

Butler America Aerospace, LLC

Management Accounts

Year ended March 31, 2018 and Period ended March 31, 2017

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Butler America Aerospace, LLC

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Butler America Aerospace, LLC
Balance Sheet

	As of March 31, 2017	As of March 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$1,178,708	\$1,618,749
Accounts receivable, net	4,198,205	3,482,880
Unbilled revenue	4,843,931	8,074,010
Other current assets	1,163,619	5,287,515
Total current assets	11,384,463	18,463,154
Property and equipment, net	1,365,197	1,989,682
Deferred Income tax, net	1,934,608	508,383
Other assets	28,474	26,101
Total assets	\$14,712,742	\$20,987,320
LIABILITIES AND EQUITY		
Current liabilities		
Accrued employee cost	\$1,613,825	\$1,180,048
Accounts payable	-	667,714
Short term borrowings	3,011,392	1,713,534
Income taxes payable	363,113	2,865,964
Other current liabilities	1,605,150	953,837
Total current liabilities	6,593,480	7,381,096
Total liabilities	6,593,480	7,381,096
Stakeholders' equity		
Additional paid-in capital	10,761,271	10,761,271
Retained earnings	(2,642,009)	2,844,952
Total equity	8,119,262	13,606,224
Total Liabilities and equity	\$14,712,742	\$20,987,320

See accompanying notes.



Butler America Aerospace, LLC
Statements of Income

	Period ended March, 31	Year ended March, 31
	2017	2018
Revenues	\$27,343,089	\$82,100,089
Cost of revenues (exclusive of depreciation and amortization)	23,166,308	63,037,317
Gross Profit	4,176,781	19,062,772
Selling, general and administrative expenses	8,183,211	9,002,804
Depreciation and amortization	153,675	540,655
Other income, net	34,736	3,505
Finance cost	18,663	99,772
Income before income taxes	(4,213,503)	9,416,036
Provision for income taxes	(1,571,495)	3,929,075
Net Income	(\$2,642,009)	\$5,486,961

See accompanying notes.



Butler America Aerospace, LLC
Statements of Equity

	Additional Paid-In Capital	Retained Earnings	Total Equity
Additional paid in capital	\$10,761,271	-	\$10,761,271
Net income	-	(\$2,642,009)	(2,642,009)
Balance as at March 31, 2017	\$10,761,271	(\$2,642,009)	\$8,119,262
Net income	-	5,486,961	5,486,961
Balance as at March 31, 2018	\$10,761,271	\$2,844,953	\$13,606,223

See accompanying notes.



Butler America Aerospace, LLC
Statements of Cash Flow

	Period ended March 31,	Year ended March 31,
	2017	2018
Cash flows from operating activities		
Net income	(\$2,642,009)	\$5,486,961
<i>Adjustments to reconcile net income to net cash from operating activities</i>		
Depreciation and amortization	153,675	540,655
Interest expenses	11,474	62,142
Changes in assets and liabilities		
Accounts receivables and unbilled revenue	(9,042,138)	(2,514,754)
Other assets	(3,126,701)	(2,695,298)
Accrued employee costs	1,613,825	(433,778)
Other current liabilities	1,968,264	2,519,253
Net cash used in operating activities	(11,063,610)	2,965,181
Cash flow from investing activities		
Proceeds from short term borrowings	3,011,392	(1,297,858)
Purchase of property and equipment	(1,518,871)	(1,165,139)
Net cash used in investing activities	1,492,521	(2,462,997)
Cash flows from financing activities		
Additional paid in capital	10,761,271	-
Interest paid	(11,474)	(62,142)
Net cash from financing activities	10,749,797	(62,142)
 Net (decrease) increase in cash and cash equivalents	 1,178,708	 440,041
Cash and cash equivalents at the beginning of period	-	1,178,708
Cash and cash equivalents at the end of the period	\$1,178,708	\$1,618,749

See accompanying notes.



Butler America Aerospace, LLC
Notes to Financial Statements
March 31, 2018

1. Organization and Nature of Operations

Butler America Aerospace, LLC (hereinafter referred to as 'Company') serves customers primarily in the Aerospace and Defence 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.

2. Summary of Significant Accounting Policies

a. Basis of preparation and Principles of Consolidation

The accompanying financial statements are prepared on the basis of U. S. generally accepted accounting principles ("U.S. GAAP").

The Company uses the United States Dollar ('\$' or 'USD') as its reporting currency.

b. Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses that are reported and disclosed 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.

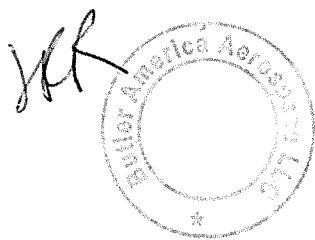
c. Functional currency and translation

Functional currency of the company is US dollars. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

Foreign currency denominated monetary assets and liabilities are re-measured at the rates of exchange in effect at the balance sheet dates. Foreign currency translation gains and losses are recorded in the accompanying statement of income within other income.

d. Revenue Recognition

The Company recognizes revenue when all of the following conditions are satisfied: (1) persuasive evidence of an arrangement exists; (2) service has been delivered to the customer; (3) amount of the fees to be paid by the customer is fixed or determinable; and (4) collection of the fees is reasonably assured or probable. Contracts can be primarily categorized as time-and-material or fixed price contracts.



