

ESC AEROSPACE US, INC.

Unaudited Financial Statements For The Years Ended December 31, 2021 and 2020



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Management
esc Aerospace US, Inc.
Orlando, FL

We have reviewed the accompanying financial statements of esc Aerospace US, Inc (a corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, We do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether We are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of Our procedures provide a reasonable basis for Our conclusion.

Accountant's Conclusion

Based on Our review, We are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B, certain conditions raise an uncertainty about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note B. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

Jason M. Tyra, CPA, PLLC
Dallas, TX
April 11, 2022

ESC AEROSPACE US, INC.
BALANCE SHEET
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 75,274	\$ -
Accrued Revenue	112,451	-
Related Party Receivable	80,923	30,725
Accounts Receivable	-	137,503
TOTAL CURRENT ASSETS	268,648	168,228
NON-CURRENT ASSETS		
Fixed Assets	1,591	-
TOTAL NON-CURRENT ASSETS	1,591	-
TOTAL ASSETS	\$ 270,239	\$ 168,228
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Deferred Compensation	65,600	-
Other Current Liabilities	12,105	19,569
TOTAL CURRENT LIABILITIES	77,705	19,569
NON-CURRENT LIABILITIES		
Related Party Notes Payable	150,000	74,436
Accrued Interest	589	-
TOTAL LIABILITIES	228,294	94,005
SHAREHOLDERS' EQUITY		
Common Stock (8,000,000 shares authorized; 8,000,000 issued and outstanding; \$0.01 par value)	80,000	80,000
Preferred Stock (2,000,000 shares authorized; 22,000 issued and outstanding; \$0.01 par value)	220	220
Additional Paid In Capital	746	-
Retained Deficit	(39,021)	(5,995)
TOTAL SHAREHOLDERS' EQUITY	41,945	74,225
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 270,239	\$ 168,228

ESC AEROSPACE US, INC.
INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Income		
Revenue	\$ 592,711	\$ 767,502
Cost of Goods Sold	267,447	542,184
Gross Profit	325,264	225,318
Operating Expense		
Compensation and Benefits	233,673	92,983
General & Administrative	49,060	38,996
Legal & Professional	29,139	19,860
Selling & Marketing	23,368	4,661
Research and Development	15,285	-
Rent	3,693	4,854
Equipment	2,518	-
	356,736	161,354
Net Income (Loss) from Operations	(31,473)	63,964
Other Expense		
Interest Expense	(1,552)	-
Net Income (Loss)	\$ (33,025)	\$ 63,964
Net Loss Per Share		
Weighted average common shares outstanding - Basic	8,000,000	8,000,000
Net Loss per share	\$ (0.00)	\$ 0.01

See Independent Accountant's Review Report and accompanying notes, which are an integral part of these financial statements.

ESC AEROSPACE US, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Cash Flows From Operating Activities		
Net Income (Loss) For The Period	\$ (33,025)	\$ 63,964
Change in Accounts Receivable	137,503	(67,831)
Change in Deferred Compensation	65,600	-
Change in Other Current Liabilities	(7,464)	(13,431)
Change in Related Party Receivable	(50,198)	(66,262)
Change in Accrued Revenue	(112,451)	-
	<hr/>	<hr/>
Net Cash Flows From Operating Activities	(35)	(83,560)
Cash Flows From Investing Activities		
Purchase of Fixed Assets	(1,591)	-
	<hr/>	<hr/>
Net Cash Flows From Investing Activities	(1,591)	-
Cash Flows From Financing Activities		
Issuance of Related Party Notes Payable	75,564	74,436
Capitalization of Accrued Interest	589	-
Increase/(Decrease) in Additional Paid In Capital	746	(16,500)
	<hr/>	<hr/>
Net Cash Flows From Financing Activities	76,899	57,936
Cash at Beginning of Period	-	25,624
Net Increase (Decrease) In Cash	75,274	(25,624)
Cash at End of Period	<hr/> <u>\$ 75,274</u>	<hr/> <u>\$ -</u>

