

**ZEN TECHNOLOGIES USA, INC.**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**MARCH 31, 2020 AND MARCH 31, 2019**

## Zen Technologies USA, Inc.

### Balance Sheet

*All amounts in US\$*

Particulars	Note	As of March 31, 2020	As of March 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	858,186	2,476
Prepaid expenses		50,000	50,000
<b>Total of Current assets</b>		<b>908,186</b>	<b>52,476</b>
<b>Long-term assets</b>			
Property, plant and equipment, net	4	20,730	28,174
<b>Total of long-term assets</b>		<b>20,730</b>	<b>28,174</b>
<b>TOTAL OF ASSETS</b>		<b>928,916</b>	<b>80,650</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable		10,147	88,677
Other current liabilities	5	142	34,090
<b>Total of current liabilities</b>		<b>10,289</b>	<b>122,767</b>
<b>TOTAL OF LIABILITIES</b>		<b>10,289</b>	<b>122,767</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock		950,001	800,001
Capital stock subscription account		1,030,000	-
Retained earnings		(1,061,374)	(842,118)
<b>Total of Shareholders' equity</b>		<b>918,627</b>	<b>(42,117)</b>
<b>TOTAL OF LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>928,916</b>	<b>80,650</b>

*The accompanying notes form an integral part of these financial statements*

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**Zen Technologies USA, Inc.****Statement of operations**

Particulars	Note	<i>All amounts in US\$</i>	
		For the year ended March 31, 2020	For the year ended March 31, 2019
<b>REVENUE</b>			
Service Income		-	-
		-	-
<b>OPERATING EXPENSES</b>			
Cost of goods sold		-	-
Employee costs		109,921	134,014
Sales and marketing expenses	6	39,574	475,466
Depreciation	4	8,164	4,106
Other administrative spends	7	61,597	228,532
<b>TOTAL OF OPERATING EXPENSES</b>		<b>219,256</b>	<b>842,118</b>
<b>OPERATING LOSS</b>		<b>(219,256)</b>	<b>(842,118)</b>
Finance cost, net		-	-
<b>LOSS BEFORE TAXES</b>		<b>(219,256)</b>	<b>(842,118)</b>
Current and deferred tax	8	-	-
<b>LOSS AFTER TAX</b>		<b>(219,256)</b>	<b>(842,118)</b>
<b>EARNINGS PER SHARE</b>			
	9		
Basic earnings per share		(0.24)	(1.75)
Diluted earnings per share		(0.24)	(1.75)

*The accompanying notes form an integral part of these financial statements*

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**Zen Technologies USA, Inc.****Statement of changes in shareholders' equity***All amounts in US\$*

Particulars	Common stock	Capital stock subscription account	Retained earnings	Total
<b>Balance as of April 01, 2018</b>	-	-	-	-
Capital contribution during the year	800,001	-	-	800,001
Profit for the period	-	-	(842,118)	(842,118)
<b>Balance as of March 31, 2019</b>	<b>800,001</b>	-	<b>(842,118)</b>	<b>(42,117)</b>
Capital contribution during the year	150,000	1,030,000	-	1,180,000
Profit for the period	-	-	(219,256)	(219,256)
<b>Balance as of March 31, 2020</b>	<b>950,001</b>	<b>1,030,000</b>	<b>(1,061,374)</b>	<b>918,627</b>

Shareholders' equity comprises of common stock and retained earnings. Common stocks are subordinate to all other class of stock. Each holder of shares of common stock shall be entitled to vote for each share thereof held. Total authorized capital of the Company as at end of the year March 31, 2020 includes 950,001 (previous year: 950,001) common stock of face value of US\$ 1.00 per common stock. The issued, subscribed and paid-up capital comprises of 950,001 (previous year: 800,001) common stock of face value of US\$ 1.00 per common stock issued to Zen Technologies Limited, India.

Capital stock subscription account represents money received during the year from Zen Technologies Limited, India towards subscription of common stocks. The allotment is expected to happen in June 2020 after increase in authorized capital of the Company.

