964	4,982,823
Non-current assets:			
Property, plant and equipment, net	9	9,625,717	9,767,517
Right-of-use assets	11	62,195	271,629
Investment properties	10	933,591	856,128
Deferred tax asset	24	125,607	94,136
Other assets, net	12	10,936	13,325
Total non-current assets		10,758,046	11,002,735
Total assets		$ 14,861,010	$ 15,985,558

Liabilities and stockholders' equity	Note	2023	2022
Current liabilities:			
Current portion of long-term debt	13	$ 3,809,953	$ 1,963,930
Accounts payable to suppliers		1,352,487	1,963,762
Short-term lease liability - net	14	12,827	86,329
Due to related parties	21	98,385	95,378
Other accounts payable and accrued liabilities	15	2,170,768	1,943,883
Direct employee benefits		44,595	77,991
Advance payments from customers		34,117	42,253
Total current liabilities		7,523,132	6,173,526
Non- current liabilities:			
Long-term debt	13	-	2,282,082
Accounts payable to related parties	21	1,968,525	2,576,780
Lease liability - net	14	66,234	223,774
Employee benefits	16	562,394	525,002
Labor provision		1,122	1,126
Deferred tax liability	24	1,628,685	1,414,341
Total non - current liabilities		4,226,960	7,023,105
Total liabilities		11,750,092	13,196,631
Contingencies	25		
Stockholders' equity:			
Capital stock	19	5,295,829	4,435,829
Accumulated deficit		(5,002,840)	(4,684,319)
Other comprehensive income		835,590	1,091,361
Controlling interest		1,128,579	842,871
Non-controlling interest	20	1,982,339	1,946,056
Total stockholders' equity		3,110,918	2,788,927
Total liabilities and stockholders' equity		$ 14,861,010	$ 15,985,558

See accompanying notes to consolidated financial statements.

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Consolidated Statements of Loss and Other Comprehensive (Loss) Income

For the years ended December 31, 2023 and 2022
(In thousands of Mexican pesos)

	Note	2023	2022
Net sales		$ 7,571,270	$ 11,990,537
Cost of sales	22	7,069,652	11,078,814
Gross profit		501,618	911,723
Sales expenses	22	226,844	259,366
Administrative expenses	22	435,817	562,277
Other expenses, net	23	239,349	605,240
Operating loss		(400,392)	(515,160)
Interest expense		677,201	592,583
Interest income		(38,581)	(20,022)
Exchange gain, net		(1,039,301)	(73,880)
Income (loss) before tax		289	(1,013,841)
Income tax	24	290,292	30,378
Net consolidated loss		(290,003)	(1,044,219)
Other comprehensive (loss) income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on employee benefits, net of income tax	16	9,394	54,460
Revaluation of lands and buildings		104,339	1,481,279
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustment		(292,539)	940,195
Other comprehensive (loss) income for the year		(178,806)	2,475,934
Consolidated comprehensive (loss) income		$ (468,809)	$ 1,431,715
Consolidated net loss attributable to:			
Controlling interest		$ (249,321)	$ (775,289)
Non-controlling interest	20	(40,682)	(268,930)
		$ (290,003)	$ (1,044,219)
Consolidated comprehensive net (loss) income attributable to:			
Controlling interest		$ (505,092)	$ 872,895
Non-controlling interest		36,283	558,820
		$ (468,809)	$ 1,431,715

See accompanying notes to consolidated financial statements.

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2023 and 2022
(In thousands of Mexican pesos)

			Other comprehensive (loss) income					
	Capital stock	Accumulated deficit	Cumulative translation adjustment	Actuarial gain on employee benefits	Revaluation effects for lands and building	Controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2022	$ 4,017,990	$ (3,851,230)	$ (647,890)	$ 91,067	$ -	$ (390,063)	$ 1,387,236	$ 997,173
Increase in capital stock	417,839	-	-	-	-	417,839	-	417,839
Comprehensive income for the year	-	(775,289)	491,607	54,460	1,102,117	872,895	558,820	1,431,715
Dividends paid	-	(57,800)	-	-	-	(57,800)	-	(57,800)
Balances as of December 31, 2022	4,435,829	(4,684,319)	(156,283)	145,527	1,102,117	842,871	1,946,056	2,788,927
Increase in capital stock	860,000	-	-	-	-	860,000	-	860,000
Comprehensive loss for the year	-	(249,321)	(328,040)	9,394	62,875	(505,092)	36,283	(468,809)
Dividends paid	-	(69,200)	-	-	-	(69,200)	-	(69,200)
Balances as of December 31, 2023	$ 5,295,829	$ (5,002,840)	$ (484,323)	$ 154,921	$ 1,164,992	$ 1,128,579	$ 1,982,339	$ 3,110,918

See accompanying notes to consolidated financial statements.

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022
(In thousands of Mexican pesos)

	2023	2022
Cash flows from operating activities:		
Consolidated net loss	$ (290,003)	$ (1,044,219)
Adjustments for:		
Income tax recognized in net loss	290,292	30,378
(Gain) loss on disposal of property, plant and equipment	(3,480)	114,392
Depreciation and amortization	414,985	429,515
Depreciation of right-of-use asset	11,959	19,274
Impairment of machinery and equipment	37,826	66,459
Fair value adjustment of investment properties	(66,416)	67,898
Interest income	(38,581)	(20,022)
Interest expense	677,201	592,583
Unrealized foreign exchange (gain) loss, net	(1,281,825)	933,747
	(248,042)	1,190,005
Changes in working capital:		
(Increase) decrease in:		
Accounts receivables	309,441	258,345
Inventories	17,927	(88,633)
Prepaid expenses	61,277	173,567
Assets available for sale	643,376	(467,869)
Other assets	2,389	(9,590)
Increase (decrease) in:		
Accounts payable to suppliers	(611,275)	285,881
Due to related parties, net	(31,148)	(390,589)
Other accounts payable and accrued liabilities	269,730	(251,816)
Direct employee benefits	(33,396)	12,715
Advance payments from customers	(8,136)	(10,195)
Income taxes paid	(455,735)	(518,004)
Employee benefits	46,784	(44,628)
Labor provision	(4)	1,126
Net cash flows (used in) generated by operating activities	(36,812)	140,317
Cash flows from investing activities:		
Interest received	38,581	20,022
Acquisition of property, plant and equipment	(78,560)	(120,186)
Sale of property, plant and equipment	-	114,392
Increase in capital stock	860,000	417,839
Net cash flows generated by investing activities	820,021	464,849
Cash flows from financing activities:		
Proceeds from debt	-	4,298,739
Proceeds from related parties	132,435	-
Payments of debt	(46,724)	(4,358,722)
Payments to related parties	(146,452)	(19,051)
Lease payments	(34,939)	(19,012)
Interest paid	(675,829)	(454,190)
Dividends paid	(69,200)	(57,800)
Net cash flow used in financing activities	(840,709)	(610,036)
Net decrease in cash and cash equivalents	(57,500)	(4,872)
Cash and cash equivalents at the beginning of the year	220,883	225,755
Cash and cash equivalents at the end of the year	$ 163,383	$ 220,883

See accompanying notes to consolidated financial statements.

1. Activities and significant events

Activities

Grupo Kaltex, S. A. de C. V. and Subsidiaries ("Kaltex" or the "Entity") is the major shareholder of a group of entities principally engaged in the manufacturing and distribution of yarns and fabrics of all kinds of natural and synthetic fibers, the maquila and marketing of clothing and bedding for home, logistics services, as well as the operation of clothing stores.

The Corporate address of the Entity is Av. Ingenieros Militares No. 2, Colonia Empleado Municipal, C.P. 53380, Naucalpan de Juárez, Estado de México, México.

a. ***Material uncertainty related to going concern***

As stated in Note 3.a, the consolidated financial statements have been prepared assuming that the Entity will continue as a going concern.

During the years ended December 31, 2023 and 2022, the Entity suffered consolidated net losses of $290,003 and $1,044,219, respectively; and, as of those dates, the Entity has accumulated deficits of $5,002,840 and $4,684,319, respectively, which exceeds two thirds of its capital stock, and the Entity has negative working capital of $3,420,168 and $1,190,703, respectively. Additionally, the Entity suffered negative operating cash flows of $36,812.

These events or conditions, along with the non-compliance with certain covenants, which is described in Note 13, indicate that a material uncertainty exists that may cause significant doubt on the Entity´s ability to continue as a going concern.

- To address this uncertainty, Entity´s management will continue to execute strategies to reduce costs and expenses annually and will continue with its restructuring plan initiated in 2023. The strategic plans designed by the Entity´s management for 2024 and subsequent years are as follows:

- In accordance with the commitments made with its borrowers, during 2023 and 2022 the Entity increased its capital stock by $860,000 and $417,839, respectively, and the Entity's shareholders plan is to continue providing financial support to the Entity through equity contributions to improve the Entity's liquidity level as necessary.

- The major shareholder has expressed, in a letter of financial support, its clear intention to support the Entity in the event that any negotiation with other shareholders or financial institutions is not completed.

- During 2023 and 2022 the industry and the Entity were focused in recovery of the sales level that they had in previous years. Entity's 2023 sales volume were in line with its plans and it had not suffered loss of customers. The Entity and the industry plan to growth the volume and price of products in the medium and long term to achieve pre pandemic volumes and prices. During 2023, the Entity was negatively affected by an income decrease as a result of the revaluation of the Peso versus the US Dollar by 13% that also impacted the sales amount.

- For 2024–2026 period, the Entity´s growth plan is aligned to the growth expectations in the textile industry in Mexico and in the United States.

