

APOLLO TIRES (US) INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3 - 5
Balance Sheets	6
Statements of Income and Stockholder's (Deficit)	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 15



Clifford M. Topel, CPA
Steven R. Silver, CPA, ABV
Carrie A. Topel, CPA
Ronald Meissler, CPA
Donald Goldberg, CPA (1922-2005)

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023

Manalapan, New Jersey

APOLLO TIRES (US) INC.
BALANCE SHEETS
MARCH 31, 2023 AND 2022

USD 000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalent		2,847	1,954
Inventory	2	36,947	18,497
Trade receivable	3	8,191	5,087
Other current assets	4	1,085	2,123
Total current assets		49,070	27,661
Non current assets			
Property and equipment <i>(net of accumulated depreciation)</i>	5	44	19
Deferred tax asset	6	3,732	-
Total non current assets		3,776	19
TOTAL ASSETS		52,846	27,680
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities			
Inter company payable	7	11,813	16,581
Other current liabilities		3,324	4,121
Total current liabilities		15,137	20,702
Borrowing			
Short term debt	8	34,500	10,000
Stockholder equity			
Share capital and premium	9	13,250	13,250
Retained (Deficit)		(16,272)	(13,628)
Net Income (Loss)		6,231	(2,644)
Total Stockholder equity (deficit)		3,209	(3,022)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY		52,846	27,680

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

APOLLO TIRES (US) INC.
INCOME STATEMENTS
FOR YEAR ENDED 31 MARCH, 2023 AND 2022

USD 000	Notes	2023	2022
INCOME			
Revenue	10	116,941	46,467
Other income	11	-	280
Total revenue		116,941	46,747
EXPENSES			
Cost of goods sold	12	(95,796)	(34,290)
Operating expenses	13	(17,750)	(15,056)
Total expenses		(113,546)	(49,346)
INCOME (LOSS) BEFORE INTEREST AND PROVISION FOR INCOME TAXES		3,395	(2,599)
Interest cost		(881)	(41)
PROFIT (LOSS) BEFORE PROVISION FOR INCOME TAXES		2,514	(2,640)
Income tax expenses (benefit)	14	(3,717)	4
NET INCOME (LOSS)		6,231	(2,644)

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

APOLLO TIRES (US) INC.
CASH FLOW STATEMENTS
FOR YEAR ENDED 31 MARCH, 2023 & 2022

USD 000	2023	2022
1. Cash flow from operating activities:		
Net Income (Loss)	6,231	(2,644)
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	18	10
Deferred Income taxes	(3,732)	-
Cash from operating activities	2,517	(2,634)
Change in assets and liabilities		
Inventory	(18,450)	(17,505)
Trade receivable	(3,104)	(3,155)
Inter co payable	(4,767)	13,814
Other current assets and liabilities (net)	240	1,199
	(26,081)	(5,647)
Net cash flow used by operations	(23,564)	(8,281)
2. Cash flow from Investing Activities :		
Purchase of Fixed assets	(43)	(13)
Net cash flow used by investng activities	(43)	(13)
3. Cash flow from Financing Activities		
Proceeds from Short term debt	24,500	9,720
Net cash flow provided from financing activities	24,500	9,720
Net increase (decrease) in cash	893	1,426
Cash balance, Beginning of year	1,954	528
Cash balance, End of year	2,847	1,954
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	846	41
Income taxes	2	3

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

**APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

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 engaged in selling and distribution activities in the United States of America . The company imports tires for passenger, commercial as well as for Off road vehicles . The company imports its products from India and Europe, from related entities. The company's customer base is comprised of independent tire distributors throughout the United States of America as well as in Canada.

The Company's sales office is located in Atlanta, Georgia and its ultimate parent company is Apollo Tyres Ltd. India having register office at 3rd Floor, Areekal Mansion, Panampilly Nagar Kochi Ernakulam KL 682036 India.

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. The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Intercompany transfer prices (Cost of purchases), are set by a related company. The Intercompany transfer price to its affiliates is based upon a Cost price plus a markup.

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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.

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, 2023 and 2022, cash balances exceeded the FDIC insurance limits by \$2,597 million and \$1,698 million, 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, 2023, the Company has two customers that collectively accounted for approximately 65 % of revenues and those two customers account for approximately 70 % of the outstanding accounts 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.

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense was approximately \$3,160 million and \$1,468 million for the years ending March 31, 2023 and 2022, 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.

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.

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, 2023, the Company has a net operating loss carryforward of \$14,099,579 and will expire on various dates from March 31, 2030 through March 31, 2042.

The Company has a deferred tax asset of approximately \$4,567 million, 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 portion of 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 for \$834 thousand as an offset 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, 2023. Management concluded that it was not necessary to record a liability for any such tax positions as of March 31, 2023.

