

**BUTLER AMERICA AEROSPACE, LLC**  
Financial Statements  
Years ended March 31, 2025, and March 31, 2024  
With Report of Independent Auditor

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# Independent Auditor's Report

To the Members,  
Butler America Aerospace, LLC.

## **Opinion**

We have audited the accompanying financial statements of Butler America Aerospace, LLC. (the 'Company'), which comprise the balance sheets as of March 31, 2025, and March 31, 2024, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company as of March 31, 2025, and March 31, 2024, 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.

## **Basis for opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibilities of management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the

aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KNAV CPA LLP

Atlanta, Georgia

May 31, 2025

# Financial Statements

**BUTLER AMERICA AEROSPACE, LLC**  
Balance Sheets  
As at March 31, 2025 and March 31, 2024  
(All amounts are in United States Dollars, unless otherwise stated)

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	9,623,085	9,669,881
Accounts receivable, net of allowances	8,613,665	9,374,642
Unbilled revenue	2,450,721	3,582,254
Prepaid expenses and other current assets	1,125,410	1,146,429
<b>Total current assets</b>	<b>\$ 21,812,881</b>	<b>23,773,206</b>
Property and equipment, net	221,898	267,748
Deferred compensation plan assets	930,671	926,289
Deferred taxes, net	506,712	920,603
Operating lease, right of use assets	818,364	974,143
Security deposits	7,883	14,013
<b>Total assets</b>	<b>\$ 24,298,409</b>	<b>26,876,002</b>
 <b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	62,155	81,402
Accrued employee cost	842,152	781,653
Payable to Parent	568,642	2,153,627
Operating lease liabilities, current portion	255,509	528,487
Accrued liabilities	132,111	1,638,209
<b>Total current liabilities</b>	<b>\$ 1,860,569</b>	<b>5,183,378</b>
Operating lease liabilities, excluding current portion	563,685	441,825
Other non-current liabilities	725,920	768,687
<b>Total liabilities</b>	<b>\$ 3,150,174</b>	<b>6,393,890</b>
Member's equity	21,148,235	20,482,112
<b>Total liabilities and member's equity</b>	<b>\$ 24,298,409</b>	<b>26,876,002</b>

See notes to financial statements

**BUTLER AMERICA AEROSPACE, LLC**  
 Statements of Income  
 For the years ended March 31, 2025 and March 31, 2024  
 (All amounts are in United States Dollars, unless otherwise stated)

	<b>2025</b>	<b>2024</b>
Revenue	51,091,020	54,826,752
Cost of revenue	39,033,051	41,035,861
<b>Gross profit</b>	<b>\$ 12,057,969</b>	<b>13,790,891</b>
Selling, general and administrative expenses	9,468,891	10,413,269
Depreciation and amortization expenses	167,816	210,925
<b>Operating income</b>	<b>\$ 2,421,262</b>	<b>3,166,697</b>
Interest income	71,170	88,593
Other income	1,143,280	1,025,790
<b>Income before income taxes</b>	<b>\$ 3,635,712</b>	<b>4,281,080</b>
Provision for income taxes	969,589	1,184,023
<b>Net income</b>	<b>\$ 2,666,123</b>	<b>3,097,057</b>

See notes to financial statements

**BUTLER AMERICA AEROSPACE, LLC**  
 Statements of Member's Equity  
 For the years ended March 31, 2025 and March 31, 2024  
 (All amounts are in United States Dollars, unless otherwise stated)

	<b>Amount</b>
Balance at April 01, 2023	\$ 17,385,055
Net income	3,097,057
<b>Balance at March 31, 2024</b>	<b>\$ 20,482,112</b>
Balance at April 01, 2024	\$ 20,482,112
Net income	2,666,123
Dividend distributed to Parent Company	(2,000,000)
<b>Balance at March 31, 2025</b>	<b>\$ 21,148,235</b>

See notes to financial statements

**BUTLER AMERICA AEROSPACE, LLC**  
Statements of Cash Flows  
For the years ended March 31, 2024 and March 31, 2023  
(All amounts are in United States Dollars, unless otherwise stated)

