Butler America Aerospace, LLC

Years ended 31 March, 2021 and 2020

Butler America Aerospace, LLC

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	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 8,430,830	3,233,553
Accounts receivable, net	10,225,812	12,882,673
Unbilled revenue	2,538,266	2,633,838
Prepaid expenses and other current assets	720,730	762,506
Total current assets	21,915,638	19,512,570
Property and equipment, net	1,138,197	1,521,549
Other non-current assets	2,673,508	2,171,025
Total assets	$ **25,727,343**	**23,205,144**
Liabilities and Stockholder's equity		
Current liabilities:		
Line of credit with Parent	$ 266,569	2,777,151
Accounts payable	110,363	250,185
Accrued employee cost	2,290,539	1,666,549
Payable to Parent	4,438,894	3,047,230
Accrued Liabilities	1,364,074	1,075,513
Total current liabilities	8,470,439	8,816,628
Other non-current liabilities	1,706,238	1,516,963
Total Liabilities	10,176,67	10,333,51
Stockholder's equity	15,550,666	12,871,553
Total liabilities and Stockholder's equity	$ **25,727,343**	**23,205,144**

See accompanying notes to management accounts

Patrick Dewar 8/26/2021

Patrick Dewar, Board Chairman
Butler America Aerospace, LLC

David W. Zolet 8/26/2021

David Zolet, Board Member
Butler America Aerospace, LLC

Butler America Aerospace, LLC

Statement of Operations
Years ended March 31, 2021 and 2020

		2021	2020
Revenue	$	69,036,516	78,283,263
Cost of revenue		54,814,105	62,996,109
Gross Profit		14,222,411	15,287,154
Selling, general and administration expenses		9,576,690	10,220,229
Depreciation and amortization		631,844	718,666
Other expense, net		318,656	538,487
Operating income (loss)		3,695,221	3,809,772
Interest expense		28,904	78,914
Income (Loss) before income tax		3,666,317	3,730,858
Provision for income tax		987,204	548,753
Net income (loss)	$	**2,679,113**	**3,182,105**

See accompanying notes to management accounts

8/26/2021

Patrick Dewar, Board Chairman
Butler America Aerospace, LLC

David W. Zolet

8/26/2021

David Zolet, Board Member
Butler America Aerospace, LLC

Butler America Aerospace, LLC

Statements of Member's Equity
For the Years Ended March 31, 2021 and 2020

Balance at March 31, 2019	$	9,689,448
Net income (loss)		3,182,105
Balance at March 31, 2020	$	12,871,553
Net income (loss)		2,679,113
Balance at March 31, 2021	$	15,550,666

See accompanying notes to management accounts

8/26/2021

Patrick Dewar, Board Chairman
Butler America Aerospace, LLC

David W. Zolet

8/26/2021

David Zolet, Board Member
Butler America Aerospace, LLC

Butler America Aerospace, LLC
Statement of Cash Flows
Years ended March 31, 2021 and 2020

		2021	2020
Operating activities			
Net (loss) income	$	2,679,113	3,182,105
Adjustments: Depreciation		631,844	723,541
Changes in assets and liabilities:			
Accounts receivables and Unbilled receivables		2,752,434	(3,094,816)
Prepaid expenses and other current assets		41,776	84,492
Other non-current assets		(502,483)	(625,079)
Accrued employee costs		623,990	254,402
Accounts payable		(139,822)	(118,626)
Payable to parent		1,391,664	984,026
Accrued liabilities		288,562	(262,556)
Accrued interest expense		29,418	79,301
Other non-current liabilities		189,274	73,663
Net cash provided by operating activities		7,985,770	1,280,453
Investing activities			
Purchase of property and equipment		(248,493)	(479,498)
Net cash used in investing activities		(248,493)	(479,498)
Financing activities			
Borrowing from parent		(2,540,000)	-
Net cash provided by (used in) financing activities		(2,540,000)	-
Net change in cash and cash equivalents		5,197,277	800,955
Cash and cash equivalents, beginning		3,233,553	2,432,598
Cash and cash equivalents, end	$	**8,430,830**	**3,233,553**

See accompanying notes to management accounts

8/26/2021

Patrick Dewar, Board Chairman
Butler America Aerospace, LLC

David W. Zolet

8/26/2021

David Zolet, Board Member
Butler America Aerospace, LLC

Butler America Aerospace, LLC

Notes to accounts

March 31, 2021 and 2020

(1) Organization and Nature of Operations

Butler America Aerospace, LLC (hereinafter referred to as the “Company”) serves customers primarily in the aerospace and defense industries in USA, to whom it provides engineering & design services in the areas of mechanical and structural design, electrical design, tool design and aftermarket engineering services. The Company was incorporated on June 22, 2016 in USA.

The Company was acquired by HCL America Inc. on January 3, 2017 and it is a wholly–owned subsidiary of HCL America Inc. (the “Parent” or “Member”).