Butler America Aerospace, LLC
Notes to Financial Statements
March 31, 2018

Time-and-material contracts

Revenue with respect to time-and-material contracts is recognized as the related services are performed.

Fixed Price contracts

Revenue related to contracts providing maintenance and support services, is recognized over the term of the contract.

Revenue related to fixed price contracts is recognized in accordance with the Percentage of Completion method (POC). The cost incurred on the projects is used to measure progress towards completion. Costs are recorded as incurred over the contract period. Any revision in cost to complete would result in increase or decrease in revenue and income and such changes are recorded in the period in which they are identified. Provisions for estimated losses, if any, on contracts-in-progress are recorded in the period in which such losses become probable based on the current cost estimates. Contract losses are determined to be the amount by which the estimated total cost to complete exceeds the estimated total revenues that will be generated by the contract and are included in Cost of services and classified in other accrued liabilities.

Revenue is recognized net of discounts and allowances, value-added tax and service tax, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

e. 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 income.

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

<u>Asset Description</u>	<u>Asset life (in years)</u>
Computer equipment	4 to 5
Software	3
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, 2018.



f. Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. If it is determined that it is more likely than not that future tax benefits associated with a deferred income tax asset will not be realized, a valuation allowance is provided. The effect on deferred income tax assets and liabilities due to change in the tax rates is recognized in income in the period that includes the enactment date. Tax benefits earned on exercise of employee stock options in excess of compensation charged to income are credited to additional paid-in capital. Provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related interest and penalties.

g. Earnings per share

The Company is a limited liability company which is acquired by HCL America Inc. through acquisition of rights hence there are no shares, so there is no need to compute earnings per share.

h. Employee Benefits

Defined contribution plan

The Company operates a defined contribution plan covering substantially all employees and these costs are charged through the statements of income as incurred. The plan provides that employees who have completed three months of service can voluntarily contribute a percentage of their earnings.

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.

i. Adoption of Pushdown accounting

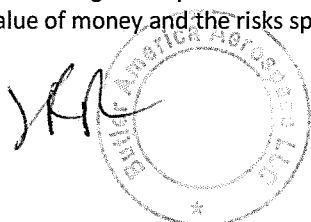
During current year, the management has decided not to pushdown Goodwill and Intangible at standalone Company level. Thereby the previous year numbers of Goodwill and Intangible have been restated in the financial statement.

j. Short term borrowings

The company has availed unsecured short term loan from HCL America Inc. amounting USD 1,640,000 as of March 31, 2018, at the effective interest rate of LIBOR plus 100 basis points. Short term loan is repayable on demand.

k. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.



Butler America Aerospace, LLC
Notes to Financial Statements
March 31, 2018

I. Cash and cash equivalents and restricted cash

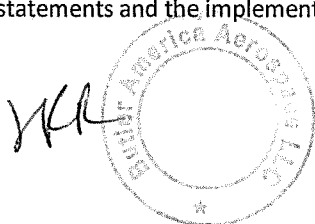
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, which are subject to an insignificant risk of changes in value.

m. Recently issued accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", which will replace most existing revenue recognition guidance in US GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and therefore could affect the timing of revenue recognition for certain transactions of the Company. The ASU will be effective for the year ended March 31, 2020, using either one of two methods: (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients as defined in the ASU, or (ii) retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application and providing certain additional disclosures as defined in the ASU. Early adoption is permitted for the year ended March 31, 2018. The Company is currently in the process of evaluating the impact of adopting ASU 2014-09 on its financial statements, the implementation approach to be used, changes to its accounting system and processes, and additional disclosure requirements that may be necessary.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01) "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This guidance makes targeted improvements to existing US GAAP for financial instruments, including requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; requiring entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset and requiring entities to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option. ASU 2016-01 is effective for the year ended March 31, 2020. Early adoption of the own credit provision is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) "Leases (Topic 842)". ASU 2016-02 requires the identification of arrangements that should be accounted for as leases by Lessees. In general, lease arrangements exceeding a twelve month term, must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU No. 2016-02, a right of- use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU No. 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU No. 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. The new standard is effective for the year ended March 31, 2021, including interim periods within those annual years. The Company is currently evaluating the impact that the adoption of this new standard will have on its financial statements and the implementation approach to be used.