- In the last two years the Entity has been disposed of non-primary assets and businesses and will continue with the liquidation of businesses that do not provide income.

b. ***New credit line -*** On April 19, 2024, the Entity obtained a simple syndicated credit agreement, which reduces debt service requirements for the year ending December 31, 2024, and going forward. Also, this new credit will provide the Entity with better liquidity as the term of this new credit will be payable during the next 10 years. The proceeds of this credit will be used to settle the existing debt.

c. ***Debt reclassification -*** The total amount of the debt was reclassified to short-term liabilities in the Consolidated Statement of Financial Position as of December 31, 2023 for an amount of $3,716,692 causing short-term liabilities to significantly exceed current assets at that date, as a result of the non-compliance with of certain debt covenants.

d. ***Implications resulted from business situation -*** Net sales in 2023 decreased by 37% to $7,571,270, compared to $11,990,537 in prior year. This decrease is mainly due to the decrease in sales volume with clients and exchange rate variation for the sales made to the United States of North America (USA), the exchange rate decreased 13% between 2022 to 2023.

   Earnings before taxes plus / minus interest, exchange rate fluctuations, and the effect of derivatives on financial costs, depreciation and amortization (EBITDA) in 2023 increased 197% to reach $64,378, compared to $(66,371) the previous year.

e. ***Debt restructuring*** –On December 28, 2022, the Entity completed a debt restructuring, which included a partial payment of the Senior Bonds balance through the cash obtained from a bank loan for USD 100 million Dollars and an agreement with the bondholders for the issuance of new bonds for USD 118 million Dollars in exchange of the remaining Senior Bonds balance, as described below:

   Part A - ***Bank Loan*** - In order to be able to face the partial liquidation of the Senior Bonds, the Entity requested and obtained a bank loan for a term of 10 years with 3 months of grace, for an amount of USD 100 million Dollars, comprised of a Tranche A of $40 million Dollars at an interest rate of 3 month SOFR + 625 basis points and a Tranche B of $60 million Dollars, equivalent to $1,189,470 Mexican Pesos at an interest rate of TIIE at 91 days + 285 basis points, with quarterly payments.

   During the term of the bank loan contract, the Entity must comply with the following points:

- Verification of resources and accounting movements;
- The Entity may contract financial liabilities and/or pay dividends as long as it has the prior written approval from of the Financial Institution;
- Submit quarterly internal financial statements (March, June, September and December) in accordance with IFRS signed off by the legal representative;
- Submit audited annual financial statements in accordance with IFRS within 180 calendar days after the end of the year;
- Monitoring and rating will be done on the Consolidated Financial Statements of Manufacturas Kaltex and its subsidiaries;
- Keeping insured the assets that guarantee the credit up to 100% of the value recognized for coverage purposes;
- Submit bank appraisals of the guarantees of movable and immovable property which must be updated every two years from the date of contracting and validity of the credit;
- Will be cause for early termination in the event the Entity, without prior written consent from the Financial Institution, modifies its shareholding structure and the foregoing implies that the current majority shareholders cease to control 51% of the shares.

Part B Agreement with Bondholders -The remaining USD 118 million Dollars were replaced through a rollover of the previous debt with the exchange of a new bond issuance. The main points of the new bonds are the following:

- The new bond matures on September 30, 2025.
- Interest on the new bonds will accrue at the annual rate of 14.50% and will be payable semi-annually in arrears each April 11 and October 11, commencing on April 11, 2023.
- The new bonds will be secured by first priority liens consisting of Entity´s land, buildings and machinery located in Tepeji del Río, State of Hidalgo, México and San Juan del Río, State of Querétaro, Mexico and as of the date of the issuance of new bonds the collateral amounted $4.8 billion Mexican Pesos based upon appraisals conducted in December 2022.

f. ***Significant events***

- ***Changes in the accounting policies and disclosures*** – As of December 31, 2022, the Entity changed its accounting policy to subsequent measure its land, buildings and facilities. As a consequence, the Entity stopped recognizing them at cost and start to recognize it at their revaluated amounts. The Entity considers revaluated amount model represents the real conditions in the industry of these assets and improve the financial situation of the Entity. As under this approach the entity does not restate comparative information in its financial statements.

2. Adoption of new and revised International Financial Reporting Standards

New and amended IFRS Accounting Standards that are effective for the current year

In the current year 2023, the Entity has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies

The Entity has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an Entity´s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Entity has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules

The Entity has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the Entity is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Entity has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.
New and revised IFRS Accounting Standards in issue but not yet effective
At the date of authorization of these financial statements, the Entity has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The Entity do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Entity in future periods, except if indicated below.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors of the parent company anticipate that the application of these amendments may have an impact on the Entity 's consolidated financial statements in future periods.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the Entity´s right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g., a covenant based on the Entity´s financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period.

However, if the Entity´s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. The directors of the parent company anticipate that the application of these amendments may have an impact on the Entity 's consolidated financial statements in future periods.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements.

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the Entity´s liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an Entity´s exposure to concentration of liquidity risk.

The term ‘supplier finance arrangements’ is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements,
- The carrying amount, and associated line items presented in the Entity´s statement of financial position, of the liabilities that are part of the arrangements,
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers,
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement,
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

3. Material accounting policies

a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

The Entity´s management has, at the time of approving the financial statements, a reasonable expectation that the Entity has the necessary resources to continue operating in the foreseeable future as mentioned in Note 1a. Therefore, they continue to adopt the Going Concern accounting basis when preparing the consolidated financial statements.

b. *Basis of measurement*

The Entity´s consolidated financial statements have been prepared on the historical cost basis, except for the investment properties, lands and buildings, that they are valued at revalued amounts at the end of each period, as explained in the accounting policies included below.

i. *Historical cost*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. *Fair value*

Orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. *Basis of consolidation of the financial statements*

The consolidated financial statements incorporate the financial statements of the Entity and entities controlled by the Entity and its subsidiaries. Control is achieved when the Entity:

- Has power over the invested;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity´s voting rights in an investee are sufficient to give it power, including:

- The size of the Entity holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income is attributed to the owners of the Entity and to the non-controlling interests. The total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity´s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full consolidation.

Non-controlling interests in subsidiaries are identified separately from the Entity´s equity therein.

Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquirer's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Entity´s ownership interests in existing subsidiaries

Changes in the Entity´s ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity´s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 - Financial Instruments, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Entity´s main subsidiaries are:

Entity	Participation 2023	Participation 2022	Activity
Kaltex Textiles, S.A. de C. V. and subsidiaries	83.45%	81.75%	The majority of stockholders of a group of entities principally engaged in the manufacture and distribution of yarns and fabrics all kinds of natural and synthetic fibers, as well as the maquila and marketing of clothing and bedding for home.
Kaltex Comercial, S. A. de C. V. and subsidiaries	100%	100%	Majority stockholder of a group of entities principally engaged in buy and selling of bedding for home and clothing and operation of clothing stores.
Kaltex Internacional, S. A. de C. V. and subsidiaries	60.26%	60.26%	Majority stockholder of a group of foreign subsidiaries principally engaged in manufacturing of all kinds of fabrics, threads and marketing of apparel and bedding for home.
Kaltex Energía, S. A. de C. V. and subsidiaries	100%	100%	Majority stockholder of a group of entities principally engaged in the supply of energy to the manufacturing facilities of Manufacturas Kaltex, S. A. de C.V. and Kaltex Fibers, S. A. de C.V., related parties

d. ***Translation of financial statements of foreign subsidiaries***

To consolidate the financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to IFRS based on the transaction recording currency. The financial statements are translated into Mexican pesos (presentation currency), considering the following methodology:

Foreign operations with a functional currency different from the local currency and the reporting currency translate their financial statements from the recording currency to the functional currency, using the following exchange rates: 1) the closing exchange rate in effect at the statement of financial position date for monetary assets and liabilities; 2) historical exchange rates for non-monetary assets and liabilities and stockholders' equity; and 3) the rate on the date of accrual of revenues, costs and expenses, except those arising from non-monetary items that are translated using the historical exchange rate for the related non-monetary item; translation effects are recorded exchange (loss) gain, net, within results. Subsequently, to translate the financial statements from the functional currency to Mexican pesos, the following exchange rates are used: 1) the closing exchange rate in effect at the statement of financial position date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses.

The effects of translation are recorded in stockholders' equity.

The recording and functional currencies of foreign operations as well as the exchange rates used in the different translation processes are as follows:

Entity	Recording currency	Functional currency
Kaltex North America, Inc.	U.S. Dollar	U.S. Dollar
Kaltex America, Inc.	U.S. Dollar	U.S. Dollar
Kaltex Latino América, S.A.S.	Colombian Peso	Colombian Peso
Kaltex Colombia, S. A. S.	Colombian Peso	Colombian Peso
Coltejer, S. A.	Colombian Peso	Colombian Peso
Kaltex-Argus, S. A.	Nicaraguan Cordoba	U.S. Dollar

e. ***Financial instruments***

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

f. ***Financial assets***

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- The Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) ***Amortized cost and effective interest method***

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset.

If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income."

Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as at FVTPL.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guaranteed contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity´s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) ***Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity´s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity´s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may but will not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guaranteed contracts, the date that the Entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purpose of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Entity considers the changes in the risk that the specified debtor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) ***Definition of default***

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without taking into account any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) ***Credit-impaired financial assets***

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event (see (ii) above);
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

(iv) ***Write-off policy***

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity´s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) ***Measurement and recognition of expected credit losses***

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity´s understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

(vi) ***Derecognition of financial assets***

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

g. ***Financial liabilities***

All financial liabilities are measured subsequently at amortized cost using the effective interest method.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity´s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

If a hedging relationship fails to meet the hedge effectiveness requirement related to the hedging relationship, but the risk management objective for that designated hedging relationship remains the same, the Entity adjusts the hedging relationship of the hedging relationship. coverage (that is, rebalances the coverage) so that it meets the qualification criteria again.

The Entity designates the complete change in the fair value of a forward contract (that is, it includes the forward elements) as the hedging instrument for all its hedging relationships that involve forward contracts.

The Entity designates only the intrinsic value of the option contracts as a hedged item, that is, excluding the time value of the option. Changes in the fair value of the time value of the option are recognized in other comprehensive income and are accumulated in the cost of the hedge reserve. If the hedged item is related to the transaction, the time value is reclassified to profit or loss when the hedged item affects the profit or loss. If the hedged item is related to the period of time, then the accumulated amount in the cost of the hedge reserve is reclassified to profit or loss in a rational manner: The Entity applies amortization in a straight line.