ESC AEROSPACE US, INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Stock		Preferred Stock		Additional Paid	Retained Earnings	Total Shareholders'
	Number	Amount	Number	Amount	in Capital		Equity
Balance at December 31, 2019	8,000,000	80,000	22,000	220	\$ -	\$ (69,960)	\$ 10,260
Net Income						63,964	63,964
Balance at December 31, 2020	8,000,000	80,000	22,000	220	\$ -	\$ (5,995)	\$ 74,225
Issuance of Stock					746		746
Net Loss						(33,025)	(33,025)
Balance at December 31, 2021	8,000,000	80,000	22,000	220	\$ 746	\$ (39,021)	\$ 41,945

ESC AEROSPACE US, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
DECEMBER 31, 2021 & 2020

NOTE A- ORGANIZATION AND NATURE OF ACTIVITIES

ESC Aerospace US, Inc. (“the Company”) is a corporation organized under the state of Florida. The Company develops software related to positioning, navigation, and system integrations for the United States Department of Defense.

NOTE B- GOING CONCERN MATTERS

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operation for the foreseeable future. However, management has identified the following conditions and events that created an uncertainty about the ability of the Company to continue as a going concern. The Company sustained a net operating loss in 2021 in the amount of \$33,025.

The following describes management's plans that are intended to mitigate the conditions and events that raise doubt about the Company's ability to continue as a going concern. The Company plans to raise additional capital to continue operations and further the company's goals through a Reg CF and Red D offering concurrently. Also, should the company experience a situation that requires additional funding to sustain operations, management has resources to raise private loans from the owners to meet those financial needs. The Company's ability to meet its obligations as they become due is dependent upon the success of management's plans, as described above.

NOTE C- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The Company's fiscal year ends December 31.

Significant Risks and Uncertainties

The Company is subject to customary risks but not limited to, the need for protection of intellectual property, dependence on key personnel, costs of services provided by third parties, the need to obtain additional financing, and limited operating history.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Changes in estimates are recorded in the period they are made. Actual results could differ from those estimates.

ESC AEROSPACE US, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Revenue

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The company recognized revenue in 2020. Revenue streams have been derived from government contracts.

These government contracts have an expiration/delivery date between 2020 or 2022. In 2021, the Company had accrued revenue recognized due to unbilled revenue of \$112,451.

Accounts Receivable

The Company grants trade credit to certain customers when business conditions warrant. Management's experience suggests that losses on accounts receivables are likely to be infrequent. As of December 31, 2021, the Company has accrued a reserve of \$0 for doubtful accounts.

Related Party Receivable

Since 2020, the Company grants credit to a related party which is owned by similar investors. As of December 31, 2021, the Company has accrued a reserve of \$0 for doubtful accounts.

Fixed Assets

The Company capitalizes assets with an expected useful life of one year or more, and an original purchase price of \$1,000 or more. Depreciation is calculated on a straight-line basis over management's estimate of each asset's useful life.

Leases

The Company currently occupies office space under a non-cancellable operating lease. The lease expires in 2022 and may be renewed at the option of the Company at the then-current market rate. Future minimum payments due are as follows:

2022- 2,843.46

Advertising

The Company records advertising expenses in the year incurred.

Equity Based Compensation

The Company accounts for stock options issued to employees under ASC 718 (Stock Compensation). Under ASC 718, share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as an item of expense ratably over the employee's

ESC AEROSPACE US, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

requisite vesting period. The Company has elected early adoption of ASU 2018-07, which permits measurement of stock options at their intrinsic value, instead of their fair value. An option's intrinsic value is defined as the amount by which the fair value of the underlying stock exceeds the exercise price of an option. In certain cases, this means that option compensation granted by the Company may have an intrinsic value of \$0.

The Company measures compensation expense for its non-employee stock-based compensation under ASC 505 (Equity). The fair value of the option issued or committed to be issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to expense and credited to additional paid-in capital.

Income Taxes

In December 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law and the new legislation contains several key tax provisions that affected the Company, including a reduction of the corporate income tax rate to 21% effective January 1, 2018, among others. The Company is required to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax, remeasuring deferred tax assets and liabilities, as well as reassessing the net realizability of our deferred tax assets and liabilities. The tax rate change had no impact to the Company's net loss as the Company has not incurred a tax liability or expense for the year ended December 31, 2021 and has a full valuation allowance against its net deferred tax assets.

