

APOLLO TIRES (US) INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Board of Directors
c/o Apollo Tyres Cooperatief U.A.
P.O. Box 27
7500 AA Enschede
The Netherlands

Opinion

We have audited the accompanying financial statements of Apollo Tires (US) Inc. (a Delaware Corporation), being part of Apollo Tyres Cooperatief U.A., which comprise the balance sheets as of March 31, 2022 and 2021, and the related statements of income and stockholder's (deficit), and cash flows for the years then ended and related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Apollo Tires (US) Inc. as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Apollo Tires (US) Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Apollo Tires (US) Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Apollo Tires (US) Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Apollo Tires (US) Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of Cost of Goods Sold and Operating Expenses on page 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants

May 3, 2022

Manalapan, New Jersey

APOLLO VREDESTEIN TIRES, INC.
BALANCE SHEETS
MARCH 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,953,989	\$ 527,565
Accounts receivable - net	5,088,757	1,936,013
Intercompany receivable - Apollo Tyres Ltd. India	-	5,114
Intercompany receivable - Apollo Tyres Global R&D B.V.	-	141,464
Inventory	18,496,790	991,406
Prepaid expenses	2,118,409	269,587
TOTAL CURRENT ASSETS	27,657,945	3,871,149
PROPERTY AND EQUIPMENT, net of accumulated depreciation	19,368	16,551
OTHER ASSETS		
Security deposits	2,700	2,700
TOTAL OTHER ASSETS	2,700	2,700
TOTAL ASSETS	\$ 27,680,013	\$ 3,890,400
LIABILITIES AND STOCKHOLDER'S (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 2,428,895	\$ 210,368
Intercompany payable - Apollo Tyres Ltd. India	14,232,201	28,748
Intercompany payable - Apollo Tyres U.K. Pvt Ltd	81,727	48,335
Intercompany payable - Apollo Tyres Global R&D B.V.	276,682	-
Intercompany payable - Apollo Vredestein B.V.	1,990,119	2,831,325
Accrued expenses	323,680	301,168
Accrued payroll and payroll taxes	1,942	1,043
Customer deposits	505	505
Accrued income taxes	1,710	1,710
Excise tax payable	99,792	-
Accrued customer discounts	1,264,542	564,725
Notes payable - current portion	10,000,000	279,855
TOTAL CURRENT LIABILITIES	30,701,795	4,267,782
STOCKHOLDER'S (DEFICIT)		
Common Stock, 100 shares issued and outstanding, par value .01	50,000	50,000
Additional paid in capital	13,200,000	13,200,000
Retained (Deficit)	(16,271,782)	(13,627,382)
TOTAL STOCKHOLDER'S (DEFICIT)	(3,021,782)	(377,382)
TOTAL LIABILITIES AND STOCKHOLDER'S (DEFICIT)	\$ 27,680,013	\$ 3,890,400

See independent auditor's report and notes to financial statement.

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APOLLO VREDESTEIN TIRES, INC.
STATEMENTS OF INCOME AND STOCKHOLDER'S (DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
NET REVENUE	\$ 46,485,752	\$ 21,159,632
COST OF GOODS SOLD	38,996,718	16,388,393
GROSS PROFIT	7,489,034	4,771,239
OPERATING EXPENSES	6,087,885	3,958,289
INCOME (LOSS) BEFORE OTHER INCOME AND (EXPENSE) AND PROVISION FOR INCOME TAXES	1,401,149	812,950
OTHER INCOME AND (EXPENSE) :		
Exchange rate loss	(17,674)	(106,424)
Forgiveness of PPP loan	279,855	-
Interest expense	(49,205)	-
Interest income	8,011	26,559
Research and development costs	(4,262,943)	(1,921,743)
TOTAL OTHER INCOME AND (EXPENSE)	(4,041,956)	(2,001,608)
LOSS BEFORE PROVISION FOR INCOME TAXES	(2,640,807)	(1,188,658)
PROVISION FOR INCOME TAXES:		
Corporate income taxes	3,593	8,163
NET LOSS	(2,644,400)	(1,196,821)
STOCKHOLDER'S (DEFICIT) beginning of year	(13,627,382)	(12,430,561)
STOCKHOLDER'S (DEFICIT) end of year	\$ (16,271,782)	\$ (13,627,382)

See independent auditor's report and notes to the financial statements.

