

APOLLO VREDESTEIN TIRES, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3 - 4
Balance Sheet	5
Statement of Income and Stockholder's (Deficit)	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 15
Supplemental Information	
Schedule of Cost of Goods Sold	17
Schedule of Operating Expenses	18



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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

Report on the Financial Statements

We have audited the accompanying financial statements of Apollo Vredestein Tires Inc. (a Delaware Corporation), being part of Apollo Tyres Cooperatief U.A., which comprise the balance sheet as of March 31, 2020, and the related statements of income and stockholder's (deficit), and cash flows for the year then ended and related notes to the financial statements.

Emphasis of Matter

As discussed in Note 13 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (Covid-19) a global pandemic. Management cannot reasonably estimate the length or severity of this pandemic. Our opinion is not modified with respect to this matter.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Apollo Vredestein Tires, Inc. as of March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

April 21, 2020
Manalapan, New Jersey

APOLLO VREDESTEIN TIRES, INC.
BALANCE SHEET
MARCH 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 261,791
Accounts receivable - net	2,052,295
Intercompany receivable - Apollo Tyres Ltd. India	5,114
Intercompany receivable - Apollo Tyres Global R&D B.V.	284,965
Inventory	655,800
Prepaid expenses	132,634
TOTAL CURRENT ASSETS	3,392,599

PROPERTY AND EQUIPMENT, net of
accumulated depreciation

14,039

OTHER ASSETS

Security deposits	2,700
TOTAL OTHER ASSETS	2,700

TOTAL ASSETS

\$ 3,409,338

LIABILITIES AND STOCKHOLDER'S (DEFICIT)

CURRENT LIABILITIES

Accounts payable	\$ 243,608
Intercompany payable - Apollo Tyres Ltd. India	32,696
Intercompany payable - Apollo Tyres U.K. Pvt Ltd	293,797
Intercompany payable - Apollo Tyres Global R&D B.V.	691,532
Intercompany payable - Apollo Vredestein B.V.	2,247,357
Accrued expenses	471,988
Accrued payroll and payroll taxes	36
Customer deposits	505
Accrued income taxes	1,710
Accrued customer discounts	606,670
TOTAL CURRENT LIABILITIES	4,589,899

STOCKHOLDER'S (DEFICIT)

Common Stock, 100 shares issued and outstanding, par value .01	50,000
Additional paid in capital	11,200,000
Retained (Deficit)	(12,430,561)
TOTAL STOCKHOLDER'S (DEFICIT)	(1,180,561)

TOTAL LIABILITIES AND STOCKHOLDER'S (DEFICIT)

\$ 3,409,338

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

5

APOLLO VREDESTEIN TIRES, INC.
STATEMENT OF INCOME AND STOCKHOLDER'S (DEFICIT)
FOR THE YEAR ENDED MARCH 31, 2020

NET REVENUE	\$ 17,445,006
COST OF GOODS SOLD	<u>14,191,738</u>
GROSS PROFIT	3,253,268
OPERATING EXPENSES	<u>3,407,675</u>
LOSS BEFORE OTHER INCOME AND (EXPENSE) AND PROVISION FOR INCOME TAXES	<u>(154,407)</u>
OTHER INCOME AND (EXPENSE):	
Exchange rate loss	(7,074)
Interest expense	(13,000)
Research and development costs	<u>(2,744,969)</u>
TOTAL OTHER INCOME AND (EXPENSE)	<u>(2,765,043)</u>
LOSS BEFORE PROVISION FOR INCOME TAXES	(2,919,450)
PROVISION FOR INCOME TAXES:	
Corporate income taxes	<u>2,605</u>
NET LOSS	(2,922,055)
STOCKHOLDER'S (DEFICIT)	
beginning of year	<u>(9,508,506)</u>
STOCKHOLDER'S (DEFICIT)	
end of year	<u><u>\$ (12,430,561)</u></u>