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Net income	2,666,123	3,097,057
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expenses	167,816	210,925
Movement in allowance for doubtful debts	-	402,137
Movement in allowance for expected credit loss	(47,138)	-
Deferred taxes	413,891	(153,950)
Liabilities written back	-	(1,025,790)
Accounts receivables written off	774	1,030
Changes in assets and liabilities:		
Accounts receivables and unbilled revenue	1,938,874	(2,031,571)
Prepaid expenses and other current assets	21,019	(174,436)
Operating lease right-of-use assets	4,661	17,861
Security deposits	6,130	-
Accounts payable	(19,247)	(57,392)
Accrued employee costs	60,499	51,545
Receivable from Parent	(1,584,985)	5,834,479
Accrued liabilities	(1,506,098)	99,566
Other non-current liabilities	71,527	(9,833)
<b>Net cash provided by operating activities</b>	<b>\$ 2,193,846</b>	<b>6,261,628</b>
<b>Cash flows from financing activities:</b>		
Dividend distributed to Parent Company	(2,000,000)	-
<b>Net cash used in financing activities</b>	<b>\$ (2,000,000)</b>	<b>-</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(121,966)	(142,747)
Investments in deferred compensation plan assets	(118,676)	(100,704)
Proceeds from sale of deferred compensation plan assets	-	78,395
<b>Net cash used in investing activities</b>	<b>\$ (240,642)</b>	<b>(165,056)</b>
<b>Net (decrease) / increase in cash</b>	<b>\$ (46,796)</b>	<b>6,096,572</b>
Cash at the beginning of the year	9,669,881	3,573,309
<b>Cash at the end of year</b>	<b>\$ 9,623,085</b>	<b>9,669,881</b>
<b>Supplementary cash information</b>		
Interest received	71,170	88,593
Lease assets obtained in exchange for new operating lease liabilities	870,564	867,893

See notes to financial statements

# BUTLER AMERICA AEROSPACE, LLC

Notes to Financial Statements

March 31, 2025, and March 31, 2024

## (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 the United States of America, to whom it provides engineering and design services in the areas of mechanical and structural design, electrical design, tool design, and aftermarket engineering services. The Company was incorporated, in Delaware, on June 22, 2016.

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

The accompanying financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States of America (‘US GAAP’) to reflect the financial position, results of operation, member’s equity and cash flows.

The financial statements are presented for the years ended March 31, 2025, and March 31, 2024.

All amounts are in United States Dollars, except as otherwise specified.

### (b) Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The management’s estimates for the realization of deferred tax assets, the useful life of property and equipment, revenue recognition, accrued liabilities, plan assets for deferred compensation plans, discounting rate for leases, deferred tax valuation, and allowance for doubtful debts and expected credit loss at the balance sheet dates represent certain of these particularly sensitive estimates. These estimates are based on management’s best knowledge of current events, historical experience, actions that the Company may undertake in the future, and 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 Accounts Receivable

The Company derives revenue from engineering and design services to its 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 transaction price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when or as 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 over the goods or services to a customer, meaning the customer has the ability to use and obtain the benefit of the goods or services.

The Company’s revenue is generated from engineering and design services provided through time-and-material or fixed-price contracts with its customers. The Company does not act as an agent in any of its revenue arrangements. Contracts with customers include the price, which is either fixed or represents the hourly billing rate for time-and-material arrangements. Payment terms and conditions vary by

## BUTLER AMERICA AEROSPACE, LLC

Notes to Financial Statements

March 31, 2025, and March 31, 2024

contract, although terms generally include a requirement of payment within 30 to 90 days once invoiced. 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 transaction price multiplied by the labor hours incurred for the project.

Fixed price contracts range from single or multi-year, subject to termination clauses. Revenue from fixed price contracts is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs engineering labor services or as the Company's performance creates or enhances a work product that the customer controls as the product is created or enhanced. Revenue is recognized based on a time elapsed or labor hours expended measure of progress based on the Company's efforts toward satisfying the performance obligation relative to the total expected efforts or inputs to the satisfaction of the performance obligation. These methods correspond with and best depict the transfer of services to the customer.

Unbilled revenue primarily represents revenue earnings over time that are not yet billable based on the terms of the contracts. As the Company has an unconditional right to consideration, it does not recognize contract assets. Revenue recognized but not billed to customers is classified as unbilled revenue on the balance sheets.