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APOLLO VREDESTEIN TIRES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Net loss	\$ (2,644,400)	\$ (1,196,821)
Adjustments to reconciled net loss to net cash (used) by operating activities:		
Depreciation	10,306	6,501
Gain on forgiveness of PPP loan	(279,855)	-
(Increase) decrease in assets:		
Accounts receivable	(3,151,349)	116,282
Intercompany receivable - Apollo Tyres Ltd. India	-	(3,948)
Intercompany receivable - Apollo Tyres Global R&D B.V.	-	143,501
Inventory	(17,505,384)	(335,606)
Prepaid expenses	(1,848,822)	(136,953)
Increase (decrease) in liabilities:		
Intercompany payable - Apollo Tyres Ltd. India	14,207,173	-
Intercompany payable - Apollo Tyres U.K. Pvt Ltd	33,391	(245,462)
Intercompany payable - Apollo Vredestein B.V.	(841,206)	583,968
Intercompany payable - Apollo Tyres Global R&D B.V.	418,146	(691,532)
Accounts payable	2,218,527	(33,240)
Accrued expenses	22,512	(170,820)
Accrued payroll and payroll taxes	899	1,007
Excise tax payable	99,792	-
Accrued customers discounts	699,817	(41,945)
Net cash (used) by operating activities	(8,560,453)	(2,005,068)
Cash flows from investing activities:		
Purchase of equipment	(13,123)	(9,013)
Net cash (used) by investing activities	(13,123)	(9,013)
Cash flows from financing activities:		
Proceeds from loan borrowings	10,000,000	279,855
Paid in capital	-	2,000,000
Net cash provided by financing activities	10,000,000	2,279,855
Net increase in cash	1,426,424	265,774
Cash at beginning of year	527,565	261,791
Cash at end of year	\$ 1,953,989	\$ 527,565
 <u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the period for:		
Interest	\$ 49,205	\$ -
Income taxes	\$ 3,593	\$ 8,163

See independent auditor's report and notes to the financial statements.

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Apollo Tires (US) Inc., (a Delaware corporation), formally Apollo Vredestein Tires, Inc., (the "Company") was formed November 19, 2004. The Company is the distributor in the United States of America, of high-quality tires for its affiliated parent corporation Apollo Tyres Cooperatief U.A., a manufacturer of tires. The company's customer base is comprised of independent tire distributors throughout the United States of America.

The Company's sales office is located in Atlanta, Georgia and its corporate headquarters is located in, The Netherlands.

Basis of Accounting

The Company's policy is to maintain its books and records on the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

Management Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less at the date of acquisitions to be cash equivalents.

Accounts Receivable

The Company grants credit to customers, substantially all of whom are tire distributors. Appropriate provisions are made for uncollectible accounts based on historical loss experience, portfolio duration, economic conditions and credit risk, considering both expected future losses as well as current incurred losses. The adequacy of the allowances are assessed quarterly.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years.

Inventory

Inventory is stated at the lower of cost or fair market value. Intercompany transfer prices (Cost), are set by a related company. The Intercompany transfer price to its affiliates is based upon a Standard cost price plus a markup.

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("ASC 606"), related to revenue recognition which replaces numerous requirements in U.S. GAAP, including industry-specific requirements and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services in accordance with the five step model outlined in ASC 606: (i) identify the contract(s) with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price (iv) allocated the transaction price to the performance obligations, and (v) recognize revenue when (or as) the performance obligations are satisfied. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting periods presented and the cumulative effect of applying the standard would be recognized at the earliest period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of the initial application.