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

6

APOLLO VREDESTSTEIN TIRES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

Cash flows from operating activities:	
Net loss	\$ (2,922,055)
Adjustments to reconciled net loss to net cash (used) by operating activities:	
Depreciation	2,740
(Increase) decrease in assets:	
Accounts receivable	286,083
Intercompany receivable - Apollo Tyres Ltd. India	109,341
Intercompany receivable - Apollo Tyres Global R&D B.V.	(182,175)
Inventory	(232,195)
Prepaid expenses	(35,720)
Increase (decrease) in liabilities:	
Intercompany payable - Apollo Tyres Ltd. India	32,696
Intercompany payable - Apollo Tyres U.K. Pvt Ltd	119,264
Intercompany payable - Apollo Vredestein B.V.	(1,757,450)
Intercompany payable - Apollo Tyres Global R&D B.V.	(619,844)
Accounts payable	(67,976)
Accrued expenses	320,918
Accrued payroll and payroll taxes	(2,699)
Accrued customers discounts	175,902
Net cash (used) by operating activities	<u>(4,773,170)</u>
Cash flows from investing activities:	
Purchase of equipment	(16,779)
Net cash (used) by investing activities	<u>(16,779)</u>
Cash flows from financing activities:	
Paid in capital	5,000,000
Net cash provided by financing activities	<u>5,000,000</u>
Net decrease in cash	210,051
Cash at beginning of year	<u>51,740</u>
Cash at end of year	<u>\$ 261,791</u>
<u>Supplemental disclosure of cash flow information:</u>	
Cash paid during the period for:	
Interest	\$ -
Income taxes	<u>\$ 2,605</u>

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

7

APOLLO VREDESTEIN TIRES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Apollo Vredestein Tires, Inc., (a Delaware corporation), formally Vredestein Tyres North America, 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, Apollo Vredestein B.V. The Intercompany transfer price to its affiliates is based upon a Standard cost price plus a markup.

APOLLO VREDESTEIN TIRES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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 VREDESTEIN TIRES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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

Revenue Recognition - (Continued)

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

Revenue	\$ 19,376,901
Customers allowance	<u>(1,931,895)</u>
Total Net Revenue	<u>\$ 17,445,006</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, 2020, cash balances exceeded the FDIC insurance limits by \$18,736.

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. The Company has three customers that collectively account for approximately 78% of revenues and those three customers account for approximately 65% of the outstanding accounts receivable as of March 31, 2020.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense was approximately \$731,259 for the year ending March 31, 2020.

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 VREDESTEIN TIRES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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, 2020, the Company has a net operating loss carryforward of \$12,445,028 and will expire on various dates from March 31, 2029 through March 31, 2040.

The Company has a deferred tax asset of approximately \$2,613,456, 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, 2020. Management concluded that it was not necessary to record a liability for any such tax positions as of March 31, 2020.

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, 2020. 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.

APOLLO VREDESTEIN TIRES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of March 31, 2020 is as follows:

Trade current	\$ 2,042,046
Trade 31-60 days	14,166
Trade 61-90 days	6,000
Trade over 90 days	<u>(9,917)</u>
Gross receivables	2,052,295
Allowance for doubtful accounts	<u>-</u>
Total accounts receivable, net	<u>\$ 2,052,295</u>

NOTE 3 - INVENTORY

The components of inventory at March 31, 2020 are as follows:

Finished goods	\$ 686,467
Provision for obsolete inventory	<u>(30,667)</u>
Total Inventory	<u>\$ 655,800</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. Apollo Vredestein B.V. charges intercompany inventory prices to its affiliates 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, 2020:

Computer equipment	\$ 15,473
Other equipment	<u>1,036</u>
	16,509
Less: accumulated depreciation	<u>(2,740)</u>
Total property and equipment	<u>\$ 14,039</u>

Depreciation expense for the year ended March 31, 2020 was \$2,470.

See auditor's report.

12

APOLLO VREDESTSTEIN TIRES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 5 - INTERCOMPANY RECEIVABLE - APOLLO TYRES Ltd INDIA

The Company has incurred research and development expenses on behalf of Apollo Tyres Ltd., India during the year. This resulted in an intercompany receivable at March 31, 2020 of \$5,114. 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, 2020 in the amount of \$284,965. See Note 12 for the details of the related party transactions.

NOTE 7 - INTERCOMPANY PAYABLE - APOLLO TYRES Ltd INDIA

The Company is billed for the pension payment 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, 2020 of \$32,696. 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, 2020 of \$293,797. 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, 2020 in the amount of \$691,532. See Note 12 for the details of the related party transactions.

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

The Company purchases 100% of 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, 2020 of \$2,247,357. See Note 12 for the details of the related party transactions.

NOTE 11 - COMMITMENTS

The Company entered into a membership agreement for office space in Atlanta Georgia. The new membership agreement began May 1, 2019 and has a commitment of fourteen months ending on June 30, 2020. The membership agreement is \$7,850 per month.