The Company applies ASC 740 Income Taxes ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities. ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

The Company is subject to tax filing requirements as a corporation in the federal jurisdiction of the United States. The Company sustained a net operating loss during the fiscal year 2021. Net operating losses will be carried forward to reduce taxable income in future years. Due to management's uncertainty as to the timing and valuation of any benefits associated with the net operating loss carryforwards, the Company has elected to recognize an allowance to account for them in the financial statements, but has fully reserved it. Under current law, net operating losses may be carried forward indefinitely.

The Company is subject to franchise tax filing requirements in the State of Florida.

Net Income Per Share

Net earnings or loss per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to redemption or forfeiture. The Company presents basic and diluted net earnings or loss per share. Diluted net earnings or loss per

ESC AEROSPACE US, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

share reflect the actual weighted average of common shares issued and outstanding during the period, adjusted for potentially dilutive securities outstanding. Potentially dilutive securities are excluded from the computation of the diluted net loss per share if their inclusion would be anti-dilutive.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies and adopted by the Company as of the specified effective date. The Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for most leases previously classified as operating leases. Subsequently, the FASB has issued amendments to clarify the codification or to correct unintended application of the new guidance. The new standard is required to be applied using a modified retrospective approach, with two adoption methods permissible: (1) apply the leases standard to each lease that existed at the beginning of the earliest comparative period presented in the financial statements or (2) apply the guidance to each lease that had commenced as of the beginning of the reporting period in which the entity first applies the new lease standard.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The pronouncement changes the impairment model for most financial assets and will require the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. Subsequently, the FASB issued an amendment to clarify the implementation dates and items that fall within the scope of this pronouncement. This standard is effective beginning in the first quarter of 2020. The adoption of ASU 2016-13 is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairments by eliminating step two from the goodwill impairment test. Under this guidance, if the carrying amount of a reporting unit exceeds its estimated fair value, an impairment charge shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. This standard is effective beginning in the first quarter of 2019, with early adoption permitted. The adoption of ASU 2017-04 is not expected to have a material effect on the Company's financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. As a result, most of the guidance in ASC 718 associated with employee share-based payments, including most requirements related to classification and measurement, applies to nonemployee share-based payment arrangements. This standard is effective beginning in the first quarter of 2019, with early adoption permitted. The adoption of ASU 2018-07 is not expected to have a material effect on the Company's financial statements.

ESC AEROSPACE US, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

NOTE D- DEBT

In 2021, the company issued a series of related party notes payable in exchange for cash for the purpose of funding continuing operations (“the Related Party Notes Payable”). The notes accrue interest at the rate of 5% per annum and are payable as of December 2, 2022. In 2021 and 2020, the Company capitalized approximately \$589 in accrued interest related to the Notes.

NOTE E- EQUITY

Under the Company’s original articles of incorporation, the Company authorized 8,000,000 shares of \$0.01 par value Common Stock and 2,000,000 shares of \$0.01 par value Preferred Stock.

Common Stock: Common shareholders have the right to vote on certain items of Company business at the rate of one vote per share of stock. Common Stock ranks behind all issues of Preferred Stock in liquidation preference.

Preferred Stock: Preferred shareholders have included dilution protected dividend preference for all Preferred Stock share classes, liquidation preferences, and voting rights. Preferred Stock are convertible into Common Stock at the holder’s election.

As of December 31, 2021, the number of shares issued and outstanding by class was as follows:

Common Stock	8,000,000
Preferred Stock	22,000

NOTE F- CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and cash equivalents with a limited number of high-quality financial institutions and at times may exceed the amount of insurance provided on such deposits. The company faces concentration risks associated with customers. These stem from (1) major customers consisting of U.S. Air Force and U.S. Army (2) mainly working for the U.S government on Defense & Aerospace Contracts.

NOTE G- SUBSEQUENT EVENTS

Management considered events subsequent to the end of the period but before April 11, 2022, the date that the financial statements were available to be issued.