Effective January 1, 2019, the Company adopted the requirements of ASC 606 using the modified retrospective method. The Company determined key factors from the five-step model to recognize revenue as prescribed by the new standard that may be applicable. The adoption of the new revenue standard had no impact to the Company's opening retained earnings as it did not require a material change in revenue recognition for the Company's contracts with customers. The Company has elected to provide the reduced nonpublic business entity disclosures, which includes not providing a quantitative reconciliation of opening and closing balances and the significant changes during the period for contract assets, liabilities and the methods, inputs and assumptions used to determine the transaction price and to allocate the transaction price.

Under ASC 606, The Company recognized revenue when the customer obtains control of promised services (the performance obligation) in the amount that reflects the consideration the Company expects to receive in exchange for those services (the transaction price). The Company measures revenue by estimating the transaction price based on the consideration specified in the customer contract. Revenue is recognized as the performance obligation is satisfied.

This generally occurs with delivery, depending on the terms of the underlying contract. Revenues are measured as the amount of consideration we expect to receive in exchange for transferring goods. The amount of consideration we receive and revenue we recognize can vary due to changes in sales incentives, rebates, rights of return or other items we offer our customers. Payment terms with customers vary by customer but are generally 30-90 days. Costs to obtain contracts are generally expensed as incurred due to the short-term nature of individual contracts. Incidental items that are immaterial in the context of the contract are recognized as expense as incurred.

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Revenue Recognition - (Continued)

The following is an analysis of the Company's net revenues as of March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenue	\$ 50,075,838	\$ 23,043,830
Customers' allowance	(3,590,086)	(1,884,198)
Total Net Revenue	<u>\$ 46,485,752</u>	<u>\$ 21,159,632</u>

Concentration of Customer and Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risks, consist principally of cash and trade receivables. The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company places its cash investments with high credit quality financial institutions and monitors the financial condition of its customers. At March 31, 2022 and 2021, cash balances exceeded the FDIC insurance limits by \$1,698,450 and \$277,565, respectively.

The Company contracts with customers in the retail and wholesale tire distribution industry, primarily regional distributors. Ongoing credit evaluations of customer's financial condition are performed, and the financial conditions of these customers are monitored. The Company insures the majority of its outstanding account receivable. As of March 31, 2022, the Company has two customers that collectively accounted for approximately 74% of revenues and those two customers account for approximately 53% of the outstanding accounts receivable. As of March 31, 2021, the Company has two customers that collectively accounted for approximately 73% of revenues and those two customers account for approximately 54% of the outstanding accounts receivable.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense was approximately \$1,468,067 and \$1,042,298 for the years ending March 31, 2022 and 2021, respectively.

Research and Development Costs

Research and development costs are incurred by a related party and shared amongst all subsidiaries as an intercompany charge. These costs are expensed as incurred and included as a component of operating expenses. See Note 12 for a detailed breakdown of the costs.

Foreign Currency Transactions

Transactions in foreign currencies are translated into US dollars at the exchange rates at the dates of the transactions. Foreign currency differences are generally recognized in other income or loss.

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Income Taxes

The Company accounts for its income taxes under SFAS No.109, "Accounting for Income Taxes", which requires recognition of deferred tax liabilities and assets for the estimated future tax effects of events that have been recognized in the financial statements or income tax returns. Under this method, deferred tax liabilities and assets are determined based on differences between the financial accounting and income tax basis of assets and liabilities, and the use of loss carry forwards, if any, using enacted tax rates in effect for the years in which the differences and carry forwards are expected to reverse and be utilized. As of March 31, 2022, the Company has a net operating loss carryforward of \$13,588,146 and will expire on various dates from March 31, 2030 through March 31, 2042.