Deferred revenue consists of fees invoiced or paid by the Company's customers for which the associated performance obligations have not been satisfied, and revenue has not been recognized based on the Company's revenue recognition criteria described above. The Company does not receive upfront consideration for its arrangements nor has an unconditional right to consideration based on customer contract terms and accordingly has not recognized contract liabilities.

Accounts receivable from customers are recorded at the original invoiced amounts net of an allowance for doubtful accounts. In accordance with Accounting Standards Codification (ASC) 326, "Financial Instruments—Credit Losses," accounts receivable are initially recorded at the invoiced amount, net of an allowance for expected credit losses. The Company evaluates the adequacy of the allowance for credit losses on a regular basis, considering various factors such as historical loss experience, current market conditions, the aging of receivables, payment terms, and forward-looking loss expectations. The accounts receivable write-offs were \$774 and \$1,030 for the years ended March 31, 2025, and March 31, 2024.

### **(d) Property and Equipment**

Property and equipment are 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/amortization is provided using the straight-line method based on the useful lives of the assets, which are as follows:

<b>Asset Description</b>	<b>Asset Life (Years)</b>
Computer Hardware	3 to 10
Office Equipment	5
Software	2 to 7
Furniture and Fixtures	7

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or the estimated useful life of the asset.

## BUTLER AMERICA AEROSPACE, LLC

Notes to Financial Statements

March 31, 2025, and March 31, 2024

### **(e) Cash**

Cash comprise cash at the bank, which are subject to an insignificant risk of changes in value. Cash balances in bank accounts are insured by Federal Deposit Insurance Corporation up to an aggregate of \$ 250,000 per depositor at each financial institution.

### **(f) 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 HCL America Inc's consolidated / combined federal, state, and local tax returns. 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 reporting its 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 statements of income 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 balance sheet, including related interest and penalties. Interest and penalties, if any, are included in operating expenses.

### **(g) Compensated Absences**

The employees of the Company are entitled to compensated absences. The employees are allowed to carry forward a 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 recognizes its liabilities for compensated absences depending on whether the obligation is attributable to employee services already rendered, rights to compensated absences vest or accumulate, and payment is probable and estimable.

### **(h) Corporate-owned life insurance**

The Company maintains corporate-owned life insurance for a group of executives, which are recorded at their cash surrender value as determined by the insurance carrier. These life insurance policies are utilized as a funding source for non-qualified deferred compensation plans. As of March 31, 2025, and March 31, 2024, the carrying values associated with these life insurance policies are \$912,658 and \$881,014, respectively, and are recorded as deferred compensation plan assets in the balance sheets as per Accounting Standard Codification ("ASC") 325-30-35 "Accounting for Purchases of Life Insurance."

### **(i) Leases**

The lease standard requires all leases to be reported on the balance sheet as lease right-of-use assets and lease obligations. The Company elected to utilize the available practical expedients in the ASC 842 and did not reassess the existence of leases, classification of leases, or initial direct costs in existing or

**BUTLER AMERICA AEROSPACE, LLC**

Notes to Financial Statements

March 31, 2025, and March 31, 2024

expired contracts. Additionally, the Company elected the package of practical expedients to not allocate contract consideration between a lease and non-lease components.

The Company's leases are classified as operating leases, which include lease right-of-use assets and lease liabilities in the Company's balance sheets. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement, as well as any variable rate payments that depend on an index, initially measured using the index at the lease commencement date. Lease terms may include options to renew when it is reasonably certain that the Company will exercise that option.

The incremental borrowing rate is used as the discount rate to calculate the present value of lease payments and determine lease assets and liabilities, as the rate implicit in the lease is not determinable. The incremental borrowing rate represents the rate of interest the Company would have to pay to borrow on a collateralized loan over a similar term, an amount equal to the lease payments in a similar economic environment. Lease expense is recognized on a straight-line basis over the lease term and is included in the "Selling, general and administrative expenses". Leases with a lease term of 12 months or less from the commencement date that do not contain a purchase option are recognized as an expense on a straight-line basis over the lease term.

