

APOLLO VREDESTEIN TIRES, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

APOLLO VREDESTEIN TIRES, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

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



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

#### ***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 sheets as of March 31, 2021 and 2020, 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.

#### ***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, 2021 and 2020, 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.

**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 26, 2021  
Manalapan, New Jersey

**APOLLO VREDESTEIN TIRES, INC.**  
**BALANCE SHEETS**  
**MARCH 31, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 527,565	\$ 261,791
Accounts receivable - net	1,936,013	2,052,295
Intercompany receivable - Apollo Tyres Ltd. India	5,114	5,114
Intercompany receivable - Apollo Tyres Global R&D B.V.	141,464	284,965
Inventory	991,406	655,800
Prepaid expenses	269,587	132,634
<b>TOTAL CURRENT ASSETS</b>	<b>3,871,149</b>	<b>3,392,599</b>
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation</b>	<b>16,551</b>	<b>14,039</b>
<b>OTHER ASSETS</b>		
Security deposits	2,700	2,700
<b>TOTAL OTHER ASSETS</b>	<b>2,700</b>	<b>2,700</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,890,400</b>	<b>\$ 3,409,338</b>
<b>LIABILITIES AND STOCKHOLDER'S (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 210,368	\$ 243,608
Intercompany payable - Apollo Tyres Ltd. India	28,748	32,696
Intercompany payable - Apollo Tyres U.K. Pvt Ltd	48,335	293,797
Intercompany payable - Apollo Tyres Global R&D B.V.	-	691,532
Intercompany payable - Apollo Vredestein B.V.	2,831,325	2,247,357
Accrued expenses	301,168	471,988
Accrued payroll and payroll taxes	1,043	36
Customer deposits	505	505
Accrued income taxes	1,710	1,710
Accrued customer discounts	564,725	606,670
Notes payable - current portion	279,855	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,267,782</b>	<b>4,589,899</b>
<b>STOCKHOLDER'S (DEFICIT)</b>		
Common Stock, 100 shares issued and outstanding, par value .01	50,000	50,000
Additional paid in capital	13,200,000	11,200,000
Retained (Deficit)	(13,627,382)	(12,430,561)
<b>TOTAL STOCKHOLDER'S (DEFICIT)</b>	<b>(377,382)</b>	<b>(1,180,561)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S (DEFICIT)</b>	<b>\$ 3,890,400</b>	<b>\$ 3,409,338</b>

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

5

APOLLO VREDESTEIN TIRES, INC.  
 STATEMENTS OF INCOME AND STOCKHOLDER'S (DEFICIT)  
 FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	2021	2020
NET REVENUE	\$ 21,159,632	\$ 17,445,006
COST OF GOODS SOLD	16,388,393	14,191,738
GROSS PROFIT	4,771,239	3,253,268
OPERATING EXPENSES	3,958,289	3,407,675
INCOME (LOSS) BEFORE OTHER INCOME AND (EXPENSE) AND PROVISION FOR INCOME TAXES	812,950	(154,407)
OTHER INCOME AND (EXPENSE):		
Exchange rate loss	(106,424)	(7,074)
Interest expense	-	(13,000)
Interest income	26,559	-
Research and development costs	(1,921,743)	(2,744,969)
TOTAL OTHER INCOME AND (EXPENSE)	(2,001,608)	(2,765,043)
LOSS BEFORE PROVISION FOR INCOME TAXES	(1,188,658)	(2,919,450)
PROVISION FOR INCOME TAXES:		
Corporate income taxes	8,163	2,605
NET LOSS	(1,196,821)	(2,922,055)
STOCKHOLDER'S (DEFICIT) beginning of year	(12,430,561)	(9,508,506)
STOCKHOLDER'S (DEFICIT) end of year	\$ (13,627,382)	\$ (12,430,561)

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

**APOLLO VREDESTEIN TIRES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2021 AND 2020**

	2021	2020
Cash flows from operating activities:		
Net loss	\$ (1,196,821)	\$ (2,922,055)
Adjustments to reconciled net loss to net cash (used) by operating activities:		
Depreciation	6,501	2,740
(Increase) decrease in assets:		
Accounts receivable	116,282	286,083
Intercompany receivable - Apollo Tyres Ltd. India	(3,948)	109,341
Intercompany receivable - Apollo Tyres Global R&D B.V.	143,501	(182,175)
Inventory	(335,606)	(232,195)
Prepaid expenses	(136,953)	(35,720)
Increase (decrease) in liabilities:		
Intercompany payable - Apollo Tyres Ltd. India	-	32,696
Intercompany payable - Apollo Tyres U.K. Pvt Ltd	(245,462)	119,264
Intercompany payable - Apollo Vredestein B.V.	583,968	(1,757,450)
Intercompany payable - Apollo Tyres Global R&D B.V.	(691,532)	(619,844)
Accounts payable	(33,240)	(67,976)
Accrued expenses	(170,820)	320,918
Accrued payroll and payroll taxes	1,007	(2,699)
Accrued customers discounts	(41,945)	175,902
Net cash (used) by operating activities	(2,005,068)	(4,773,170)
Cash flows from investing activities:		
Purchase of equipment	(9,013)	(16,779)
Net cash (used) by investing activities	(9,013)	(16,779)
Cash flows from financing activities:		
Proceeds from loan borrowings	279,855	-
Paid in capital	2,000,000	5,000,000
Net cash provided by financing activities	2,279,855	5,000,000
Net increase in cash	265,774	210,051
Cash at beginning of year	261,791	51,740
Cash at end of year	\$ 527,565	\$ 261,791
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ 8,163	\$ 2,605