These reclassified amounts are recognized in profit or loss in the same item as the hedged item. If the hedged item is a non-financial item, the accumulated amount in the cost of the hedge reserve is eliminated directly from the equity and is included in the initial carrying amount of the recognized non-financial item. In addition, if the Entity expects that part or all of the accumulated loss in the cost of the hedge reserve will not be recovered in the future, that amount will be reclassified immediately to results.

h. ***Cash and cash equivalents***

Consist mainly of bank deposits in checking accounts and investments in short-term securities, highly liquid, easily convertible into cash and have maturities of three months from the date of purchase and not subject to material risk of changes in value. Cash is stated at nominal value and cash equivalents are measured at fair value; fluctuations in value are recognized in earnings. The cash equivalents are represented by investments in money market funds, investment funds, bank and governmental bonds, as well as investments on demand in Mexican pesos and US Dollars.

i. ***Inventories***

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

j. ***Assets available for sale –***

Non-current assets held for sale non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount is recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition.

k. ***Property, plant and equipment***

Land and buildings, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values on the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property's revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

Properties (except land and buildings and facilities) in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Entity´s accounting policy. Such properties are classified into the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of property, plant and equipment is recognized in profit or loss.

Land is not depreciated.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

	Useful live (years)
Buildings and facilities:	
Building finishes	20
Infrastructure	80
Industrial machinery and equipment	Between 20 to 30
Office furniture and equipment	10
Electric, hydraulic and related facilities	40
Transportation equipment	4 and 5
Computer equipment	3

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The change in accounting policy for subsequent measurement of land and buildings will cause:

- The change in accounting policy will provide the Entity´s management with more reliable and relevant financial information about the business;
- The Entity will not reformulate its Financial Statements in accordance with IAS 8 paragraph 17, by incorporating the first revaluation in its Financial Statements on the date on which the first valuation is determined;
- The Entity must determine the regularity with which the appraisals will be carried out to determine the fair value of Land and Buildings, to ensure that the book amount, at all times, does not differ significantly from that which could be determined using the fair value at the end of the year. reporting period;
- The Entity must cumulatively recognize the revaluation surplus in a separate item in stockholders' equity; and it will recognize any decrease in the carrying amount of an asset in the same item, to the extent that there is a surplus. The effects of any surplus will only be recognized in the results of the year when it is a reversal of a decrease previously recorded in results, or when there is a decrease in the value of the revalued assets up to the amount that exceeds the value of the previously recognized surplus. in the capital; and,
- With regard to the derecognition of assets subject to revaluation, whether due to disuse or disposal, the Entity will reclassify the accumulated amount of surplus for said assets to accumulated results on the same date of derecognition.

l. ***Investment properties***

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Entity´s property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

m. ***Impairment of tangible and intangible assets other than goodwill***

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Entity of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it is carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

n. ***Leases***

The Entity as lessee

The Entity evaluates whether a contract contains a lease at its source. The Entity recognizes a right-of-use asset for use rights and a corresponding lease liability with respect to all the lease agreements in which it is a lessee, except for short-term leases (12 months or less) and those for low-value assets. For these leases, the Entity recognizes rental payments as an operating expense under the straight-line method throughout the period of the lease, unless another method is more representative of the pattern of time in which the economic benefits from consumption of leased assets.

The lease liability is initially measured at the present value of the rent payments that are not paid on the start date, discounted by the rate implicit in the contract. If this rate cannot be easily determined, the Entity uses incremental rates.

The rent payments included in the measurement of the lease liability consist of:

- Fixed rent payments (including fixed payments in substance), less any lease incentives received;
- Variable income payments that depend on an index or rate, initially measured using the index or rate on the start date;

- The expected amount to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; y
- Payments for penalties resulting from the termination of the lease, if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate concept in current and long-term liabilities in the consolidated statement of financial position. The contractual maturities of the obligations for this concept are shown in Note 14.

The lease liability is subsequently measured by increasing the book value to reflect the interest accrued by the lease liability (using the effective interest method) and reducing the book value to reflect the rent payments made.

The Entity reevaluates the lease liability (and adjusts the corresponding asset for relative use rights) provided that:

- The lease term is modified or there is a significant event or change in the circumstances of the lease resulting in a change in the evaluation of the purchase option exercise, in which case the lease liability is measured by discounting the updated rental payments using an updated discount rate.

- The rent payments are modified as a consequence of changes in indexes, rate or in the expected payment under a guaranteed residual value, in which cases the lease liability is re-evaluated by discounting the updated rent payments using the same discount rate (unless that the change is due to a change in the variable interest rate, in which case an updated discount rate is used).

- A lease is amended and the modification of the lease is not accounted for as a separate lease, in which case the lease liability is re-evaluated based on the lease term of the modified lease, discounting updated rental payments using a discount rate updated to the effective date of the modification.

Assets for rights of use consist of the initial measurement of the corresponding lease liability, the rent payments made on or before the commencement date, less any lease incentives received and any direct initial cost. Subsequent valuation is cost less accumulated depreciation and impairment losses.

If the Entity incurs an obligation arising from the costs of dismantling and removing a leased asset, restoring the bond in which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, a provision measured in accordance with IAS 37. To the extent that costs are related to an asset for rights of use, costs are included in the asset for rights of related use, unless such costs are incurred to generate inventories.

In some cases, rights-of-use assets are depreciated over the shorter period between the lease period and the useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the asset for use rights reflects that the Entity plans to exercise a purchase option, the asset for use rights will be depreciated over the useful life. Depreciation begins on the start date of the lease.

Assets for rights of use are presented as a separate concept in the consolidated statement of financial position.

The Entity applies IAS 36 to determine if an asset for use rights is impaired and accounts for any impairment loss identified as described in the Property, plant and equipment policy.

Variable income leases that do not depend on an index or rate are not included in the measurement of the lease liability and the asset for use rights. Related payments are recognized as an expense in the period in which the event or condition that triggers the payments occurs and are included in operating expenses in the consolidated statement of Income (Loss) (see Note 11).

o. ***Foreign currencies***

In preparing the financial statements of each individual group entity, transactions in currencies other than the Entity´s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are generally recognized in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity´s foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Entity´s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Entity losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

p. ***Employee benefits***

Retirement benefits costs from termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Entity presents the first two components of defined benefit costs in profit or loss in the line item cost of sales, sales expenses or administrative expenses, according to the level of the personnel to which the cost is related. Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity´s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits and statutory employee profit sharing (“PTU”)

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Statutory employee profit sharing (“PTU”)

PTU is recorded in the results of the year in which it is incurred and is presented in the operating expenses line item in the consolidated statement of Income (Loss) and other comprehensive loss.

PTU is determined based on taxable income, according to Section I of Article 9 of the that Law. Workers must be paid 10% of the company's profits in accordance with the provisions of the current legal framework.

Only when this amount exceeds 90 days (three months) of the worker's salary, 90 days of salary are established as the maximum limit for PTU payment, unless the average PTU paid by the company to workers according to their category in the last three years is greater than 90 days, then invariably said average amount must be paid, since this amount is more beneficial for the worker.

q. ***Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

– *Current tax*

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity´s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Entity supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

– *Deferred income tax*

Deferred tax is recognized as temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The management of the Entity reviewed the Entity´s investment property portfolios and concluded that none of the Entity´s investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, management has determined that the ‘sale’ presumption set out in the amendments to IAS 12 is not rebutted.

As a result, the Entity has not recognized any deferred taxes on changes in fair value of the investment properties, as the Entity is not subject to any income taxes on the fair value changes of the investment properties at disposal.

– *Current and deferred tax for the year*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

r. ***Cash flow statements***

The Entity reports cash flows from operating activities using the indirect method, by means of which the consolidated net income is adjusted for the effects of transactions other than cash; any deferral or past or future accumulation of cash inflows or outflows and income or expense items associated with cash flows from investment or financing activities are also considered.

Interest expense and interest and dividend income are generally classified as financing and investment activities, respectively.

s. ***Provisions***

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, it carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

t. ***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the normal course of operations, which occurs when control has been transferred to customers in exchange for the consideration to which the Entity considers, have the right to change said goods or services.

The Entity recognizes income according to the following:

- *Sale of goods - Textile Segment*

  Revenue from the sale of goods refers to the variety of yarns and fabrics of all kinds of natural and artificial fibers, including yarn, denim and non-denim, as well as clothing for the home and clothing. They are recognized at a point in time when control is transferred to customers.

  This occurs when the Entity satisfies each of the obligations to be fulfilled in the contract and the customer accepts the products, since the customer generally does not control any work in progress arising from the Entity's performance during the production phase.

  When control of the goods is not transferred to the customer mainly through export sales, the revenue is not recognized until delivery is made to the customer.

  The Entity has different commercial conditions agreed with each client, depending on the sector of the corresponding product. To reduce the risk when granting credit, the Entity asks its clients for credit insurance. Additionally, Mexican clients are subjected to a risk analysis where they are requested information on guarantees, payment experience, commercial references verification and credit bureaus. Once the required information is received by the client, the credit is authorized by the Entity´s credit committee. The payment terms granted by the Entity range from 60 to 90 days.

- *Sale of goods - International Segment*

  Revenues include the distribution of cloth, garments, and high-quality home decoration products, mainly in the United States, which are given directly to the client at the different points of sale, where the payment for the transaction price is received.

  Additionally, the production and distribution of fabrics for the fashion industry of products that are delivered to the Entity´s warehouses or to the Entity´s wholesale clients, located in South America, essentially in countries such as Colombia and Nicaragua, for which an account receivable is recognized by the Entity when the goods are delivered to wholesale customers because it represents the point in time in which the right of consideration becomes unconditional, since only the passage of time is required for the payment to be made.