**(j) Commitments and contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

**(3) Cash**

Cash consist of the following:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Balance with banks	9,623,085	9,669,881
<b>Cash</b>	<b>9,623,085</b>	<b>9,669,881</b>

**(4) Accounts receivables, net of allowances**

Accounts receivables, net of allowances, consist of the following:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Due from customers	9,889,525	10,697,640
Less: allowances for expected credit loss and doubtful debts	(1,275,860)	(1,322,998)
<b>Accounts receivables, net of allowances</b>	<b>8,613,665</b>	<b>9,374,642</b>

The movement in allowance for doubtful debts during the year is as under:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Beginning balance	1,322,998	920,861
Add: movement in allowance for doubtful debts	-	402,137
Less: movement in allowance for expected credit loss	(47,138)	-
<b>Closing balance</b>	<b>1,275,860</b>	<b>1,322,998</b>

**BUTLER AMERICA AEROSPACE, LLC**

Notes to Financial Statements

March 31, 2025, and March 31, 2024

**(5) Revenue from Contracts with Customers**

The disaggregated revenue from contracts with customers for the years ended March 31, 2025, and March 31, 2024, by contract type is presented below.

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Fixed price	2,241,528	4,542,345
Time and material	48,849,492	50,284,407
<b>Revenue</b>	<b>51,091,020</b>	<b>54,826,752</b>

The following table presents revenue disaggregated by the timing of recognition:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Service transferred over time	51,091,020	54,826,752
<b>Total</b>	<b>51,091,020</b>	<b>54,826,752</b>

Contract balances

The following table provides information about contract balances:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Accounts receivable, net of allowances	8,613,665	9,374,642
Unbilled revenue	2,450,721	3,582,254

**(6) Income Taxes**

The components of the provision for income taxes are as follows:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Current taxes	555,698	1,337,973
Deferred taxes	413,891	(153,950)
<b>Provision for income taxes</b>	<b>969,589</b>	<b>1,184,023</b>

For the years ended March 31, 2025, and March 31, 2024, the difference between the actual tax expense and the expected tax expense, computed by applying the applicable U.S. corporate tax rate of 25.60% and 26.53% respectively, to income before income taxes, is primarily attributable to state 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:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Deferred tax assets:		
Accrued payroll and vacation	147,656	147,017
Allowance for expected credit loss and doubtful debts	326,645	350,990
Operating lease liabilities	209,731	257,424
Accrued expenses	33,273	433,868
<b>Total deferred tax assets</b>	<b>717,305</b>	<b>1,189,299</b>
Deferred tax liabilities:		
Operating leases, right-of-use assets	(209,518)	(258,440)
Property and equipment	(1,075)	(10,256)
<b>Total deferred tax liabilities</b>	<b>(210,593)</b>	<b>(268,696)</b>
<b>Net deferred tax assets</b>	<b>506,712</b>	<b>920,603</b>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or a portion of 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 allowance as of March 31, 2025, and March 31, 2024.

**BUTLER AMERICA AEROSPACE, LLC**

Notes to Financial Statements

March 31, 2025, and March 31, 2024

**(7) Concentration of Credit Risk**

The Company's customers are concentrated in the aerospace and defense industry. The Company's largest customer accounted for approximately 34% and 42% of revenues for the years ended March 31, 2025, and March 31, 2024, respectively, and approximately 30% and 30% of accounts receivable at March 31, 2025 and March 31, 2024, respectively.

**(8) Property and Equipment**

Property and equipment consist of the following:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Leasehold Improvements	196,231	282,164
Computer hardware	1,434,664	1,693,313
Computer software	917,510	1,064,176
Office equipment	98,066	98,066
Furniture and fixtures	422,364	436,859
	<b>3,068,835</b>	<b>3,574,578</b>
Less: accumulated depreciation and amortization	(2,846,937)	(3,306,830)
<b>Property and equipment, net</b>	<b>221,898</b>	<b>267,748</b>

Depreciation and amortization expense for the years ended March 31, 2025, and March 31, 2024, was \$167,816 and \$210,925, respectively. During the years ended March 31, 2025, and March 31, 2024, the Company has written off fixed assets with a gross block value of \$627,710 and \$883,242, respectively, and recorded no losses.