(2) Summary of Significant Accounting Policies

(a) Basis of Preparation and Principles of Consolidation

The accompanying financial statements have been prepared on the basis of U.S. generally accepted accounting principles (“U.S. GAAP”).

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management’s best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

(c) Revenue Recognition and Trade Accounts Receivable

The Company only has revenue from customers. The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control is transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those services or goods. This process involves identifying the customer contract, determining the performance obligations in the contract, determining the contract price allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it (a) provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and (b) is separately identified in the contract. The Company considers a performance obligation satisfied once it has transferred control of a good or service to a customer, meaning the customer has the ability to use and obtain the benefit of the good or service.

The Company’s revenue is generated from engineering and design services provided through time-and-material or fixed price contracts with its customers primarily in the aerospace and defense industries. The Company does not act as an agent in any of its revenue arrangements. Contracts with customers generally state the terms of the sale, including the price which is either fixed or represents the hourly billing rate for time-and-material arrangements. Payment terms and conditions may vary by contract, although terms generally include a requirement of payment within a range of 30 to 90 days after the performance obligation has been satisfied. As a result, the contracts do not include a significant financing component.

Revenue from time-and-materials service arrangements is recognized as invoiced on the basis of the price multiplied by the measure of progress, predominantly based on labor hours incurred for the project.

Fixed price contracts range from single or multiyear, subject to termination clauses. Revenue from fixed price contracts is recognized over time as the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced and because of the Company's enforceable right to payment for performance completed on customized assets for which we have no alternative use. Revenue is measured by the costs incurred to date relative to the estimated total direct costs to fulfill each contract (cost-to-cost method). Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor and materials.

Contract assets primarily represent revenue earnings over time that are not yet billable based on the terms of the contracts. The Company does not have impairment losses associated with contracts with customers for the year ended March 31, 2021 and 2020. Contract assets are classified as current in the balance sheet as the Company expects to complete the related performance obligations and invoice the customers within one year of the balance sheet date.

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the statements of cash flows. The Company makes judgments as to the collectability of accounts receivable based on historical trends and future expectations. Management estimates an allowance for doubtful accounts, which represents the collectability of accounts receivable. The allowance adjusts gross accounts receivable downward to its estimated net realizable value. To determine the allowance for doubtful accounts, management reviews customer specific risks and the Company's accounts receivable aging. Management considers accounts past due on a customer-by-customer basis. The resulting provision for doubtful accounts is recorded within selling, general and administrative expenses on the statements of operations. There were $9,163 and $36 of write-offs for the years ended March 31, 2021 and 2020.

(d) Property and Equipment

Property and equipment is recorded at historical cost less accumulated depreciation. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in the statements of operations.

Depreciation is provided using the straight-line method, based on useful lives of the assets which are as follows:

Asset Description	Asset Life (in years)
Computer hardware	5 to 7
Computer software	3 to 5
Furniture and fixtures	5 to 7
Office equipment	5 to 7
Automobiles	5

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or the estimated useful life of the asset. The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at March 31, 2021 and 2020.

(e) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by valuation allowances when in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company is a single-member limited liability company and is disregarded for federal income tax Purposes. The Company's results of operations as a disregarded entity are included in the HCL America Inc's federal, state and local tax returns which are then included in a consolidated/combined return. Current and deferred taxes are allocated to the Company under the "separate-return" method. Under this method, the Company is assumed to file a separate return with the taxing authority, thereby report in their taxable income or loss and paying the applicable tax to, or receiving the appropriate refund from, HCL America Inc as if the Company was a separate taxpayer.

The Company recognizes tax positions in the statement of operations only when it is more likely than not that the position will be sustained upon examination by relevant taxing authorities based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the statement of financial condition including related interest and penalties. Interest and penalties are included in operating expenses.

(f) Compensated Absences

The employees of the Company are entitled to compensated absences. The employees can carry forward up to the specified portion of the unutilized accumulated compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

(g) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity, when purchased, of three months or less to be cash equivalents. Cash and cash equivalents comprise cash at bank and in hand, which are subject to an insignificant risk of changes in value.

(h) Other Non-current Assets

Other non-current assets consist of assets related to the Company's deferred compensation plan as well as net deferred tax assets.

(3) Revenue from Contracts with Customers

A. Disaggregate Revenue Information

The disaggregated revenue from contracts with customers for the year ended March 31, 2021 and 2020 by contract type.

	March 31, 2021	**March 31, 2020**
Fixed Price	10,627,845	3,828,370
Time & Material	58,408,670	74,741,892

(4) Income Taxes

The provision for income taxes for the year ended March 31, 2021 and 2020 is $987,204 and $548,753, respectively.