- *Rendering of services*

  Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

  The types of revenues described above comply with the conditions for the recognition of income and include the following:

- The contract or contracts are identified with the customer.
- The obligations to be performed in the contract are identified.
- The transaction price is determined.
- The transaction price is allocated among the different obligations to be performed in the contract.
- The revenues are recognized when the Entity fulfills each of the obligations involved.

4. Critical accounting judgments and key sources of estimation uncertainty

To apply the accounting policies, the Entity´s Management uses its judgment, estimates, and assumptions regarding certain asset and liability amounts in the consolidated financial statements. The associated estimates and assumptions reflect a quantitative and qualitative analysis based on an understanding of the various businesses that compose the Entity. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed regularly. Amendments to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. ***Critical judgments in applying accounting policies***

The following are the critical judgments, apart from those involving estimations, that the management of the Entity has made in the process of applying the Entity´s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

- ***Significant increase in credit risk***

  As explained in Note 6, the Expected Credit Loss “ECL” is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Entity takes into account qualitative and quantitative reasonable and supportable forward-looking information.

- ***Discount rate and lease renewals***

  Management defines the lease term as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are probable to be exercised.

  Management participates in lease contracts that do not have a defined non-cancellable term, a defined renewal period (in case it contains a renewal clause), or automatic annual renewals, so, to measure the lease liability, it estimates the contracts´ terms considering their contractual rights and limitations, their business plan, as well as Management’s intentions for the use of the underlying asset.

  Management estimates the discount rate to use in the determination of the lease liability, based on the incremental borrowing rate. Management uses a three-tier model, with which it determines the three elements that comprise the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In this model, Management also considers its policies and practices to obtain financing, distinguishing between the one obtained at the corporate level (that is, the holding Entity), or at the level of each subsidiary.

b. ***Key sources of estimation uncertainty***

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- ***Inventory reserves***

  The factors that the Entity considers in inventory reserves are the sales volumes and movements in the age of the inventories.

- ***Calculation of allowance for credit loss***

  When measuring ECL the Entity uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

  Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

  Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- ***Property, plant and equipment***

  The Entity reviews useful lives of property, plant and equipment at least once a year, which are defined based on technical studies prepared by internal specialized personnel which also involve external experts. The degree of uncertainty about the estimated useful lives is affected by changes in the market, production volumes and technological developments.

- ***Investment properties***

  The fair value of the investment properties is estimated in the technical knowledge of independent experts specialized in real estate, including factors such as cap and discount rates for the investment properties.

- ***Impairment of non-current assets***

  The carrying value of non-current assets is reviewed for impairment if any situations or changes in circumstances indicate that the carrying value is not recoverable. If there is evidence of impairment, the asset is reviewed to determine if the carrying value exceeds its recoverable amount, in which case the asset is determined to be impaired. When evidence of impairment is identified, the Entity estimates the value in use assigned to its property, plant and equipment, and cash-generating units in the case of certain assets.

  The calculations of value in use require an entity to determine the future cash flows that should arise from the cash-generating units and appropriate discount rate to calculate the present value. The Entity uses cash flow projections of revenue using estimates of market conditions, pricing, and production and sales volumes.

- ***Employee retirement benefits***

  Assumptions are used to determine the best estimate of these benefits annually. Such estimates, as well as assumptions, are established jointly with independent actuaries annually.

  These assumptions include demographic assumptions, the discount rates and expected increases in salaries and future permanence, among others. A change in these assumptions could affect the value of assets liabilities associated with employee benefits and the income statement and other comprehensive income in the period in which such changes occur.

- ***Fair value measurements and valuation processes***

  Some of the Entity´s assets and liabilities are measured at fair value for financial reporting purposes. The Entity´s Board of Directors has set up a valuation committee, which is headed up by the Entity´s Financial Director, to determine the appropriate valuation techniques and inputs for fair value measurements.

  In estimating the fair value of an asset or liability, the Entity uses market-observable data to the extent it is available. When level 1 inputs are not available, the Entity engages third party qualified appraisers to perform the valuation.

  The valuation committee works closely with the qualified external appraiser to establish the appropriate valuation techniques and inputs to the model. Every three months, the Financial Director reports the findings of the valuation committee to the Entity´s board of directors to explain the causes of fluctuations in the fair value of assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed Note 17.

5. Cash and cash equivalents

	2023	2022
Cash	$ 162,437	$ 220,596
Cash equivalents - Investment funds	946	287
Total	$ 163,383	$ 220,883

6. Accounts receivable

	2023	2022
Trade receivables	$ 933,089	$ 1,301,307
Allowance for expected credit losses	(55,126)	(56,079)
	877,963	1,245,228
Sundry debtors	91,801	150,573
Recoverable income tax	183,124	73,463
Recoverable value-added tax	768,197	761,262
	$ 1,921,085	$ 2,230,526

Accounts receivable from customers and wholesalers

The average credit term on the sale of goods is 60 days. The Entity has recognized an allowance for expected credit losses for 5.91% and 4.31%, as of December 31, 2023 and 2022, respectively, of all accounts receivable with an aging of 91 days or more, based on the fact of prior experience, accounts receivable due more than 91 days normally are not recovered. For accounts receivable that are between 31 and 90 days old, an allowance is recognized for doubtful accounts based on expected loss determined by experiences of default of the counterparty and an analysis of its current financial position.

Before accepting any new client, the Entity uses an external credit rating system to evaluate the credit quality of the potential client and defines the limit of credit per client. The limits and ratings attributed to clients are reviewed twice a year 77% of the accounts receivable from customers that are not due or impaired have the best attributable credit rating according to the external credit rating system used by the Entity.

Accounts receivable from customers include amounts that are due at the end of the reporting period (see the aging analysis below), but for which the Entity has not recognized any estimates for uncollectible accounts because there has been no significant change in credit quality and amounts (which include accrued interest after the accounts are 60 days) are still considered recoverable.

Age of receivables that are past due but not impaired

A summary of accounts receivable shows customers due, but not yet as impaired:

	2023	2022
1 to 30 days	$ 64,393	$ 161,008
31 to 60 days	2,101	23,637
61to 90 days	3,813	11,670
Over the 90 days	36,684	108,877
Total	$ 106,991	$ 305,192

	Trade receivables - days past due				
December 31, 2023	**<30**	**31 - 60**	**61 - 90**	**>91**	**Total**
Expected credit loss rate					5.91%
Estimated total gross carrying amount at default	890,491	2,101	3,813	36,684	933,089
Lifetime ECL	(52,610)	(124)	(225)	(2,167)	(55,126)

	Trade receivables - days past due				
December 31, 2022	**<30**	**31 - 60**	**61 - 90**	**>91**	**Total**
Expected credit loss rate					4.31%
Estimated total gross carrying amount at default	1,157,123	23,637	11,670	108,877	1,301,307
Lifetime ECL	(49,865)	(1,019)	(503)	(4,692)	(56,079)

The following table shows the movement in lifetime ECL that has been recognized for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

		Total
Balances as of January 1, 2022	$	(41,810)
Increase of provision		(14,889)
Cancellations and applications		620
Balances as of December 31, 2022		(56,079)
Increase of provision		(113)
Cancellations and applications		1,066
Balances as of December 31, 2023	$	(55,126)

For the determination of the allowance for expected credit losses, the Entity performs an aging analysis of balances by client and is assigned based on experience an estimation percentage. This first analysis gives an indication of impairment; Subsequently, an analysis of the financial situation of all the clients included is carried out to determine which are the accounts that present an impairment according to the expected credit loss model and on these the corresponding estimate is recorded.

7. Inventories

		2023		2022
Raw materials and others	$	481,074	$	500,145
Work in progress		348,139		378,374
Finished goods		1,085,215		1,040,433
		1,914,428		1,918,952
Merchandise in transit		17,563		30,966
	$	1,931,991	$	1,949,918

The Entity estimates possible impairment losses on inventories for obsolescence and for slow moving inventories, which are determined, based on the age of the inventory.

The movements in the allowance for obsolescence and slow-moving inventory reduction are presented below:

		2023		2022
Balance at the beginning of the year	$	(56,043)	$	(52,232)
Estimation for the period		(12,474)		(22,457)
Cancellations and applications		4,581		18,646
Balance at the end of the year	$	(63,936)	$	(56,043)

The movements in the allowance for obsolescence are classified as finished goods.

The cost of inventories recognized as a cost during the year in respect of continuing operations was $7,069,652 and $11,078,814 for the years ended December 31, 2023 and 2022, respectively.

8. Assets available for sale

As of December 31, 2022, the Entity has recognized as assets available for sale the land and building and facilities resulting from the sale negotiation for a real estate project for 51,639.12 m2 of land:

	Assets available for sale 2022
Land	$ 391,545
Building and facilities	76,324
Total	$ 467,869

As of December 31, 2023, there are not Assets available for sale Entity had sold its assets available for sale with an additional profit of $175,507 see Note 23.