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, 2023. 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, 2023 AND 2022

USD 000	2023	2022
2. Inventory		
The Components of Inventory are as follows:		
Finished goods	37,220	18,573
Provision for obsolete inventory	(273)	(76)
Total Inventory	36,947	18,497
3. Trade receivable		
The following is a summary of Accounts receivable :		
Gross receivables	8,191	5,087
Allowance for doubtful debts	-	-
Total Accounts receivable - net	8,191	5,087
Aging of Gross receivable :		
Trade current	6,357	4,544
Trade 31-60 days	64	257
Trade 61-90 days	999	(18)
Trade over 90 days	771	304
	8,191	5,087
4. Other current assets		
The Components of Other current assets are as follows:		
Inter co-receivable	186	1
Prepaid expenses	896	2,119
Deposit-other	3	3
Total Other current assets	1,085	2,123
5. Property plant & Equipment		
Property and equipment consist of the following:		
Computer equipment	64	38
Other equipment	2	1
Gross total	66	39
Accumulated depreciation	(22)	(20)
Total Property and equipment -net	44	19
Depreciation expense for the years ended March 31, 2023 and 2022 are 18 thousand and 10 thousand respectively.		
6. Deferred tax assets		
Opening	-	-
Initial recognition	5,216	5,216
Reversal for current year	(649)	-
Gross total	4,567	5,216
Valuation allowance	(834)	(5,216)
Net total	3,732	-

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

USD 000	2023	2022
7. Current liabilities		
Inter company payable		
Apollo Tyres Ltd	5,959	14,232
Apollo Tyres (NL) B.V.	4,666	1,990
Apollo Tyres Global R&D	1,094	277
Apollo Tyres UK Ltd	94	82
Sub total	11,813	16,581
Trade payable	1,542	2,429
Accrued customer discount	1,119	1,265
Accrued expenses & other payable	663	427
Sub total	3,324	4,121
Grand total	15,137	20,702
8. Borrowing		
Short term Loan	34,500	10,000
	34,500	10,000

The Company obtained a revolving credit line with Citibank for \$35 Million to better meet the liquidity needs of the Company. Interest accrues at the SOFR Rate plus margin.

9. Stockholder equity

*Common Stock, 100 shares issued and outstanding,
par value .01*

	50	50
Additional paid in capital	13,200	13,200
Retained (Deficit)	(16,272)	(13,628)
Net Income (Loss)	6,231	(2,644)
Total Stockholder equity (deficit)	3,209	(3,022)

10. Revenue

The following is an analysis of the Company's net revenues :

Gross Turnover	122,526	50,057
Sales Discount	(5,585)	(3,590)
Total Net Revenues	116,941	46,467

APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

USD 000	2023	2022
11. Other income		
Misc. receipt	-	280
Total	-	280
12. Cost of goods sold		
Opening inventory	18,497	991
Cost of Purchase	90,610	47,174
Freight and duties	23,636	4,622
Cost of goods available for sale	132,743	52,787
Closing inventory	36,947	18,497
Total cost of goods sold	95,796	34,290
13. Other operating expenses		
Advertising and Promotion	3,160	1,468
Freight and logistic	3,105	4,980
Salary	3,579	2,473
Staff welfare	157	225
Inter company- Research & development	4,994	4,263
Inter company- Other	808	579
Travel & entertainment	715	397
Rent	149	69
Depreciation	18	10
Misc. expenses	1,065	592
Total	17,750	15,056
14. Taxation		
The Components of Income tax expense are as follows:		
Current tax	15	4
Deferred tax	(3,732)	-
Total	(3,717)	4

NOTE 15 – COMMITMENTS

The Company leases warehouse space in two locations across the country. Rental is payable based on actual usage of space (not of tyres held as inventory), commitment is based on budgeted value for FY 2023-24. There is no long term commitment beyond March 2024. These costs are included in freight and logistics.

The Company currently leases office space under a short-term membership agreement through June 30, 2023.

During the year, the Company has entered into a 72 month Office lease agreement with a commencement date of either the earlier of the date the premises are ready to be occupied , or the date the Tenant commences business operations in the premises. As of May 3, 2023 neither the premises are ready to be occupied and thus the Company has not occupied the premises. The Company issued a Letter of credit as security for the rental in the amount of \$478 thousand.

**APOLLO TIRES (US) INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

USD 000	2023	2022
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NOTE 15 – COMMITMENTS - continued

At March 31, 2023, future minimum rental payments are as follows:

2024	1,554
2025	177
2026	183
2027	189
2028	194
Thereafter	267
Total	2,565

Rent expense for for the years ended March 31, 2023 and 2022 amounted to \$149 and \$69 thousand, respectively

16. RELATED PARTY TRANSACTIONS

This note is related to intercompany balances between Apollo Tires (US) Inc. and companies that are ultimately controlled by Apollo Tyres Ltd (ultimate parent). Related party transactions were made on terms equivalent to transactions with third parties.

16.1 Payable to

Apollo Tyres Ltd. India	5,959	14,232
Apollo Vredestein B.V., Netherlands	4,666	1,990
Apollo Tyres Global R&D B.V.	1,094	277
Apollo Tyres (UK) Pvt. Ltd.	94	82
Total	11,813	16,581

16.2 Receivable from

Apollo Tyres Ltd. India	57	1
Total	57	1

16.3 Related party transactions -Purchase*

Apollo Tyres Ltd. India	62,322	30,137
Apollo Vredestein B.V., Netherlands	34,263	20,590
Apollo Tyres Global R&D B.V.	3,791	2,913
Apollo Tyres (UK) Pvt. Ltd.	795	795
	101,171	54,435

**Purchases including the expense cross charged*

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through May 3, 2023, there have been no events after the balance sheet date that would require a normal disclosure.