The Company has a deferred tax asset of approximately \$3,376,436, relating to its net operating loss, which has a 15 - 20 year carry forward period. The Company cannot determine if it is more likely than not, that this loss carry forward will be fully realized in future years by the generation of future taxable income. As such, the Company has recognized a valuation allowance equal to its deferred tax asset.

In accordance with accounting principles generally accepted in the United States of America management is required to determine whether a tax position is more likely-than-not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company files an income tax return in the U.S. federal jurisdiction and may file income tax returns in various U.S. states and jurisdictions. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce stockholders' capital. Accounting principles generally accepted in the United States of America provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. These principles must be applied to all existing tax positions upon adoption which, for the Company, was for the year ended March 31, 2022. Management concluded that it was not necessary to record a liability for any such tax positions as of March 31, 2022.

However, management's conclusions regarding this policy may be subject to review and adjustment later based on factors including, but not limited to, on-going analysis of, and changes to, tax laws, regulations and interpretations thereof. The Company's activities from commencement of operations remain subject to examination by federal, state and local authorities. No interest expense or penalties have been assessed for the year ended March 31, 2022. Management does not believe there are positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months of the reporting date.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation.

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 2 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of March 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Trade current	\$ 4,544,025	\$ 1,740,604
Trade 31-60 days	257,449	48,978
Trade 61-90 days	(16,773)	57,815
Trade over 90 days	<u>304,056</u>	<u>88,616</u>
Gross receivables	5,088,757	1,936,013
Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Total accounts receivable, net	<u>\$ 5,088,757</u>	<u>\$ 1,936,013</u>

NOTE 3 - INVENTORY

The components of inventory at March 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Finished goods	\$ 18,573,090	\$ 1,027,015
Provision for obsolete inventory	<u>(76,300)</u>	<u>(35,609)</u>
Total inventory	<u>\$ 18,496,790</u>	<u>\$ 991,406</u>

Inventory is stated at the lower of cost or fair market value. Cost is based on an intercompany transfer price and may be adjusted based on a revaluation calculation. Intercompany transfer prices are based upon a standard cost price plus a markup. However standard cost prices and resultant intercompany transfer prices can be changed during the year based upon:

- A. Change in the exchange rate if the exchange rate varies by 5%. In this case, transfer prices are revised upwards or downwards.
- B. Changes in the raw material prices by 5% compared to budget. In this case, the difference is normally charged through a debit or credit note.

The Company inventory pricing follows generally accepted accounting principles and values inventory at the lower of cost or fair market value.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist if the following as of March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 37,609	\$ 24,486
Other equipment	<u>1,306</u>	<u>1,306</u>
	38,915	25,792
Less: accumulated depreciation	(19,547)	(9,241)
Total property and equipment	<u>\$ 19,368</u>	<u>\$ 16,551</u>

Depreciation expense for the years ended March 31, 2022 and 2021 was \$10,306 and \$6,501, respectively.

See auditor's report.

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 5 - INTERCOMPANY RECEIVABLE - APOLLO TYRES Ltd INDIA

The Company has incurred research and development expenses on behalf of Apollo Tyres Ltd., India. This resulted in an intercompany receivable. The balance at March 31, 2022 and 2021 was \$-0- and \$5,114, respectively. See Note 12 for the details of the related party transactions.

NOTE 6 - INTERCOMPANY RECEIVABLE - APOLLO TYRES GLOBAL R&D B.V.

The Company incurred payroll costs of one employee on behalf of a related company, Apollo Tyres Global R&D B.V. This has resulted in an intercompany receivable at March 31, 2022 and 2021 in the amounts of \$-0- and \$141,464, respectively. See Note 12 for the details of the related party transactions.

NOTE 7 - INTERCOMPANY PAYABLE - APOLLO TYRES Ltd INDIA

The Company is billed for inventory, research and development charges and payroll costs of an employee that transferred from Apollo Tyres Ltd., India to the Company. These cumulative expenses have resulted in an intercompany payable at March 31, 2022 and 2021 of \$14,232,201 and \$28,748. See Note 12 for the details of the related party transactions.

