

Arista Tubes, Inc.
(a subsidiary of Essel Propack
Limited)

Special Purpose Financial Statements

Year Ended March 31, 2020

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Independent Auditors' Report

Board of Directors
Arista Tubes, Inc.
Danville, Virginia

We have audited the accompanying special purpose (standalone) financial statements of Arista Tubes, Inc. (a C corporation), which comprise the special purpose (standalone) balance sheet as of March 31, 2020, and the related special purpose (standalone) statements of income, equity and cash flows for the year then ended, and the related notes to the special purpose (standalone) financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose (standalone) 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 special purpose (standalone) financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special purpose (standalone) 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 special purpose (standalone) financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose (standalone) financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special purpose (standalone) 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 special purpose (standalone) 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 special purpose (standalone) financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As described in Note 2 to the special purpose (standalone) financial statements, the accompanying special purpose (standalone) financial statements were prepared for the purpose of facilitating consolidation of accounts at the corporate level and providing key standalone numbers of Arista Tubes Inc.'s operations as mandated under India regulations, and for complying with a loan agreement between Arista Tubes, Inc. and a financial institution and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

These special purpose (standalone) financial statements do not consolidate the financial statements of Arista Tubes, Inc.'s wholly-owned subsidiary, EsselPropack America, LLC, but instead include them on the equity basis of accounting. If the financial statements of EsselPropack America, LLC had been consolidated with those of Arista Tubes Inc.'s, total assets and liabilities would be \$58,924,007 and \$16,568,292, respectively, as of March 31, 2020, and revenues and expenses would be \$65,184,084 and \$58,070,955, respectively, for the year then ended. This lack of consolidation is a departure from accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of not consolidating Arista Tubes, Inc.'s wholly-owned subsidiary, as discussed in the Basis for Qualified Opinion paragraph, the special purpose (standalone) financial statements referred to above present fairly, in all material respects, the financial position of Arista Tubes, Inc. as of March 31, 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.

Dixon Hughes Goodman LLP

Richmond, Virginia
April 24, 2020

Arista Tubes, Inc.
Special Purpose Balance Sheet
March 31, 2020

ASSETS

Current assets:

Cash	\$	3,590
Income taxes due from subsidiary		<u>2,196,000</u>
Total current assets		2,199,590

Other assets:

Investment in subsidiary		<u>58,604,831</u>
	\$	<u><u>60,804,421</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$	5,767
Accrued expenses		12,702
Income tax payable		41,408
Note payable, subsidiary		<u>18,388,829</u>

Total current liabilities 18,448,706

Stockholders' equity 42,355,715

Total liabilities and stockholders' equity \$ 60,804,421

Arista Tubes, Inc.
Special Purpose Statement of Income
Year Ended March 31, 2020

Earnings of subsidiary	\$ 7,113,671
Depreciation expense	<u>(542)</u>
Net income	<u><u>\$ 7,113,129</u></u>

Arista Tubes, Inc.
Special Purpose Statement of Equity
Year Ended March 31, 2020

	Additional Paid-in Capital	Retained Earnings	Total
	<u> </u>	<u> </u>	<u> </u>
Balance, April 1, 2019	\$ 17,500,000	\$ 22,350,687	\$ 39,850,687
Distributions	-	(4,608,101)	(4,608,101)
Net income	<u>-</u>	<u>7,113,129</u>	<u>7,113,129</u>
Balance, March 31, 2020	<u>\$ 17,500,000</u>	<u>\$ 24,855,715</u>	<u>\$ 42,355,715</u>

Arista Tubes, Inc.
Special Purpose Statement of Cash Flows
Year Ended March 31, 2020

Cash flows from operating activities:	
Net income	\$ 7,113,129
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation	542
Earnings of subsidiary	(7,113,671)
Change in assets and liabilities:	
Income tax receivable	403,593
Income taxes due from subsidiary	(445,000)
Accrued expenses	2
Income tax payable	41,408
	<u>3</u>
Net cash provided by operating activities	<u>3</u>
Cash flows from investing activities:	
Redemption of shares held in investment in subsidiary	<u>4,608,000</u>
Cash flows from financing activities:	
Distributions to stockholders	<u>(4,608,101)</u>
Net decrease in cash	(98)
Cash, beginning of year	<u>3,688</u>
Cash, end of year	<u><u>\$ 3,590</u></u>
Supplemental disclosure of cash flow information:	
Income taxes paid	<u><u>\$ 1,570,000</u></u>

Notes to Special Purpose Financial Statements

1. Organization and Nature of Business

Arista Tubes, Inc. (Company) is a subsidiary of Essel Propack Limited (EP Ltd.), a public company headquartered in India. The Company was organized on February 6, 2006, in Delaware and is located in Danville, Virginia. The Company is a holding company for their wholly owned subsidiary EsselPropack America, LLC (see Note 2). The Company was engaged in manufacturing tubes for oral care, pharmaceutical, and cosmetic products. Effective December 31, 2015, the Company ceased its manufacturing operations.