Butler America Aerospace, LLC
Notes to Financial Statements
March 31, 2018

In March 2016, the FASB issued Accounting Standards Update No. 2016-08 (ASU 2016-08) "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)". ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The amendments in this guidance do not change the core principle of the guidance in Topic 606. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations, including indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customer. The amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements of Update 2014-09. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In April 2016, the FASB issued Accounting Standard Update No. 2016-10 (ASU 2016-10), Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. ASU 2016-10 clarifies the implementation guidance on identifying performance obligations and licensing. The amendments in this guidance are intended to improve the operability and understandability of the licensing implementation guidance. It includes implementation guidance on determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property or a right to access the entity's intellectual property. The amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements of Update 2014-09. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In May 2016, the FASB issued Accounting Standard Update No. 2016-12 (ASU 2016-12), Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. ASU 2016-12 clarifies the implementation guidance on identifying performance obligations and licensing. The amendments in this guidance are intended to improve the operability and understandability of the licensing implementation guidance. It also addresses certain issues in the new revenue recognition guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements of Update 2014-09. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) "Financial Instruments—Credit Losses" which require a financial asset (or a Company of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments are effective for the year ended March 31, 2022. The amendment should be applied through a modified retrospective approach. Early adoption is permitted starting first quarter of year ended March 2020. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15 (ASU 2016-15) "Classification of Certain Cash Receipts and Cash Payments" The amendments in this Update apply to all entities that are required to present a statement of cash flows under Topic 230. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. The amendments in this Update are effective for the year ended March 31, 2020. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to



Butler America Aerospace, LLC
Notes to Financial Statements
March 31, 2018

apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18 (ASU 2016-18) "Restricted Cash - Statement of Cash Flows (Topic 230)". Diversity exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This Update requires that the amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for the year ended March 31, 2020. Early adoption is permitted, any adjustments should be reflected as of the beginning starting first quarter of that year. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

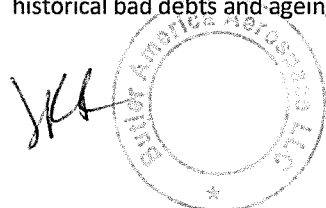
In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04) "Intangibles—Goodwill and Other (Topic 350)", Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill impairment test that had required a hypothetical purchase price allocation. Rather, entities should apply the same impairment assessment to all reporting units and recognize an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this Update are effective for the year ended March 31, 2023. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07 (ASU 2017-07) "Compensation—Retirement Benefits (Topic 715)", Under generally accepted accounting principles (GAAP), defined benefit pension cost and postretirement benefit cost (net benefit cost) comprise several components that reflect different aspects of an employer's financial arrangements as well as the cost of benefits provided to employees. The amendments in this Update require that an employer disaggregate the service cost component from the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The amendments in this Update are considered an important part of the Board's continuing efforts to improve the accounting and presentation related to defined benefit pension or other post retirement benefit plans. The amendments in this Update are effective for the year ended March 31, 2020. The Company is currently in the process of evaluating the impact that adoption of this standard will have on its financial statements.

3. Financial Instruments and Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash equivalents, accounts receivables and unbilled revenue. In the management's opinion, as of March 31, 2017, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements.

The customers of the Company are primarily corporations based in the United States of America and accordingly, trade receivables are concentrated in the United States of America. The Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable.



Butler America Aerospace, LLC
Notes to Financial Statements
March 31, 2018

4. Cash and Cash Equivalents:

The cash and cash equivalents as of March 31, 2017 and March 31, 2018 are as follows:

	March 31, 2017	March 31, 2018
Bank balances	\$1,178,708	\$1,618,749
Total	\$1,178,708	\$1,618,749

5. Other Current Assets

As of March 31, 2017 and March 31, 2018, other current assets comprise the following:

	March 31, 2017	March 31, 2018
Prepaid expenses	\$1,156,386	\$974,031
Other financial assets	-	4,305,165
Employees receivables	7,233	8,319
	\$1,163,619	\$5,287,515

6. Property and Equipment

Property and equipment at March 31, 2017 and March 31, 2018 consist of the following:

	March 31, 2017	March 31, 2018
Leasehold improvements	\$178,660	\$214,141
Automobile	486	486
Computers	788,220	1,051,589
Software	255,935	1,041,583
Office Equipment	3,731	43,161
Furniture and fixtures	291,840	333,051
	1,518,872	2,684,012
Less: Accumulated depreciation	(153,675)	(694,330)
Property and equipment Net	\$1,365,197	\$1,989,682

7. Employee Benefits Plans:

Total contributions by the Company to the plan for the periods ended March 31, 2018 was nil.



Butler America Aerospace, LLC
Notes to Financial Statements
March 31, 2018

The related party transactions are categorized as follows:

Interest paid on short term borrowing:

Interest paid to HCL America Inc. on short term borrowing totaling \$62,142 for period ended on March 2018.

Short term borrowing:

Short term borrowing includes amounts due to Holding Company, HCL America Inc. in respect of short term borrowing totaling \$1,640,000 and interest payable thereon of \$73,534 as at the end of March 2018.

13. Segment Reporting

The entity's operations predominantly relate to IT services in United States of America. Accordingly no disclosure for segment reporting has been included in these financials statements.

14. Subsequent Events

The Company has evaluated subsequent events through April 1, 2018 up to the date the financial statements were available to be issued.

15. Previous Year Comparative

Previous year figures have been regrouped/reclassified to the current year's classification wherever necessary.