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**Zen Technologies USA, Inc.****Statement of cash flows***All amounts in US\$*

<b>Particulars</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>Cash flow from operating activities</b>		
Net loss before tax	(219,256)	(842,118)
<i>Adjustment for non-cash and other items</i>		
- Depreciation expense	8,164	4,106
<i>Adjustment for changes in working capital</i>		
- (decrease) / increase in accounts payable	(78,530)	88,677
- (decrease) / increase in other liabilities and provisions	(33,948)	34,090
- increase in other current assets	-	(50,000)
<b>Net cash flow from operating activities</b>	<b>(323,570)</b>	<b>(765,245)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(720)	(32,280)
<b>Net cash flow from investing activities</b>	<b>(720)</b>	<b>(32,280)</b>
<b>Cash flow from financing activities</b>		
Monies received towards capital stock subscription	1,030,000	-
Issue of common stock	150,000	800,001
<b>Net cash flow from financing activities</b>	<b>1,180,000</b>	<b>800,001</b>
<b>Net change in cash and cash equivalents</b>	<b>855,710</b>	<b>2,476</b>
Cash and cash equivalents at the beginning of the year	2,476	-
<b>Cash and cash equivalents at the end of the year</b>	<b>858,186</b>	<b>2,476</b>

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## Zen Technologies USA, Inc.

### Notes to financial statements

#### 1. Nature of operations

Zen Technologies USA, Inc. (hereinafter referred to as "The Company") was incorporated on March 09, 2018, with registered office situated at 3500 South DuPont Highway Dover, Delaware 19901 Kent County, United States of America (USA). The Company aims to sell combat training products to defense and security customers worldwide.

#### 2. Significant accounting policies

These financial statements as at and for the year ended March 31, 2020 have been prepared in accordance with the accounting principles generally accepted in Unites States (US GAAP).

##### a. Basis of preparation

These financial statements have been prepared for the Company as a going concern on the basis. The accounting policies have been consistently applied by the Company.

##### b. Use of estimates & judgments

The preparation of financial statements in conformity with US GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

##### c. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### d. Accounts payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business.

##### e. Debt instruments and other financial liabilities

The Company initially recognizes debt instruments issued on the date that they originate. All other financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. These are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

## Zen Technologies USA, Inc.

### Notes to financial statements

#### 2. Significant Accounting Policies (continued...)

##### f. Employee benefits

###### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

###### Compensated absences

The company's leave policy doesn't permit carryover of leaves to the subsequent periods. Therefore, no amounts for compensated absences have been accrued.

##### g. 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 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

##### h. Income taxes

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognized where realization is reasonably certain.

##### i. Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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## Zen Technologies USA, Inc.

### Notes to financial statements

#### 3. Cash and cash equivalents

Cash and cash equivalents include balances with banks as below:

Particulars	<i>All amounts in US\$</i>	
	As of March 31, 2020	As of March 31, 2019
Cash at bank	858,186	2,476
<b>Total of cash and cash equivalents</b>	<b>858,186</b>	<b>2,476</b>

The above bank balances are free of any restrictions.

#### 4. Property, plant and equipment, net

Particulars	<i>All amounts in US\$</i>		
	Computers	Plant and machinery	Total
<b>Gross block</b>			
As at April 01, 2019	20,033	12,246	32,280
Additions	720	-	720
<b>As at March 31, 2020</b>	<b>20,753</b>	<b>12,246</b>	<b>33,000</b>
<b>Accumulated depreciation</b>			
As at April 01, 2019	1,860	2,245	4,106
Charge for the period	4,105	4,059	8,164
<b>As at March 31, 2020</b>	<b>5,965</b>	<b>6,304</b>	<b>12,270</b>
<b>Net block</b>			
<b>As at March 31, 2020</b>	<b>14,788</b>	<b>5,942</b>	<b>20,730</b>
As at March 31, 2019	18,173	10,001	28,174