2. Summary of Significant Accounting Policies

Departure from accounting principles generally accepted in the United States of America

The Company owns 100% of EsselPropack America, LLC (Essel). The accompanying special purpose (standalone) financial statements do not consolidate the financial statements of Essel, but instead include them on the equity basis of accounting (see Note 5). Accounting principles generally accepted in the United States of America (U.S. GAAP) prohibit parent-only company financial statements to be issued to stockholders as the financial statements of the primary reporting entity. FASB ASC 810-10-15, *Scope and Scope Exceptions* states that all majority-owned subsidiaries shall be consolidated but also adds that parent company financial statements may be needed in addition to consolidated financial statements; however, parent company financial statements may not be prepared in place of or without consolidated financial statements. Therefore, these special purpose financial statements should be viewed with the consolidated financial statements of Arista Tubes, Inc. and Subsidiary. The accompanying special purpose (standalone) financial statements were prepared for the purpose of facilitating consolidation of accounts at the corporate level and providing key standalone numbers of the Company's operations as mandated under India regulations, and for complying with a loan agreement between Arista Tubes, Inc. and a financial institution and are not intended to be a presentation in conformity with U.S. GAAP.

Property and equipment

Acquisitions of property and equipment are recorded at cost. Maintenance, repairs, and minor renewals that do not improve or extend the lives of property and equipment are expensed as incurred. When assets are sold or retired, the cost and related accumulated depreciation of such assets are removed from the accounts and any gain or loss is reported in the special purpose statement of income. In accordance with U.S. GAAP, the Company periodically reviews long-lived assets when indicators of impairment exist, and if the value of the assets is impaired, an impairment loss would be recognized. There were no impairment losses for 2020.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Machinery and equipment	5 - 10 years
Computer equipment and software	3 - 5 years
Furniture and fixtures	5 - 7 years

Depreciation expense was \$542 for 2020 and is included in other expenses on the special purpose statement of income.

Income taxes

The Company files consolidated income tax returns with Essel. Accordingly, any taxes due will be paid to the Company by Essel and any tax benefits will be received by the Company. It is the Company's policy to allocate taxes to Essel by applying the federal and state tax rates to income (loss) reported in the financial statements as adjusted for permanent differences between book and taxable income.

Arista Tubes, Inc.
Notes to Special Purpose Financial Statements

Income taxes are provided for the tax effects of transactions reported in the financial statements. Deferred income taxes are provided for the estimated tax effects of differences between the financial statement carrying amounts and the tax bases of recognized assets and liabilities. There were no deferred taxes for the Company as of March 31, 2020.

Tax positions must meet a threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Company's financial statements. The Company has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2020.

Use of estimates

The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and may impact future periods.

Subsequent events

In preparing these special purpose financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 24, 2020, the date the special purpose financial statements were available to be issued.

Subsequent to the balance sheet date, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, and governmental, regulatory and private sector responses. The special purpose (standalone) financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

3. Property and Equipment

Major classes of property and equipment consisted of the following at March 31, 2020:

Machinery and equipment	\$ 2,430
Computer equipment and software	418,692
Furniture and fixtures	<u>41,282</u>
	462,404
Accumulated depreciation	<u>(462,404)</u>
Property and equipment, net	<u>\$ -</u>

4. Related Party Transactions

The loan from subsidiary was \$18,388,829 as of March 31, 2020. The loan is an unsecured note payable with no interest and is guaranteed by EP Ltd. EP Ltd. has stated that amounts due to all affiliates will not be required to be paid in the current year, if doing so would create a financial hardship for the Company. In addition, the Company had income taxes due from Essel of \$2,196,000 as of March 31, 2020 as provided for under a tax sharing agreement between the Company and Essel.

Arista Tubes, Inc.
Notes to Special Purpose Financial Statements

5. Investment in Essel

As described in Note 2, the accompanying special purpose (standalone) financial statements accounts for the Company's investment in Essel by the equity method. The Company recorded its share of earnings of \$7,113,671 as earnings of subsidiary in the special purpose statement of income for 2020. During 2020, Essel redeemed 4,608 preferred shares from the Company for \$4,608,000. At March 31, 2020, the Company holds 1,392 preferred shares and 10,000,000 equity shares in Essel. The carrying value of the Company's investment in the unconsolidated subsidiary was \$58,604,831 as of March 31, 2020 and was reported on the special purpose balance sheet as investment in subsidiary.

Essel's assets, liabilities, revenues and net income are as follows at March 31, 2020:

Assets	<u>\$ 77,309,246</u>
Liabilities	<u>\$ 18,704,415</u>
Revenues and other income	<u>\$ 65,165,707</u>
Net income	<u>\$ 7,113,671</u>

6. Common Stock

At March 31, 2020, the Company had 5,000 shares of no par value common stock authorized and 1,361 shares issued and outstanding.