NOTE 8 - INTERCOMPANY PAYABLE - APOLLO TYRES U.K. Pvt Ltd

The Company is billed for shared management expenses from the U.K. office, Apollo Tyres U.K. Pvt Ltd. These cumulative expenses have resulted in an intercompany payable at March 31, 2022 and 2021 of \$81,727 and \$48,335, respectively. See Note 12 for the details of the related party transactions.

NOTE 9 - INTERCOMPANY PAYABLE - APOLLO TYRES GLOBAL R&D B.V.

The Company has is billed for research and development charges from a related company, Apollo Tyres Global R&D B.V. This has resulted in an intercompany payable at March 31, 2022 and 2021 in the amounts of \$276,682 and \$-0-, respectively. See Note 12 for the details of the related party transactions.

NOTE 10 - INTERCOMPANY PAYABLE - APOLLO VREDESTSTEIN B.V.

The Company purchases its inventory from a related company, Apollo Vredestein B.V., a Netherlands based corporation. In addition, the Company is billed by the related company for freight costs. These cumulative expenses have resulted in an intercompany payable at March 31, 2022 and 2021 of \$1,990,119 and \$2,831,325. See Note 12 for the details of the related party transactions.

NOTE 11 - NOTES PAYABLE

The Company received a loan from Mechanics Bank in the amount of \$279,855 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Company has applied for forgiveness and loan was forgiven on April 3, 2021.

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 12 - LINE OF CREDIT

The Company obtained a revolving secured line of credit agreement with Citibank for \$15,000,000 to better meet the liquidity needs of the Company. Interest accrues at the LIBOR Rate.

As of March 31, 2022 and 2021, there was a an outstanding balance of \$10,000,000 and \$-0-, respectively, on this revolving line of credit.

NOTE 13 - COMMITMENTS

The Company entered into a membership agreement for office space in Atlanta Georgia. The membership agreement began May 1, 2019 and had a commitment of fourteen months ending on June 30, 2020. During the year, the Company extended the terms of the membership agreement through September 30, 2022. The membership agreement is \$12,700 per month with discounts each month.

During the previous year, the Company leased new warehouse space in Fulton, Kentucky. The Company moved all inventory to the new warehouse in February 2021. The lease term is for three years, and the storage rate is based on a per tire basis. The Company expects to keep an average of 30,000 passenger tires, 800 agricultural tires and 18,000 truck and bus tires in the warehouse monthly during the next fiscal year. Management has elected to estimate the future minimum rentals at these rates. These amounts are included in handling costs.

The Company also leases space on a month-to-month basis for a storage unit in Atlanta, Georgia.

At March 31, 2022, future minimum rental payments under operating leases are as follows:

2023	\$ 495,520
2024	379,600
2025	-
2026	-
2027	-
Total	<u>\$ 835,120</u>

Rent expense for the years ended March 31, 2022 and 2021 amounted to \$68,865 and \$173,470, respectively.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Company has an intercompany receivable with Apollo Tyres Ltd., India with a balance of \$-0- and \$5,114, as of March 31, 2022 and 2021, as described in Note 6. The Company is billed for inventory, research and development (R&D) and IT cross charges from Apollo Tyres Ltd., India. Inventory purchases amounted to \$28,780,267 and \$-0- for the fiscal year ended March 31, 2022 and 2021, respectively. R&D costs amounted to \$1,323,342 and \$557,221 for the fiscal year ended March 31, 2022 and 2021, respectively. The IT cross charges amounted to \$32,227 and \$542,564 for the fiscal year ended March 31, 2022 and 2021, respectively. The Company has an intercompany payable with this entity at March 31, 2022 and 2021 in the amounts of \$14,232,201 and \$28,748, respectively, as full described in Note 7. The Company has prepaid invoices to Apollo Tyres Ltd., India in the amount of \$1,680,134 for inventory that the Company has not yet received. This amount is included with prepaid expenses.