Particulars	<i>All amounts in US\$</i>		
	Computers	Plant and machinery	Total
<b>Gross block</b>			
As at April 01, 2018	-	-	-
Additions	20,033	12,246	32,280
<b>As at March 31, 2019</b>	<b>20,033</b>	<b>12,246</b>	<b>32,280</b>
<b>Accumulated depreciation</b>			
As at April 01, 2018	-	-	-
Charge for the period	1,860	2,245	4,106
<b>As at March 31, 2019</b>	<b>1,860</b>	<b>2,245</b>	<b>4,106</b>
<b>Net block</b>			
<b>As at March 31, 2019</b>	<b>18,173</b>	<b>10,001</b>	<b>28,174</b>
As at March 31, 2018	-	-	-

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**Zen Technologies USA, Inc.****Notes to financial statements****5. Other current liabilities**

Other current liabilities comprise of:

Particulars	<i>All amounts in US\$</i>	
	As of March 31, 2020	As of March 31, 2019
Employee payables	142	34,090
<b>Total of other current liabilities</b>	<b>142</b>	<b>34,090</b>

**6. Sales and marketing expenses**

Sales and marketing costs majorly includes costs incurred for trade shows at various place to showcase company's defense training system and products viz., live fire, live instrumented, virtual and constructive training systems for individual and collective training of security and defense forces.

**7. Other administrative spends**

Other administrative spend consists of:

Particulars	<i>All amounts in US\$</i>	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Contract charges	-	81,171
Travel spends	20,017	80,716
Legal and professional charges	21,646	33,802
Membership and subscriptions	-	11,240
Insurance	3,686	11,113
Rent	3,784	5,262
Bank charges	5,937	3,173
Office maintenance	1,076	1,445
Other expenses	5,452	610
<b>Total of other administrative spends</b>	<b>61,598</b>	<b>228,532</b>

**8. Income taxes**

The current tax expense for the year ended March 31, 2020 is Nil (previous year: Nil). Deferred tax has not been recorded in the financial statements for the year ended March 31, 2020 and 2019 due to uncertainty of future profitability.

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## Zen Technologies USA, Inc.

### Notes to financial statements

#### 9. Earnings per share

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit attributable to shareholders (in US \$)	(219,256)	(842,118)
Weighted average number of shares	926,713	480,412
Earnings per share – Basic (in US \$)	(0.24)	(1.75)
Earnings per share – Diluted (in US \$)	(0.24)	(1.75)

#### 10. Related party disclosures

##### a) List of related parties:

Nature of related party relationship	Name of the related party
i) Holding Company	Zen Technologies Limited, India
ii) Key managerial personnel (KMPs)	Pratish M Shah (President and CEO) - till Oct 13, 2019 Satish Atluri (Director) Ashok Atluri (Director)

##### b) Transactions with related parties

	For the year ended March 31, 2020	For the year ended March 31, 2019
Equity infusion from holding company	1,180,000	800,001
Remuneration to KMPs	109,920	134,014
Contract charges to KMPs	-	81,171

##### c) Balance outstanding at the end of the year

Particulars	As at March 31, 2020	As at March 31, 2019
Payable to KMPs	1,286	34,090

#### 11. Fair value measurements of financial instruments

The carrying amounts of cash, receivables and payables in the financial statements approximate their fair values due to the short-term nature of these financial instruments. Short-term borrowing comprises of loan from holding company payable on demand. Because of its short-term nature, the carrying amount of the short-term debt also approximates fair value.

## Zen Technologies USA, Inc.

### Notes to financial statements

#### 12. Contingencies

In the normal course of business, the Company is named in legal proceedings. There are currently no material legal proceedings pending with respect to the Company.

Loss contingency provisions are recorded if the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated. If a potential loss is considered probable but only a range of loss can be determined, the low-end of the range is recorded. These accruals, if any, represent management's best estimate of probable loss. Disclosure also is provided when it is reasonably possible that a loss will be incurred or when it is reasonably possible that the amount of a loss will exceed the amount recorded. Significant judgment is required in both the determination of probability of loss and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to claims and litigation and may revise our estimates.

The Company reevaluates its exposures on a periodic basis and adjusts reserves as appropriate.

#### 13. Impact of COVID-19 (Global pandemic)

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020, however the impact will be minimal based on management evaluation.

#### 14. Subsequent events

Subsequent events have been evaluated by management through May 26, 2020 the date that the statements were available for issuance.

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