9. Property, plant and equipment

Reconciliation of beginning and ending balances as of December 31, 2023 and 2022, is as follows:

	Balance as of January 1, 2023	Additions	Disposals	Revaluation	Reclassifications	Impairment	Translation effect	Balances as of December 31, 2023
Investment:								
Land	$ 3,105,868	$ -	$ -	$ (59,976)	$ 263,050	$ -	$ -	$ 3,308,942
Building and facilities	5,528,943	-	(19,176)	312,290	(747,061)	144,710	(6,203)	5,213,503
Industrial machinery and equipment	23,271,246	15,461	-	-	18,938	(331,070)	(29,748)	22,944,827
Office furniture and equipment	78,299	121	-	-	2	(10,980)	(1,077)	66,365
Transportation equipment	76,103	7,095	(5,715)	-	(7)	(7,883)	(148)	69,445
Computer equipment	237,399	3,748	-	-	6	(81,197)	(3,737)	156,219
Projects-in-progress	549,349	52,135	-	-	(18,880)	-	(72)	582,532
Total investments	32,847,207	78,560	(24,891)	252,314	(483,952)	(286,420)	(40,985)	32,341,833
Depreciation:								
Building and facilities	(2,657,996)	(110,637)	-	2,032	484,795	(12,636)	5,744	(2,288,698)
Industrial machinery and equipment	(20,076,376)	(286,588)	-	-	1,804	166,262	26,002	(20,168,896)
Office furniture and equipment	(67,246)	(1,403)	-	-	-	11,095	1,846	(55,708)
Transportation equipment	(71,693)	(3,268)	5,717	-	13	7,471	-	(61,760)
Computer equipment	(206,379)	(13,089)	-	-	(45)	76,410	2,049	(141,054)
Total accumulated depreciation	(23,079,690)	(414,985)	5,717	2,032	486,567	248,602	35,641	(22,716,116)
Investment net	$ 9,767,517	$ (336,425)	$ (19,174)	$ 254,346	$ 2,615	$ (37,818)	$ (5,344)	$ 9,625,717

	Balance as of January 1, 2022	Additions	Disposals	Revaluation	Transferred assets	Impairment	Translation effect	Balances as of December 31, 2022
Investment:								
Land	$ 2,427,788	$ -	$ -	$ 716,650	$ (38,570)	$ -	$ -	$ 3,105,868
Building and facilities	4,065,132	-	-	1,462,201	4,174	-	(2,564)	5,528,943
Industrial machinery and equipment	23,160,997	28,534	(239,559)	-	140,903	66,459	34,330	23,191,664
Office furniture and equipment	85,306	314	-	-	1,444	-	(8,765)	78,299
Transportation equipment	75,618	3,742	(3,330)	-	-	-	73	76,103
Computer equipment	223,470	11,624	(603)	-	2,929	-	(21)	237,399
Preoperative expenses	-	10,396	-	-	69,186	-	-	79,582
Projects-in-progress	842,946	65,576	(176)	-	(360,590)	-	1,593	549,349
Total investments	30,881,257	120,186	(243,668)	2,178,851	(180,524)	66,459	24,646	32,847,207

	Balance as of January 1, 2022	Additions	Disposals	Revaluation	Transferred assets	Impairment	Translation effect	Balances as of December 31, 2022
Depreciation:								
Building and facilities	(2,082,709)	(90,428)	-	(486,884)	-	-	2,025	(2,657,996)
Industrial machinery and equipment	(19,745,694)	(322,444)	26,215	-	-	-	(23,527)	(20,065,450)
Office furniture and equipment	(65,726)	(2,047)	-	-	-	-	527	(67,246)
Transportation equipment	(70,326)	(4,296)	3,132	-	-	-	(203)	(71,693)
Computer equipment	(195,521)	(10,300)	361	-	-	-	(919)	(206,379)
Preoperative expenses	(4,011)	-	-	-	-	-	(6,915)	(10,926)
Total accumulated depreciation	(22,163,987)	(429,515)	29,708	(486,884)	-	-	(29,012)	(23,079,690)
Investment net	$ 8,717,270	$ (309,329)	$ (213,960)	$ 1,691,967	$ (180,524)	$ 66,459	$ (4,366)	$ 9,767,517

As of December 31, 2023, the date of the revaluation, the fair value of land and buildings and facilities were determined by independent appraisers with experience in the industry. The independent appraisers applied the fair value method to determine the valuation of land and buildings and facilities. As of December 31, 2023, the amounts of the revaluation for land and buildings and facilities were $(59,976) and $312,290 thousand pesos, and as of December 31, 2022, the amounts of the revaluation for land and buildings and facilities were $716,650 and $1,462,201 thousand pesos, respectively, and were recognized in Other Comprehensive Income within the consolidated statements of income (loss) and other comprehensive loss.

10. Investment properties

Fair value of investment properties is as follows:

	2023	2022
Land	$ 825,163	$ 779,739
Building and facilities	108,428	76,389
Total	$ 933,591	$ 856,128

The fair value of investment properties is determined by independent appraisers who have applied the market approach and the residual method to determine the valuation of land and the replacement method for buildings and facilities. The method used is as follows:

a. The market approach was determined by examining the supply and demand of similar land, operations performed and valuations in the sector and similar areas, the study of land values with comparable properties considering, potential development and localization, and consulting the database of the Market Estate Association (Colombian rated entity).
b. The residual method was applied by estimating the value that a builder who develops a project, in the light of existing regulations and taking into account market factors, would be willing to pay.
c. The replacement method is based on the cost of building an asset with similar characteristics, considering actual physical conditions of the asset.

The movements presented in investment properties are as follows:

	Balances as of January 1, 2023	Additions	Fair value adjustment	Translation effect	Balances as of December 31, 2023
Land	$ 779,739	$ -	$ 36,710	$ 8,714	$ 825,163
Building and facilities	76,389	-	29,706	2,333	108,428
Total	$ 856,128	$ -	$ 66,416	$ 11,047	$ 933,591

	Balances as of January 1, 2022	Additions	Fair value adjustment	Translation effect	Balances as of December 31, 2022
Land	$ 940,570	$ 38,200	$ (74,548)	$ (124,483)	$ 779,739
Building and facilities	74,467	6,280	6,650	(11,008)	76,389
Total	$ 1,015,037	$ 44,480	$ (67,898)	$ (135,491)	$ 856,128

The lease income generated by investment properties in 2023 and 2022 was $14,945 and $11,970, respectively.

11. Right-of-use assets - net

The Entity leases various assets, including real estate, plant and equipment, technology equipment and transportation equipment. The average lease term is 15 years.

The Entity has the option to purchase certain manufacturing equipment for a nominal amount at the end of the lease period. The Entity´s obligations are insured by the lessor's title to the assets leased in said leases.

	Building	Total
Cost:		
Balances as of January 1, 2023	$ 381,963	$ 381,973
Contract cancellations	(296,830)	(296,830)
Balances as of December 31, 2023	$ 85,133	$ 85,143
Accumulated depreciation:		
Balances as of January 1, 2023	$ (110,334)	$ (110,334)
Depreciation for the year	(11,959)	(11,959)
Contract cancellations	99,355	99,345
Balances as of December 31, 2023	$ (22,938)	$ (22,948)
	$ 62,195	$ 62,195
Cost:		
Balances as of January 1, 2022	$ 557,022	$ 557,022
Additions	964	964
Disposals	(54,860)	(54,860)
Balances as of December 31, 2022	$ 503,126	$ 503,126
Accumulated depreciation:		
Balances as of January 1, 2022	$ (223,455)	$ (223,455)
Depreciation for the year	(19,274)	(19,274)
Disposals	11,232	11,232
Balances as of December 31, 2022	$ (231,497)	$ (231,497)
	$ 271,629	$ 271,629

Total cash outflows for leases amounted was $34,939 and $19,012 in 2023 and 2022, respectively.

The discount rates used by Management to determine the right-of-use assets are as follows:

Building	10.80% and 7.23%

12. Other assets

	2023	2022
Guarantee deposits	$ 2,884	$ 3,538
Other assets	1,491	3,281
Other permanent investments	6,561	6,506
Total	$ 10,936	$ 13,325

13. Long-term debt

As of December 31, 2023 and 2022, long-term debt consists of the following:

Bank	Type	Currency	Rate	Maturity	2023	2022
Senior Notes due 2025 (a)	Offering Notes	US Dollar	14.500%	2025	$ 1,991,186	$ 2,282,082
Banco Nacional de Comercio Exterior (b)	Simple credit	USD Dollar	SOFR, plus 6.25%	2032	658,914	774,460
Banco Nacional de Comercio Exterior (b)	Simple credit	Mexican Peso	TIIE, plus 2.85%	2032	1,159,853	1,189,470
					3,809,953	4,246,012
			Less - Current portion of long-term debt		3,809,953	1,963,930
			Current portion of long-term debt, net			
			Long-term debt, net		$ -	$ 2,282,082

a. On December, 2022, an agreement with Bondholders for $118 million US Dollars will be substituted through a “rollover” of the prior debt with the exchange of a new bond issuance, accruing interest at a fixed rate of 14.5% and maturing in September 2025. The Entity identified five main bondholders, which jointly hold approximately 45% of the current bond. This bondholder group (“Ad Hoc Group”) came together to negotiate refinancing terms. Notes are guaranteed by the Subsidiaries: Manufacturas Kaltex, S.A. de C.V., Kaltex Textiles, S.A. de C.V., Kaltex Comercial, S.A. de C.V., Kaltex Internacional, S.A. de C.V. and Kaltex America.

b. On December, 2022, a Bank loan of $100 million US Dollars for a ten-year term with a three-month grace period, composed by a Tranche A for $40 million US Dollars at the rate of 3-month SOFR + 625 basis points and a Tranche B for $60 million US Dollars in Mexican pesos at a 91-day TIIE rate + 285 basis points, with quarterly repayments.

c. Most of these loans are guaranteed by the property, plant and equipment owned by the Entity and its subsidiaries.

d. Debt maturities per contract as of December 31, 2023 are as follows:

Year	2023
2024	$ 93,261
2025	2,084,447
2026	121,612
2026 and thereafter	$ 1,510,633
	$ 3,809,953

e. The Entity must comply with certain covenants, which were complied with as of December 31, 2023 and 2022. However, there are some obligations, which at the date of the issuance of these consolidated financial statements the Entity has not complied. Consequently, as established by IAS 1 “Presentation of Financial Statements”, the long-term has been classified as current because the Entity does not have the right to defer settlement for at least 12 months after the reporting period.

f. In the debt agreement executed by the end of 2022, the shareholders guaranteed a total amount of collateral for USD $397,648 million, subdivided as follows:

- USD $241,022 guaranteed to bondholders for the restructuring.
- USD $156,626 guaranteed to Bancomext for the financing that was granted to settle part of the debt with the bondholders.

g. Reconciliation of liabilities arising from financing activities.

The table below details changes in the Entity´s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Entity´s consolidated statement of cash flows as cash flows from financing activities.