See auditor's report.

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APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 14 - RELATED PARTY TRANSACTIONS - (CONTINUED)

For the years ended March 31, 2022 and 2021, the Company was billed for shared general management expenses from a related entity, Apollo Tyres U.K. Pvt Ltd. The Company also makes payments to the related party for the amounts billed. The gross amount billed to the Company for the years was \$565,519 and \$421,164, respectively. The Company has an intercompany payable balance of \$81,727 and \$48,335, as of March 31, 2022 and 2021, respectively, with that related entity as fully described in Note 8.

For the years ended March 31, 2022 and 2021, the Company incurred payroll cost expenses for a related entity, Apollo Tyres Global R&D B.V. The Company was also charged research and development costs from the same related company during the year. The amount paid for payroll for the related entity was \$-0- and \$43,709, respectively. The Company has an intercompany receivable with this entity of \$-0- and \$141,464, respectively, as fully described in Note 7. Gross charges for research and development during were \$2,913,371 and \$1,501,979, respectively. The Company has an intercompany payable balance of \$276,682 and \$-0-, as of March 31, 2022 and 2021, respectively, with that related entity as fully described in Note 9.

For the years ended March 31, 2022 and 2021, the Company purchases its inventory and incurs freight costs from a related company, Apollo Vredestein B.V.. That amount totaled \$20,536,659 and \$15,783,304 for the years ended March 31, 2022 and 2021, respectively. The Company also incurs IT cross charges from the same related company. These expenses totaled \$53,108 and \$12,060 for the years ended March 31, 2022 and 2021, respectively. The Company has an intercompany payable of \$1,990,119 and \$2,831,325, as of March 31, 2022 and 2021, respectively, with this related company as fully described in Note 10.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through May 3, 2022, there have been no events after the balance sheet date that would require a normal disclosure. It should be emphasized that uncertainty exists regarding the impact of the global pandemic as described on Note 14.

SUPPLEMENTAL INFORMATION

APOLLO VREDESTEIN TIRES, INC.
SCHEDULES OF COST OF GOODS SOLD
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
<u>COST OF GOODS SOLD</u>		
Inventory - beginning of year	\$ 991,406	\$ 655,800
Purchases	47,173,235	14,314,960
Freight	9,174,589	2,336,634
Customer claims	154,278	72,405
Cost of goods available for sale	57,493,508	17,379,799
Inventory - end of year	18,496,790	991,406
 TOTAL COST OF GOODS SOLD	 \$ 38,996,718	 \$ 16,388,393

See independent auditor's report and notes to the financial statements.

APOLLO VREDESTEIN TIRES, INC.
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
<u>OPERATING EXPENSES</u>		
Advertising	\$ 1,468,067	\$ 1,042,298
Automobile expenses	70,850	68,790
Bank and credit card charges	10,525	12,166
Computer and internet expense	-	12,001
Depreciation	10,306	6,501
Dues and subscriptions	12,395	7,551
Employee benefits	166,173	118,471
Handling costs	446,362	115,564
Intercompany overhead costs	578,741	433,408
Insurance	69,210	51,479
Meals and entertainment	77,697	4,285
Miscellaneous	9,526	31,536
Office expenses	22,188	7,190
Outside services	70,525	58,018
Payroll expense	2,090,317	1,466,882
Payroll taxes	193,751	140,069
Postage	2,259	272
Professional fees	110,346	48,678
Rent expense	68,865	173,490
Staff recruitment	225,250	36,266
Staff training	16,290	5,323
Telephone expense	18,648	15,504
Tire testing	101,145	30,908
Travel	248,449	71,639
	\$ 6,087,885	\$ 3,958,289
TOTAL OPERATING EXPENSES		

See independent auditor's report and notes to the financial statements.