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

7

APOLLO VREDESTEIN TIRES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 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.

See auditor's report.



APOLLO VREDESTEIN TIRES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 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.

See auditor's report.

9

APOLLO VREDESTEIN TIRES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

**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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Revenue	\$ 23,043,830	\$ 19,376,901
Customers' allowance	(1,884,198)	(1,931,895)
Total Net Revenue	<u>\$ 21,159,632</u>	<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, 2021 and 2020, cash balances exceeded the FDIC insurance limits by \$277,565 and \$18,736, 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, 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. As of March 31, 2020, the Company has three customers that collectively accounted for approximately 78% of revenues and those three customers account for approximately 65% of the outstanding accounts receivable.

**Advertising Expense**

Advertising costs are expensed as incurred. Advertising expense was approximately \$1,042,298 and \$731,259 for the years ending March 31, 2021 and 2020, 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.

See auditor's report.

10

APOLLO VREDESTEIN TIRES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 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, 2021, the Company has a net operating loss carryforward of \$13,588,146 and will expire on various dates from March 31, 2029 through March 31, 2041.

The Company has a deferred tax asset of approximately \$2,853,511, 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, 2021. Management concluded that it was not necessary to record a liability for any such tax positions as of March 31, 2021.

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, 2021. 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.

See auditor's report.

11

APOLLO VREDESTEIN TIRES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 2021 AND 2020

**NOTE 2 - ACCOUNTS RECEIVABLE**

A summary of accounts receivable as of March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Trade current	\$ 1,740,604	\$ 2,042,046
Trade 31-60 days	48,978	14,166
Trade 61-90 days	57,815	6,000
Trade over 90 days	88,616	(9,917)
	<hr/>	<hr/>
Gross receivables	1,936,013	2,052,295
Allowance for doubtful accounts	-	-
	<hr/>	<hr/>
Total accounts receivable, net	<u>\$ 1,936,013</u>	<u>\$ 2,052,295</u>

**NOTE 3 - INVENTORY**

The components of inventory at March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Finished goods	\$ 1,027,015	\$ 686,467
Provision for obsolete inventory	(35,609)	(30,667)
	<hr/>	<hr/>
Total inventory	<u>\$ 991,406</u>	<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 of the following as of March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 24,486	\$ 15,473
Other equipment	1,306	1,036
	<hr/>	<hr/>
	25,792	16,509
Less: accumulated depreciation	(9,241)	(2,740)
	<hr/>	<hr/>
Total property and equipment	<u>\$ 16,551</u>	<u>\$ 14,039</u>

Depreciation expense for the years ended March 31, 2021 and 2020 was \$6,501 and \$2,470, respectively.

See auditor's report.

APOLLO VREDESTEIN TIRES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

**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, 2021 and 2020 was \$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, 2021 and 2020 in the amounts of \$141,464 and \$284,965, 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 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, 2021 and 2020 of \$28,748 and \$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, 2021 and 2020 of \$48,335 and \$293,797, 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, 2021 and 2020 in the amounts of \$-0- and \$691,532, respectively. See Note 12 for the details of the related party transactions.

**NOTE 10 - INTERCOMPANY PAYABLE - APOLLO VREDESTEIN 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, 2021 and 2020 of \$2,831,325 and \$2,247,357. 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 loan is subject to a note dated April 30, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The Company has applied for forgiveness and loan was forgiven on April 3, 2021.

See auditor's report.

13

APOLLO VREDESTSTEIN TIRES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

**NOTE 12 - 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 March 31, 2022. The membership agreement is \$8,086 per month with discounts each with 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 was 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 also expired on May 31, 2020. During the year, the Company signed a letter of intent to lease new warehouse space in Fulton, Kentucky. The Company moved all inventory to new warehouse in February 2021. Under the letter of intent, the lease term would be three years and the storage rate is on a per tire basis. The Company expects to keep an average of 20,000 passenger tires, 200 agricultural tires and 12,000 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.