	As of January 1, 2023	Proceeds from borrowings	Repayments of borrowings	Other (i)	As of December 31, 2023
Senior Notes	$ 2,282,082	$ -	$ -	$ (290,896)	$ 1,991,186
Bank loans	1,963,930	-	(46,724)	(98,439)	1,818,767
Loans from related parties (Note 21)	2,576,780	132,435	(146,452)	(594,238)	1,968,525
	$ 6,822,792	$ 132,435	$ (193,176)	(983,573)	$ 5,778,478

	As of January 1, 2022	Proceeds from borrowings	Repayments of borrowings	Other (i)	As of December 31, 2022
Senior Notes	$ 4,517,538	$ 2,334,809	$ (4,342,838)	$ (227,427)	$ 2,282,082
Bank loans	15,884	1,963,930	(15,884)	-	1,963,930
Loans from related parties (Note 21)	2,662,482	-	(19,051)	(66,651)	2,576,780
	$ 7,195,904	$ 4,298,739	$ (4,377,773)	$ (294,078)	$ 6,822,792

(i) Other changes include exchange fluctuation and expenses associated with issuance costs recognized in accordance with the effective cost method.

14. Lease liability

	2023	2022
Maturity analysis:		
Year 1	$ 14,799	$ 86,329
Year 2	15,306	88,614
Year 3	15,306	89,176
Year 4	15,306	42,941
Onwards	21,672	43,892
	82,389	350,952
Less: unearned interest	(3,328)	(40,849)
	$ 79,061	$ 310,103
Analyzed as:		
Current	$ 12,827	$ 86,329
Non-current	66,234	223,774
	$ 79,061	$ 310,103

Amounts recognized in the consolidated statements of (loss) income and other comprehensive (loss) income		2023		2022
Depreciation expense of the asset for use rights	$	11,959	$	19,274
Finance expense caused by lease liabilities		1,372		5,823

The Entity does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored through the Entity´s Treasury Department.

15. Other accounts payable and accrued liabilities

Balances as of December 31, are as follows:

		2023		2022
Payables for services	$	443,878	$	545,217
Payables for machinery		45,462		123,012
Provisions (i)		426,875		292,345
Other taxes payable		1,135,308		920,673
Interest payable		119,245		62,636
	$	2,170,768	$	1,943,883

(i) Provisions represent amounts accrued during 2023 and 2022, or contracted services of the following nature, attributable to the financial year, which are expected to be paid within a period not exceeding one year. The final amounts to be paid and the timing of those outflows of economic resources involve uncertainties and could therefore vary.

2023		Opening Balance		Additions		Reductions		Closing Balance
Social security and other benefits	$	58,421	$	4,631	$	(31,938)	$	31,114
Labor provision		16,903		10,379		(985)		26,297
Operation provision		217,021		162,037		(9,594)		369,464
	$	292,345	$	177,047	$	(42,517)	$	426,875

2022		Opening Balance		Additions		Reductions		Closing Balance
Social security and other benefits	$	25,634	$	45,634	$	(12,847)	$	58,421
Labor provision		21,851		35,375		(40,323)		16,903
Operation provision		50,893		215,687		(49,559)		217,021
	$	98,378	$	296,696	$	(102,729)	$	292,345

16. Retirement employee benefits

Defined benefit plans

The Entity handles a plan that covers seniority premiums, which consist of a single payment of 12 days per every year worked based on final salary, limited to twice the minimum wage established by law year. The related liability and annual benefits costs are calculated by an independent actuary on the bases defined in the plans using the projected unit credit method.

The plans typically expose the Entity to actuarial risks such as interest rate risk, longevity risk and salary risk.

Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is re-insured by an external insurance Entity.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2023 by independent actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2023 %	2022 %
Discount rate	9.79	9.57
Expected rate of salary increase	4.65	7.06
Inflation rate	3.75	3.78

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows.

	2023	2022
Service cost:		
Labor cost of current service	$ 26,114	$ 16,915
Net interest expense	44,022	37,039
Components of defined benefit costs recognized in profit or loss	$ 70,136	$ 53,954
Remeasurement on the net defined benefit liability:		
Actuarial gains arising from changes in financial assumptions	$ (13,416)	$ (77,803)
Components of defined benefit costs recognized in other comprehensive income	$ (13,416)	$ (77,803)

Components of defined benefit costs recognized in other comprehensive income:

	2023	2022
Remeasurement on the net defined benefit liability	$ (13,416)	$ (77,803)
Deferred tax	4,024	23,343
Components of defined benefit costs recognized in other comprehensive income	$ (9,392)	$ (54,460)

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss and other comprehensive loss within administrative expenses.

The remeasurement of the net defined benefit liability is included in other comprehensive loss.

The amount included in the consolidated statements of financial position arising from the Entity´s obligation in respect of its defined benefit plans is as follows:

	2023	2022
Present value of funded defined benefit obligation	$ 562,394	$ 525,002

Movements in the present value of the defined benefit obligation in the current year were as follows.

	2023	2022
Opening defined benefit obligation	$ (525,002)	$ (569,630)
Current service cost	(26,114)	(16,915)
Interest cost	(44,022)	(37,039)
Remeasurement gains	13,416	77,803
Benefits paid	19,328	20,779
Closing defined benefit obligation	$ (562,394)	$ (525,002)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the expected salary growth increases (decreases) by 10%, the defined benefit obligation would not have significant changes.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

17. Financial instruments

The Entity is exposed to market risks such as interest rate risk and foreign currency risk, as well as credit risk and liquidity risk, all of which are managed centrally by the corporate treasury. Compliance with these policies and exposure limits are reviewed by internal audit on an ongoing basis.

a. *Classes of financial instruments*

The different categories of financial instruments and their amounts as of December 31, 2023 and 2022 are shown below:

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 163,383	$ 220,883
Accounts receivable, net	877,963	1,245,228
Accounts receivable from related parties	34,166	11
Financial liabilities:		
At amortized cost:		
Bank loans, current and long-term debt	$ 3,809,953	$ 4,246,012
Accounts payable to suppliers	1,352,487	1,963,762
Accounts payable to related parties	2,066,910	2,672,158
Other accounts payable and accrued liabilities	608,585	730,865

b. *Management of capital risk*

The Entity manages its capital to ensure that it will continue as an ongoing business, while also maximizing the return to its shareholders through optimization of its capital balance through continuous monitoring of the debt/capital structure. The Entity´s capital structure consists of net debt (bank loans as detailed in Note 13) and the Entity´s equity (comprising issued contributed capital, reserves and deficit accumulated in Note 19). The Entity is not subject to any externally imposed capital requirements.

The Entity´s management reviews its capital structure and borrowing costs and their relation to EBITDA (earnings before taxes plus / minus interest, exchange rate fluctuations, the effect of derivatives on financial costs, depreciation and amortization) on a monthly basis, at the time it presents financial projections as part of the business plan to the Board of Directors and shareholders of Entity.

The rate of net indebtedness of the Entity is as follows:

	2023	2022
Debt with financial institutions and Senior Notes	$ 3,809,953	$ 4,246,012
Cash and cash equivalents	(163,383)	(220,883)
Net debt with financial institutions	$ 3,646,570	$ 4,025,129
EBITDA	$ 64,378	$ (66,371)
Net debt to EBITDA	$ 56.64	$ (60.65)
EBITDA	$ 64,378	$ (66,371)
Interest incurred on debt	$ 675,829	$ 592,583
Interest coverage index	10.50	(8.93)

c. ***Financial risk management objectives***

The Entity Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Entity through internal risk reports, which analyses exposures by degree and magnitude of risks.

These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk.

The Entity seeks to minimize the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Entity´s policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

d. ***Market risk***

The Entity´s activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Entity´s exposure to market risks or the manner in which these risks are managed and measured.

i) ***Foreign currency risk management***

The functional currency of the majority of the subsidiaries of the Entity is the Mexican peso. The Entity is exposed to foreign exchange risk related to the Mexican peso as a result of financing obtained in U.S. Dollars.

The Entity also has monetary assets and liabilities denominated in foreign currencies, mainly the US Dollar, Euro, Nicaraguan Cordoba, Colombian peso and Swiss Franc, which exposes it to currency risk. However, this risk is hedged by the operations of the Entity in those respective countries.

Carrying values of assets and liabilities denominated in foreign currencies to which the Entity is mainly exposed are as follows (in thousands):

	Liabilities		**Assets**	
	2023	**2022**	**2023**	**2022**
U.S. Dollar	258,447	289,138	17,850	111,742
Euro	225	2,558	408	3,206
Colombian peso	293,610,481	34,474,792	8,692,677	6,450,060
Swiss Franc	388	346	500	149

The following table details the Entity´s sensitivity to an increase and decrease of 10% in pesos against the relevant foreign currencies. The 10% is the sensitivity rate used when foreign exchange risk is reported internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts their translation at the end of the period for a 10% change in exchange rates.

A positive number (as shown in the table below) indicates an increase in the results where the peso is strengthened by 10% against the relevant currency.

If a weakening of 10% of the peso with respect to the reference currency is presented, then it will have a comparable impact on the results and the following balances would be negative (amounts in thousands):

	2023	2022
U.S. Dollar	421,633	343,465
Euro	(342)	(1,349)
Colombian peso	(112,730)	(11,072)
Swiss franc	(226)	416

Exchange rates	2023	2022	June 26, 2024
U.S. Dollar	$ 16.8935	$ 19.3615	$ 18.2215
Euro	$ 18.6896	$ 20.6519	$ 19.4706
Colombian peso	$ 228.161	$ 246.1517	$ 226.8820

ii) ***Interest rate risk management***

The Entity is exposed to interest rate risk because it has financial debt that accrues interest at variable rates. The Entity has short-term loans mainly for working capital as well as for certain projects, the proceeds of which will be used to pay the related debt.

Exposure of the Entity to interest rate risk relates primarily to the LIBOR on financial liabilities. Sensitivity analyses are prepared by the Entity based on the net exposure to floating interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, net income (loss) ended December 31, 2023 and 2022, would increase/decrease $18,188 and $818, respectively.

e. ***Credit risk management***

The note 6 details the Entity´s maximum exposure to credit risk and the measurement bases used to determine ECL.