**(9) Accrued Liabilities**

Accrued liabilities consist of the following:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Warranty claim accrual*	-	1,377,871
Board fee accrual	41,528	40,357
Sales tax accrual	20,733	31,355
Audit fee accrual	65,000	80,000
Other accruals	4,850	108,626
	<b>132,111</b>	<b>1,638,209</b>

\*During the year ended March 31, 2023, the Company was notified by one customer (the "customer") regarding issues with certain engineering and design services provided by the Company; as a result of which the customer voluntarily recalled its product. The Company was contractually obligated to cover all costs incurred in administering the product recall. As of March 31, 2023, the estimated cost was expected to be \$2,200,000, for which a provision was created. The Company maintained errors and omissions ('E&O') insurance policy and aircraft liability insurance with third party insurance providers. The Company notified its insurance providers during the year ended March 31, 2023. The insurance providers have agreed to reimburse the legal costs, while the claim was being reviewed by them. No such reimbursements were received until March 31, 2024.

On February 29, 2024, the Company received a letter from customer confirming the completion of the remediation work on all applicable aircraft. According to letter, the final cost, that is Company's responsibility, amounted to \$1,377,871, for which Company had made a provision as of March 31, 2024.

During the year ended March 31, 2025, the Company received \$1,143,280 from the insurance carrier towards the reimbursement of this claim and the same has been included as part of other income in the statements of income.

**BUTLER AMERICA AEROSPACE, LLC**

Notes to Financial Statements

March 31, 2025, and March 31, 2024

**(10) Other Income**

Other income consists of the following:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Warranty claim written back (refer Note 9)	-	822,129
Warranty claim reimbursement (refer Note 9)	1,143,280	-
Liabilities written back	-	203,661
<b>Other income</b>	<b>\$ 1,143,280</b>	<b>\$ 1,025,790</b>

**(11) Lease****General description of the lease:**

The Company leases various office premises and facilities under non-cancelable operating leases that expire at various dates through June 2030. Some of the Company's leases contain one or more options to extend or terminate. The Company considers options to extend or terminate the lease in determining the lease term.

The Company used the following policies and/or assumptions in evaluating the lease population:

**Lease determination:** The Company considers a contract to be or to contain a lease if the contract conveys the right to control the use of identified property, plant or equipment (an identified asset) for a period of time in exchange for consideration.

**Discount rate:** The lease contracts do not provide a readily determinable implicit rate. Hence, the Company uses the estimated incremental borrowing rate based on the existing borrowings of the entity.

**Variable payments:** The Company does not include payments that are based on an index or rate within the calculation of right of use leased assets and lease liabilities, initially measured at the lease commencement date.

**Residual value guarantees, restrictions, or covenants:** The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expense for the year ended March 31, 2025, amounted to \$802,484 which includes the variable component of lease expense worth \$173,815 and fixed lease rental worth \$628,669.

Operating lease expense for the year ended March 31, 2024, amounted to \$1,327,246, which includes the variable component of lease expense worth \$302,409 and fixed lease rental worth \$1,024,837.

The Company records operating lease expenses in the statements of income within 'Selling, general, and administrative expenses.'

Per the requirements of ASC 842 "Leases," supplemental balance sheet information as of March 31, 2025 and March 31, 2024 related to operating leases is shown below:

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
<b>Assets</b>		
Operating lease right-of-use assets	818,364	974,143
<b>Total lease assets</b>	<b>818,364</b>	<b>974,143</b>
<b>Liabilities</b>		
Current Operating lease liabilities	255,509	528,487
Non-current Operating lease liabilities	563,685	441,825
<b>Total lease liabilities</b>	<b>819,194</b>	<b>970,312</b>

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Notes to Financial Statements

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Supplemental cash flow information related to operating leases was as follows:

<b>Particulars</b>	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Cash paid for amounts included in the measurement of lease liabilities	628,669	1,024,837
Lease assets obtained in exchange for new operating lease liabilities	870,564	867,893

Maturities of lease liabilities ending are as follows:

<b>Year ended March 31</b>	<b>Amount</b>
2026	256,493
2027	190,106
2028	190,106
2029	190,106
2030	47,526
<b>Total minimum lease payments</b>	<b>874,337</b>
Less: Interest	(55,143)
<b>Total operating lease liability</b>	<b>819,194</b>

	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Weighted average remaining lease term (years) – Operating lease	3.89 years	2.06 years
Weighted average – discount rate	3.66%	4.17 %

**(12) Fair Value Measurements**

The Company's financial instruments include cash and investments in mutual funds (reported under 'deferred compensation plan assets' on the balance sheets). 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 approximates their 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.