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

At March 31, 2021, future minimum rental payments under operating leases are as follows:

2022	\$ 249,471
2023	249,471
2024	207,893
2025	-
2026	-
Total	<u>\$ 706,835</u>

Rent expense for the years ended March 31, 2021 and 2020 amounted to \$173,470 and \$176,217, respectively.

**NOTE 13 - RELATED PARTY TRANSACTIONS**

The Company has an intercompany receivable with Apollo Tyres Ltd., India with a balance of \$5,114, as of March 31, 2021 and 2020, relating to research and development costs in previous years as described in Note 6. The Company is billed for shared research and development (R&D) costs and the pension payment of an employee that transferred from Apollo Tyres Ltd., India to the Company. These expenses amounted to \$538,615 and \$32,696 for the fiscal year ended March 31, 2021 and 2020, respectively. Payments made to repay the expenses charged totaled \$542,564 and \$-0- for the years ended March 31, 2021 and 2020, respectively. The Company has an intercompany payable with this entity at March 31, 2021 and 2020 in the amounts of \$28,748 and \$32,696, respectively, as full described in Note 7.

For the years ended March 31, 2021 and 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 years was \$421,164 and \$414,836, respectively. The Company has an intercompany payable balance of \$48,335 and \$293,797, as of March 31, 2021 and 2020, respectively, with that related entity as fully described in Note 8.

See auditor's report.

14

APOLLO VREDESTEIN TIRES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

**NOTE 13 - RELATED PARTY TRANSACTIONS - (CONTINUED)**

For the years ended March 31, 2021 and 2020, 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 \$43,709 and \$60,119, respectively. The Company has an intercompany receivable with this entity of \$141,464 and 284,965, respectively, as fully described in Note 7. Gross charges for research and development during were \$1,501,979 and \$2,744,969, respectively. The Company has an intercompany payable balance of \$-0- and \$691,532, as of March 31, 2021 and 2020, respectively, with that related entity as fully described in Note 9.

For the years ended March 31, 2021 and 2020, the Company incurred freight costs from a related company, Apollo Vredestein B.V., in the amount of \$929,664 and \$1,245,013, respectively. In addition, the Company purchases 100% of its inventory from the same related company. That amount totaled \$14,865,700 and \$12,553,753 for the years ended March 31, 2021 and 2020, respectively. The Company has an intercompany payable of \$2,831,325 and \$2,247,357, as of March 31, 2021 and 2020, respectively, 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 \$2,000,000. The capital is for current and future operations and research and development costs. This amount was reported as additional paid in capital.

**NOTE 14 - 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 closely, 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 continues to examine the impact that the pandemic may have on the Company. Currently management is unable to determine the impact, if any, that the pandemic will have on the financial condition, results of operation or liquidity.

**NOTE 15 - SUBSEQUENT EVENTS**

Management has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through April 26, 2021, 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.

See auditor's report.

15

**SUPPLEMENTAL INFORMATION**



**APOLLO VREDESTEIN TIRES, INC.**  
**SCHEDULES OF COST OF GOODS SOLD**  
**FOR THE YEARS ENDED MARCH 31, 2021 AND 2020**

	2021	2020
<u>COST OF GOODS SOLD</u>		
Inventory - beginning of year	\$ 655,800	\$ 423,605
Purchases	14,314,960	12,558,529
Freight	2,336,634	1,808,112
Customer claims	72,405	57,292
Cost of goods available for sale	17,379,799	14,847,538
Inventory - end of year	991,406	655,800
 TOTAL COST OF GOODS SOLD	 \$ 16,388,393	 \$ 14,191,738

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, 2021 AND 2020

	2021	2020
<u>OPERATING EXPENSES</u>		
Advertising	\$ 1,042,298	\$ 731,259
Automobile expenses	68,790	55,411
Bad debt recovery	-	(7,647)
Bank and credit card charges	12,166	11,716
Computer and internet expense	12,001	15,684
Depreciation	6,501	2,740
Dues and subscriptions	7,551	7,037
Employee benefits	118,471	72,994
Handling costs	115,564	25,100
Intercompany overhead costs	433,408	489,867
Insurance	51,479	29,502
Meals and entertainment	4,285	24,931
Miscellaneous	31,536	3,303
Office expenses	7,190	7,017
Outside services	58,018	61,639
Payroll expense	1,466,882	1,145,088
Payroll taxes	140,069	107,979
Postage	272	-
Professional fees	48,678	49,018
Rent expense	173,490	176,217
Staff recruitment	36,266	98,666
Staff training	5,323	14,321
Telephone expense	15,504	15,791
Tire testing	30,908	29,590
Travel	71,639	240,452
	\$ 3,958,289	\$ 3,407,675
TOTAL OPERATING EXPENSES	\$ 3,958,289	\$ 3,407,675

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