In order to minimize credit risk, the Entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Entity uses other publicly available financial information and its own trading records to rate its major customers. The Entity´s exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer’s credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed and approved twice a year by the risk management committee. The 80% of the trade receivables have the best credit scoring attributable under the external credit scoring system used by the Entity.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts.

Furthermore, the Entity reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Entity consider that the Entity´s credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

(i) ***Overview of the Entity´s exposure to credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Entity. As of December 31, 2023 the Entity maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Entity due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Entity arises from:

- The carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and

- The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Entity´s exposure and the credit ratings of its counterparties are continuously monitored, and the accumulated value of the completed transactions is distributed among the approved counterparties. The credit exposure is controlled by the counterparty limits that are reviewed and approved by the Entity Credit Committee.

Accounts receivable from customers are composed of a large number of clients distributed through different industries and geographic areas. Before granting credit to any client, a financial evaluation is performed and credit references are requested; finally, the continuous evaluation of the credit is made on the financial condition of the accounts receivable, when appropriate. The Entity considers that its potential credit risk is adequately covered by its allowance for expected credit losses, which represents its estimate of impairment with respect to accounts receivable (see Note 6).

The Entity´s current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Entity has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Entity´s financial assets, contract assets and financial guarantee contracts, as well as the Entity´s maximum exposure to credit risk by credit risk rating grades:

December 31, 2023	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying value
Accounts receivable	Performing	12-month	933,089	(55,126)	877,963
Sundry debtors	Performing	12-month	91,801	-	91,801
Accounts receivable from related parties	Performing	12-month	34,166	-	34,166

December 31, 2022	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (i)	Loss allowance	Net carrying value
Accounts receivable	Performing	12-month	1,301,307	(56,079)	1,245,228
Sundry debtors	Performing	12-month	150,573	-	150,573
Accounts receivable from related parties	Performing	12-month	11	-	11

For trade receivables, the Entity has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Entity determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

f. ***Liquidity risk management***

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Entity´s short-, medium- and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. This note sets out details of additional undrawn facilities that the Entity has at its disposal to further reduce liquidity risk.

The following tables detail the Entity´s remaining expected maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Entity can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Entity may be required to pay:

As of December 31, 2023	Weighted average effective interest rate	1 year	1 - 3 year	More than 3 years	Total
Bank loans and long term - debt	13.32%	$ 3,809,953	$ -	$ -	$ 3,809,953
Interest payable		119,245	-	-	119,245
Accounts payable to suppliers		1,352,487	-	-	1,352,487
Due to related parties	-	98,385	1,968,525	-	2,066,910
Lease liability	-	14,799	42,590	21,672	79,061
Other financial liabilities	-	489,340	-	-	489,340
Total		$ 5,884,209	$ 2,011,115	$ 21,672	$ 7,916,996

As of December 31, 2022	Weighted average effective interest rate	1 year	1 - 3 year	More than 3 years	Total
Bank loans and long term - debt	12.78%	$ 1,963,930	$ 2,282,082	$ -	$ 4,246,012
Interest payable		62,634	-	-	62,634
Accounts payable to suppliers	-	1,963,762	-	-	1,963,762
Due to related parties	-	95,378	2,576,780	-	2,672,158
Lease liability	-	86,329	179,882	43,892	310,103
Other financial liabilities	-	668,229	-	-	668,229
Total		$ 4,840,262	$ 5,038,744	$ 43,892	$ 9,922,898

(a) As described in Note1a the Entity has negative working capital for $3,420,168 and $1,190,703 as of December 31, 2023 and 2022, respectively which affect the going concern basis

18. Fair value measurements of financial instruments

Except as detailed in the following table, the Entity´s management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximates their fair value due to their short-term maturities.

a. The carrying and fair value of long-term debt is as follows as of December 31:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Debt	$ 3,809,953	$ 3,559,149	$ 4,246,012	$ 4,246,012

b. Fair value hierarchy

There are no financial instruments that are measured at fair value subsequent to initial recognition. However, the fair value of financial instruments measured at amortized cost is presented in the table above. A description on the extent to which the fair value is observable below:

- Level 1 are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the period, there were no transfers between Level 1, 2 and 3.

The fair value of long-term debt is calculated using a discounted cash flow method with an approximate market rate of the current debt cost based on comparable information in the market for entities with a similar risk profile. The level of fair value calculation is level 2.

19. Stockholders' equity

a. As of December 31, 2023 and 2022, capital stock is represented by:

	2023		2022	
	Number of shares	Amount	Number of shares	Amount
Fixed portion:				
Series "A"	50,000	$ 50	50,000	$ 50
Variable portion:				
Series "B"	5,295,778,600	5,295,779	4,435,778,600	4,435,779
	5,295,828,600	$ 5,295,829	4,435,828,600	$ 4,435,829

Capital stock consists of common registered shares with a par value of one peso per share. Mexican citizens can only acquire Shares of Series "A". Variable capital is unlimited.

b. At the Ordinary General Stockholders' Meeting held on October 11, 2023, a dividend payment of $69,200 was approved, which was applied to retained earnings and paid in cash.

c. At the Ordinary General Stockholders' Meeting held on December 31, 2023, an increase in capital stock of $860,000 was approved and paid in cash.

d. At the Ordinary General Stockholders' Meeting held on December 8, 2022, a dividend payment of $57,800 was approved, which was applied to retained earnings.

e. At the Ordinary General Stockholders' Meeting held on July 27, 2022, an increase in capital stock of $417,839 was approved.

f. The legal reserve may not be distributed during the existence of the Entity unless the Entity is dissolved.

g. Stockholders' equity, except for restated paid-in capital and tax retained earnings will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

h. The balances of the stockholders' equity tax accounts as of December 31, are as follows:

	2023	2022
Contributed capital account	$ 10,724,128	$ 9,416,633
Net account tax profit at the end 2013 (CUFIN)	1,125,236	1,073,428
Total	$ 11,849,364	$ 10,490,061

20. Equity and earnings of non-controlling interest

a. The following table lists the subsidiaries in which a significant non-controlling interest exists. The amounts shown as of December 31, 2023 and 2022, are presented before eliminations:

Subsidiary	Location	Proportion of the non-controlling interests with voting rights 2023	2022	(Loss) income of the period allocated to non-controlling interests 2023	2022	Equity of non-controlling interests 2023	2022
Coltejer, S.A.	Colombia	39.74%	39.74%	$ (6,671)	$ (244,282)	$ 986,414	$ 1,016,644
Kaltex Textiles, S.A. de C.V.	Mexico	16.55%	18.43%	(34,011)	(24,648)	995,925	929,412
Total				$ (40,682)	$ (268,930)	$ 1,982,339	$ 1,946,056

b. Subsidiaries condensed financial statements in which a material non-controlling interest exists:

	2023	2022
Coltejer, S.A.:		
Total assets	$ 4,632,693	$ 4,856,966
Total liabilities	$ 2,150,520	$ 2,298,726
Net assets	$ 2,482,172	$ 2,558,240
Total revenues	$ 23,925	$ 14,927
Net loss for the year	$ (16,788)	$ (614,700)
Kaltex Textiles, S.A. de C.V.:		
Total assets	$ 13,169,696	$ 16,040,111
Total liabilities	$ 7,152,025	$ 10,997,184
Net assets	$ 6,017,671	$ 5,042,927
Total revenues	$ 7,249,865	$ 12,221,735
Net loss for the year	$ (205,502)	$ (133,741)

21. Balances and transactions with related parties

Balances and transactions between the Entity and its subsidiaries, which are related parties of the Entity, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Entity and other related parties are disclosed below.

a. Balances due from and due to related parties are as follows:

	2023	2022
Accounts receivable:		
Operadora Circulo CCK, S.A. de C.V.	$ 62	$ 11
Inmobiliaria Baz Rivera S.A. De C.V.	34,104	-
	$ 34,166	$ 11
Accounts payable:		
Kaltex Inmobiliaria, S.A. de C.V.	$ 930	$ -
Inmobiliaria Los Mejia, S.A. de C.V.	72,601	74,384
Rancho Los Mejias, S.A. de C.V.	19,350	19,893
Inmobiliaria Mago, S.A. de C.V.	5,504	1,101
	$ 98,385	$ 95,378

	2023	2022
Long-term accounts payable-		
Grupo MCM Colombia, S.A. (1)		
Long-term debt	$ 1,217,096	$ 1,558,882
Mosjak, S.A. de C.V. (2)		
Long-term debt	751,429	1,017,898
	$ 1,968,525	$ 2,576,780

The outstanding amounts are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful receivables in respect of the amounts owed by related parties.

(1) As of December 31, 2023 and 2022, the balance payable in the long term to Grupo MCM Colombia, S.A., composed of loan for a principal US $65 million, accruing interests at a rate of 10%, with maturity in 2025.