For the year ended March 31, 2021 and 2020, the difference between the actual tax expense and the "expected" tax expense for (computed by applying the applicable U.S. corporate tax rate of 21% to earnings before income taxes) is primarily attributable to state taxes. Additionally, for the year ended March 31, 2020 there was a true-up for the recording of previous years' deferred taxes.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31 are presented below:

		2021	**2020**
Deferred tax assets:			
Accrued payroll and vacation	$	536,387	354,304
Accrued expenses		352,495	267,255
Total deferred tax assets		888,882	621,559
Deferred tax liabilities			
Properly and equipment		(125,670)	(168,749)
Total deferred tax liabilities		(125,670)	(168,749)
Net deferred tax assets	$	763,212	452,810

In assessing the realizability of deferred tax assets, management considers whether itis more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the expected availability of future taxable income during the periods in which those temporary differences become deductible and prior to the expiration of the deferred tax assets as governed by the Internal Revenue Code. The Company has not recorded any valuation allowances as of March 31, 2021 and 2020.

(5) Concentration of Credit Risk

The Company's customers are concentrated in the aerospace industry. The Company's largest customer accounted for approximately 59% and 46% of revenues during the years ended March 31, 2021 and 2020, respectively, and approximately 31% and 49% of accounts receivable at March 31, 2021 and 2020, respectively.

(6) Property and equipment consist of the following as at March 31:

	2021	2020
Leasehold Improvements	$ 448,673	$ 448,673
Computer hardware	2,360,861	2,221,775
Computer software	2,401,960	3,857,340
Office equipment	97,128	94,800
Furniture and fixtures	544,171	544,171
	5,852,794	7,166,760
Less: accumulated dep	(4,714,597)	(5,645,211)
Property and equipment, net	$ 1,138,197	$ 1,521,549

(7) Lease Commitments

The company has entered into operating lease agreements for buildings that expire at various times through 2025. Monthly payments range from $7,883 to $64,866. Rent expense was $1,470,494 and $1,671,018 during the years ended March 31, 2021 and 2020, respectively, and is included as a component of selling, general and administration expenses on the statements of operations.

The future minimum lease payments under operating leases are as follows:

	Operating leases
Year ending March 31:	
2022	1,030,036
2023	846,165
2024	781,885
2025	113,529
Thereafter	-
Total minimum lease payments	$ 2,771,615

(8) Fair Value Measurements

The Company's financial instruments include cash and cash equivalents, investments, and long-term debt. These financial instruments potentially subject the Company to concentrations of credit risk. To minimize the risk of credit loss, these financial instruments are primarily held with accredited financial institutions. The carrying value of the Company's financial instruments approximate fair value. The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques.

Investments include investments in a trading asset portfolio maintained to generate returns to offset changes in certain liabilities related to deferred compensation arrangements. The Company assesses declines in the value of individual investments to determine whether such decline is other than temporary and thus the investment is impaired by considering available evidence. No impairment charge was recorded for the years ended March 31, 2021 and 2020.

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which the Company would transact, and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally unobservable and may not be corroborated by market data.

Financial Assets and Liabilities Measured on a Recurring Basis

The Company's financial assets and liabilities are measured and recorded at fair value, except for long-term debt. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The following table summarizes the valuation of the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2021 and 2020:

		March 31, 2021	Level 1	Level 2	Level 3
			(In US Dollars)		
Assets					
Plan assets for deferred compensation (1)	$	1,888,091	1,888,091		
Liabilities					
Deferred compensation liabilities (2)	$	1,706,238	1,706,238		

	March 31, 2020	Level 1	Level 2	Level 3
		(In US Dollars)		
Assets				
Plan assets for deferred compensation (1)	$ 1,685,452	1,685,452		
Liabilities				
Deferred compensation liabilities (2)	$ 1,516,963	1,516,963		

(1) Plan assets are comprised of investments in mutual funds, which are intended to fund liabilities arising from the Company's deferred compensation plan. These investments are carried at fair value, which is based on quoted market prices at period end in active markets.

(2) The Company offers certain employees the opportunity to participate in a deferred compensation plan. A participant's deferrals are invested in a variety of participant directed stock and bond mutual funds. Changes in the fair value of these securities are measured using quoted prices in active markets based on the market price per unit multiplied by the number of units held exclusive of any transaction costs. A corresponding adjustment for changes in fair value of the equity securities is also reflected in the changes in fair value of the deferred compensation obligation.

(9) Related Party Transactions

On February 10, 2017, the Company entered into a line of credit facility with the Parent, with a capacity of $2,000,000. Under the terms of the line of credit, base rate borrowings are subject to an interest rate of LIBOR plus 1.0%.

In addition, the Company entered into another line of credit with the Parent with a capacity of $1,000,000 on June 28, 2017. Under the terms of the line of credit, base rate borrowings are subject to an interest rate of LIBOR plus 1.0%.

During the current year, the Company paid off both lines of credit in the amount of $2,540,000.

The outstanding balances on both lines of credit, including related interest payable, were $266,568 and $2,777,151 as of March 31, 2021 and 2020, respectively.

(10) Subsequent Events

The Company has evaluated subsequent events through 25th August, 2021, the date the Company's financial statements were available to be issued.

Signature:

Email: dwzolet@gmail.com