The Company entered into a long-term operating lease agreement relating to warehouse space located in Export, Pennsylvania on June 1, 2015. The lease term is for five years ending on May 31, 2020. On November 8, 2016, the Company agreed to rent extra warehouse space in Export, Pennsylvania. The addendum will run concurrently with the original lease and end on May 31, 2020. The Company also leases space on a month to month basis for a storage unit in Atlanta, Georgia.

APOLLO VREDESTSTEIN TIRES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 11 - COMMITMENTS - CONTINUED

At March 31, 2020, future minimum rental payments under operating leases are as follows:

2021	\$ 31,150
2022	-
2023	-
2024	-
2025	-
Total	<u>\$ 31,150</u>

Rent expense for the year ended March 31, 2020 amounted to \$176,217.

NOTE 12 - RELATED PARTY TRANSACTIONS

For the year ended March 31, 2020, the Company has received payment for incurred research and development expenses on behalf of Apollo Tyres Ltd., India during the previous fiscal year in the amount of \$109,341. The Company has an intercompany receivable balance of \$5,114, as of March 31, 2020, with that related entity as fully described in Note 6. The Company is billed for the pension payment of an employee that transferred from Apollo Tyres Ltd., India to the Company. These expenses amounted to \$32,696 for the fiscal year ended March 31, 2020. The Company has an intercompany payable with this entity in the amount of \$32,696, as full described in Note 7.

For the year ended March 31, 2020, 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 year was \$414,836. The Company has an intercompany payable balance of \$293,797, as of March 31, 2020, with that related entity as fully described in Note 8.

For the year ended March 31, 2020, the Company incurred payroll costs 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 during the year was \$60,119. The Company has an intercompany receivable with this entity of \$284,965, as fully described in Note 7. Gross charges for research and development during the year was \$2,744,969. The Company has an intercompany payable balance of \$691,532, as of March 31, 2020, with that related entity as fully described in Note 9.

For the year ended March 31, 2020, the Company incurred freight costs from a related company, Apollo Vredestein B.V., in the amount of \$1,245,013. In addition, the Company purchases 100% of its inventory from the same related company. That amount totaled \$12,553,753 for the year ended March 31, 2020. The Company has an intercompany payable of \$2,247,357, as of March 31, 2020, with this related company as fully described in Note 10.

During the year, the parent company infused capital into the Company in the amount of \$5,000,000. The capital is for current and future operations and research and development costs. This amount was reported as additional paid in capital.

APOLLO VREDESTSTEIN TIRES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 13 - CORONAVIRUS PANDEMIC

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Company is monitoring this closing, and although operations have not been materially affected by the coronavirus outbreak to date, the ultimate severity of the outbreak is uncertain. Further the uncertain nature of its spread globally may impact the business operations resulting from quarantines of employees, customers, and third-party service providers. At this time, the Company is unable to estimate the impact of this event on its operations.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act". The CARES Act, among other things, including provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modification to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

Management continue to examine the impact that the CARES Act may have on the Company. Currently management is unable to determine the impact, if any, that the CARES Act will have on the financial condition, results of operation or liquidity.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through April 21, 2020, 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 13.

SUPPLEMENTAL INFORMATION

APOLLO VREDESTSTEIN TIRES, INC.
SCHEDULE OF COST OF GOODS SOLD
FOR THE YEAR ENDED MARCH 31, 2020

COST OF GOODS SOLD

Inventory - beginning of year	\$ 423,605
Purchases	12,558,529
Freight	1,808,112
Customer claims	57,292
Cost of goods available for sale	<u>14,847,538</u>
Inventory - end of year	<u>655,800</u>
 TOTAL COST OF GOODS SOLD	 <u><u>\$ 14,191,738</u></u>

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

17

APOLLO VREDESTSTEIN TIRES, INC.
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020

OPERATING EXPENSES

Advertising	\$ 731,259
Automobile expenses	55,411
Bad debt recovery	(7,647)
Bank and credit card charges	11,716
Computer and internet expense	15,684
Depreciation	2,740
Dues and subscriptions	7,037
Employee benefits	72,994
Handling costs	25,100
Intercompany overhead costs	489,867
Insurance	29,502
Meals and entertainment	24,931
Miscellaneous	3,303
Office expenses	7,017
Outside services	61,639
Payroll expense	1,145,088
Payroll taxes	107,979
Professional fees	49,018
Rent expense	176,217
Staff recruitment	98,666
Staff training	14,321
Telephone expense	15,791
Tire testing	29,590
Travel	240,452
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TOTAL OPERATING EXPENSES	\$ 3,407,675
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See independent auditor's report and notes to the financial statements.

18