(2) As of December 31, 2023 and 2022, the long-term balance payable to Mosjak, S.A. de CV, is composed loan for a principal amount of US $4.35 million, and for the acquisition of the non-controlling of Grupo Milano for US $12.7 million, accruing interest at a rate of 3.10%, with a maturity in 2025.

b. Transactions with related parties, carried out in the ordinary course of business were as follows:

	2023	2022
Revenue:		
Other income	$ 1,221	$ 5,590
Commissions	29,400	-
Expenses:		
Lease income	$ 5,200	$ 5,656
Interest expense	26,079	28,500
Other expense	6,148	-

22. Costs and expenditures by nature

	2023	2022
Cost of sales:		
Raw material	$ 3,267,234	$ 6,603,364
Wages and salaries	1,051,178	1,277,149
Employee benefits	774,870	764,229
Electricity	435,753	363,833
Fuels and lubricants	371,084	427,902
Maintenance	225,641	358,709
Freight	149,308	192,255
Leasing	86,499	32,310
Profit sharing	37,206	59,513
Customs charges	8,531	75,848
Logistics services	5,424	33,140
Manufacturing expenses	3,211	20,552
Other	247,778	445,729
Subtotal	6,663,717	10,654,533
Depreciation and amortization	405,935	418,313
Depreciation of right-of-use assets	-	5,968
Total	$ 7,069,652	$ 11,078,814

	2023	2022
Sales expenses:		
Wages and salaries	$ 69,313	$ 83,647
Sales commissions	34,125	29,447
Employee benefits	12,349	20,919
Royalties	26,984	25,030
Fees	19,824	5,684
Insurance	8,801	7,510
Travel expenses	6,203	4,462
Profit sharing	2,408	5,531
Maintenance	625	3,440
Leasing	303	292
Electricity	305	341
Publicity	64	1,301
Freight	2	150
Bank commissions	-	28,046
Other	26,766	21,771
Subtotal	208,072	237,571
Depreciation and amortization	6,813	8,489
Depreciation of right-of-use assets	11,959	13,306
Total	$ 226,844	$ 259,366
Administrative expenses:		
Wages and salaries	$ 162,331	$ 155,414
Employee benefits	63,987	31,460
Fees	55,841	251,234
Maintenance	26,391	28,944
Insurance	22,373	17,852
Leasing	20,553	11,437
Phone	12,916	13,268
Profit sharing	4,694	7,226
Travel expenses	4,760	2,920
Electricity	1,827	5,266
Freight	-	19
Bank commissions	122	1,466
Other	57,785	33,058
Subtotal	433,580	559,564
Depreciation and amortization	2,237	2,713
Total	$ 435,817	$ 562,277

23. Other (income) expenses

	2023	2022
(Gain) loss on sale of machinery and equipment and asset available for sale	$ (178,987)	$ 147,174
Fair value adjustment of investment properties	(66,416)	67,898
Lease income	(14,945)	(11,970)
Loss (gain) from sales of waste	226,576	(23,504)
Recovery of insurance	(1,803)	(6,005)
Tax and surcharge update	179,704	376,954
Impairment of machinery and equipment	37,826	66,459
Other expenses (income)	57,394	(11,766)
	$ 239,349	$ 605,240

24. Income taxes

The Entity and some of its subsidiaries are located in Mexico; certain other subsidiaries are located throughout the United States of America (USA), Colombia and Nicaragua. It is important to mention that although the tax laws and regulations applicable in the different countries may differ considerably, there are similar permanent elements, such as non-deductible and non-taxable items. As a result, the Entity has decided to use the Mexican income tax (ISR) rate of 30% to reconcile its effective tax rate, due to the fact that the majority of the earnings are taxed in Mexico through its direct subsidiary, Kaltex Textiles, S. A. de C. V. and Kaltex Comercial, S.A. de C.V.

Colombia

The subsidiary Coltejer, S.A. calculates income tax based on its presumptive income as defined in the Colombian tax law. The current income tax rate (IRC) is 33%.

Nicaragua

According to Decree No. 46-91 "Ley de Zonas Francas" Art. 20, the subsidiary Argus, S.A. has the following tax benefits:

a) 100% exemption from payment of tax on income generated by their activities in the "Zona Franca" (Free Zone) during the first ten years of operation and 60% from the eleventh year.

b) Exemption from payment of tax on sale of property under any title, including the tax on capital gains, if any, provided that the company closed its operations in this area, and the property continues to affect the regime, Zona Franca.

c) Exemption from all taxes and customs duties and import-related consumption, applicable to the introduction into the country of raw materials, materials, equipment, machinery, matrix, or spare parts intended to enable the company for its operations in Zona Franca.

d) Exemption from customs duties on transport equipment, other vehicles loading passengers or service intended for normal use of the company in the Zona Franca.

e) Full exemption from excise taxes on sales or selective consumption.

f) Full exemption from municipal taxes.

g) Full exemption from export taxes on processed goods in the Zona Franca.

United States of America

In 2023 and 2022, the subsidiary Kaltex America, S.A. was subject to a 21% income tax rate.

a. ***Income tax recognized in profit or loss***

	2023	2022
ISR:		
Current	$ 153,229	$ 325,754
Deferred tax (benefit)	137,063	(295,376)
Income tax recognized in profit or loss	$ 290,292	$ 30,378

Deferred tax recognized in other comprehensive income:

	2023	2022
Actuarial gain on employee benefits	$ (4,024)	$ (23,343)
Revaluation of lands and buildings	(41,786)	(210,688)
	$ (45,810)	$ (234,031)

b. ***Deferred tax balances:***

	2023	2022
Deferred income asset:		
Allowances and provisions	$ 125,531	$ 58,348
Employee benefits	87,312	157,501
PTU	12,337	23,397
Tax loss carryforwards	86,819	60,518
Advance payments from customers	11,242	12,676
Investment properties	419,441	256,838
Right-of-use assets	3,953	-
Other	35,551	53,369
Deferred income tax asset	782,186	622,647
Deferred income liability:		
Property, plant and equipment	(2,239,014)	(1,897,225)
Lease liability	-	(11,542)
Other	(46,249)	(34,085)
Deferred income tax liability	(2,285,263)	(1,942,852)
Net deferred ISR liability	$ (1,503,078)	$ (1,320,205)

c. ***Deferred tax in statement of financial position***

The following is the analysis of deferred tax assets (liabilities) included in the consolidated statements of financial position:

	2023	2022
Deferred tax asset	$ 125,607	$ 94,136
Deferred tax liability	(1,628,685)	(1,414,341)
Net deferred tax liability	$ (1,503,078)	$ (1,320,205)

The movements of net deferred tax liabilities during the year are as follows:

	2023	2022
Beginning balance	$ (1,320,205)	$ (1,381,550)
Deferred income tax recognized in profit or loss	(137,063)	295,376
Deferred income tax recognized in other comprehensive income	(45,810)	(234,031)
Ending balance	$ (1,503,078)	$ (1,320,205)

d. Following is a reconciliation of the statutory income tax rate and the effective rate on the income from continuing operations before income taxes:

	2023 %	2022 %
Income tax at statutory rate	30	30
Add (deduct) the effect of permanent differences:		
Non-deductible items	(2)	(2)
Adjustment for inflation	(1)	(1)
Tax losses	100420	(30)
Effective rate	100447	(3)

e. In determining deferred income taxes as of December 31, 2023 and 2022, the effects of tax loss carryforwards included amounted to $201,727 and $1,136, respectively.

Year of Expiration	Tax loss Expiration
2024	$ 1,783
2025	2,685
2026	389,165
2027	187,346
2028	265,302
2029	67,460
2030	881,962
2031	2,909,049
2032	179,409
2033	5,277
	4,889,439
Tax loss of foreign entities without maturity	4,394
	$ 4,893,833

25. Contingencies

At the date of these consolidated financial statements, the Entity has legal proceedings pending and taxes pending to pay before the competent authorities. The legal proceedings pending are mainly related to foreign trade operations related to the recovery of accounts receivable and labor lawsuits. The taxes pending to pay are mainly federal taxes including its surchrgers.

26. Subsequent events

See Note 1b.

27. Segment information

The information reported to the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment is based on three segments as follows:

- Textile: manufacture and distribution of yarns and fabrics of all kinds of natural and synthetic fibers.
- International: distribution for home products in USA, manufacture, and distribution in Colombia for the fashion industry and our fabric and yarn distributor for South America.

a. The following segment information is presented based on the management approach as follows.

	2023			
	International	**Textile**	**Eliminations**	**Total Consolidated**
Net sales	$ 3,290,735	$ 8,626,245	$ (4,345,710)	$ 7,571,270
Gross profit	166,193	521,728	(186,303)	501,618
Sales expense	89,963	139,501	(2,620)	226,844
Administrative expenses	69,353	640,846	(274,382)	435,817
Other (income) expenses, net	56,720	91,930	90,699	239,349
Depreciation and amortization	21,736	393,249	-	414,985
Depreciation of right-of-use asset	11,959	-	-	11,959
Impairment of machinery and equipment	37,826	-	-	37,826
EBITDA	21,678	42,700		64,378
Interest expenses, net	27,739	610,881	-	638,620
Exchange gain, net	(350,174)	(689,127)	-	(1,039,301)
Income tax	252,348	37,944	-	290,292
Consolidated net loss of continuing operations	20,244	(310,247)	-	(290,003)
Total assets	$ 6,398,173	$ 36,538,908	$ (28,076,071)	$ 14,861,010
Total liabilities	$ 2,702,507	$ 15,847,024	$ (6,799,439)	$ 11,750,092

	2022			
	International	**Textile**	**Eliminations**	**Total Consolidated**
Net sales	$ 5,703,275	$ 14,432,850	$ (8,145,588)	$ 11,990,537
Gross profit	233,007	787,196	(108,480)	911,723
Sales expense	124,798	142,445	(7,877)	259,366
Administrative expenses	84,605	623,421	(145,749)	562,277
Other (income) expenses, net	288,792	271,302	45,146	605,240
Depreciation and amortization	17,088	412,427	-	429,515
Depreciation of right-of-use asset	13,146	6,128	-	19,274
EBITDA	(234,954)	168,583	-	(66,371)

	2022			
	International	Textile	Eliminations	Total Consolidated
Interest expenses, net	52,927	519,634	-	572,561
Exchange gain, net	320,240	(394,120)	-	(73,880)
Income tax	(92,572)	122,950	-	30,378
Consolidated net loss of continuing operations	(545,783)	(498,436)	-	(1,044,219)
Total assets	$ 6,824,266	$ 34,800,756	$ (25,507,703)	$ 16,117,319
Total liabilities	$ 2,915,063	$ 19,765,788	$ (9,352,459)	$ 13,328,392

28. Authorization to issue the consolidated financial statements

On June 26, 2024, the issuance of the accompanying consolidated financial statements was authorized by C.P. Carlos Avelar Guerrero, the Entity´s Legal Representative; consequently, they do not reflect events occurred after that date, and are subject to the approval at the Stockholders' ordinary meeting, where they may be modified, in accordance with the provisions of the Mexican General Corporate Law.

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