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. 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

**BUTLER AMERICA AEROSPACE, LLC**

Notes to Financial Statements

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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, 2025, and March 31, 2024:

	March 31, 2025	Level 1	Level 2	Level 3
<b>Assets</b>				
Plan assets for deferred compensation plan (Mutual funds)	\$ 18,013	\$ 18,013	-	-
	March 31, 2024	Level 1	Level 2	Level 3
<b>Assets</b>				
Plan assets for deferred compensation plan (Mutual funds)	\$ 45,275	\$ 45,275	-	-

**(13) Related Party Transactions**

The Company provides and obtains certain subcontracting consulting services with its Parent. During the years ended March 31, 2025, and March 31, 2024, the Company provided subcontracting services to its Parent amounting to \$NIL and \$2,137,988, respectively. During the years ended March 31, 2025, and March 31, 2024, the Company obtained subcontracting services from its Parent amounting to \$437,191 and \$758,834, respectively.

For the year ended March 31, 2025, and March 31, 2024, the Parent has to pay \$555,698 and \$2,447,447, respectively, towards income taxes pertaining to the Company. (Refer note 6 for further information)

Net payable balance, with respect to the Parent, as of March 31, 2025, and March 31, 2024, is \$568,642 and \$ 2,153,627, respectively.

**(14) Employee benefit plans***401(k) Defined Contribution Plan.*

The Company maintains a 401(k) retirement plan ('the Plan') for eligible employees and also maintains a deferred compensation plan for certain management employees or independent contractors in order to provide retirement and other benefits. Eligible employees may elect to have up to the maximum amount allowable out of their compensation deferred under the terms of the Plan, which is consistent with Section 401(k) of the Internal Revenue Code. The Company may make a discretionary matching contribution to the Plan, determined annually at the discretion of management based on financial performance and other relevant factors.

During the year ending March 31, 2025, the Company contributed \$185,846 to the 401(k) plan. This contribution was a 15% match of contributions made by qualifying employees as of March 31, 2024. Employer contributions are subject to vesting provisions as outlined in the plan document and comply with all regulatory requirements under the Employee Retirement Income Security Act (ERISA) and IRS guidelines.

*Deferred Compensation Plan.jayde*

The Company maintains a deferred compensation plan under the name of "Butler America Aerospace, LLC Deferred Compensation Plan" ("DCP") for certain management and highly compensated employees in order to provide retirement and other benefits.

DCP, a nonqualified deferred compensation plan, became effective on January 1, 2017. A deferred compensation account means the account is maintained with respect to each participant. The deferred

## BUTLER AMERICA AEROSPACE, LLC

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compensation account shall be credited with participant deferral credits and employer contributions, credited or debited for deemed investment gains or losses, and adjusted for payments in accordance with the rules of the plan document. Under DCP, the participant shall elect to defer a maximum of 50% of his/her base salary and defer a maximum of 100% of all other types of compensation. Employer credits are discretionary credits as determined by the employer. Employer credits are vested after 1 year of service. Notwithstanding any other vesting schedule, all employer credits shall become 100% vested upon the first to occur of the following events while the participant is actively employed:

- A) Death of the participant while actively employed.
- B) Disability of the participant
- C) Change in control event.

The Company has formed a Rabbi trust, with the intention of making cash contributions to this trust, as required, to provide the Rabbi trust source of funds to assist in meeting its liabilities under DCP.

During the years ended March 31, 2025, and March 31, 2024, contributions were made to the extent of \$Nil and \$Nil, respectively, to the life insurance contract and \$118,676 and \$100,704 to mutual fund plan assets.

The cash surrender value of the life insurance contract and mutual fund assets as of March 31, 2025, amounts to \$912,658 and \$18,013, respectively. (March 31, 2024: \$881,014 and \$45,275) Correspondingly, a deferred compensation liability, included under other non-current liabilities in the balance sheets, as of March 31, 2025, and March 31, 2024, amounted to \$725,920 and \$768,687, respectively.

### **(15) Risk and uncertainties**

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, deterioration in general economic conditions; the Company's ability to effectively manage operating costs and increase operating efficiencies; declines in sales; competitive factors, including but not limited to pricing pressures; technological and market changes; the ability to attract and retain qualified employees and the Company's ability to execute on its business plan.

### **(16) Subsequent Events**

The Company has evaluated subsequent events through May 31, 2025, the date the Company's financial statements were available to be issued. Based on the evaluation, the Company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.

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