

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES ACT OF 1934

For the fiscal year ended September 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES ACT OF 1934

Commission File Number 001-37464



**CEMTREX, INC.**

(Exact name of registrant as specified in its charter)

Delaware

30-0399914

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

19 Engineers Lane, Farmingdale, New York 11735  
(Address of principal executive offices) (Zip code)

Registrant telephone number, including area code: 631-756-9116

**Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.001 par value per share	The NASDAQ Stock Market LLC

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  
Non-accelerated filer

Accelerated filer  
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of March 31, 2017, the number of the registrant's common stock held by non-affiliates of the registrant was 5,246,242 and the aggregate market value \$18,519,234 based on the average bid and asked price of \$3.53 on March 31, 2017.

As of December 5, 2017, the registrant had 10,553,522 shares of common stock outstanding.

**Documents Incorporated By Reference**

Information required by Part III of this Annual Report on Form 10-K is incorporated by reference to portions of our definitive proxy statement for our 2017 annual meeting of stockholders which we will file with the Securities and Exchange Commission.

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking statements” within the meaning of the Securities Act of 1933 (the “Securities Act”) and the Securities Exchange Act of 1934 (the “Exchange Act”). Any statements contained in this Annual Report on Form 10-K, other than statements of historical fact, including statements about management’s beliefs and expectations, are forward-looking statements and should be evaluated as such. These statements are made on the basis of management’s views and assumptions regarding future events and business performance. These Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those described above and those risks discussed from time to time in this report, including the risks described under "Risk Factors" and any risks described in any other filings we make with the SEC. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this report.

Management’s discussion and analysis of financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate these estimates, including those related to useful lives of real estate assets, cost reimbursement income, bad debts, impairment, net lease intangibles, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

### **Part I.**

#### **Item 1. BUSINESS**

The Company was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth from a small emissions monitoring instruments company into a diversified global technology leader that provides innovative solutions to meet today's industrial and manufacturing challenges. The Company offers manufacturing services of advanced electronic system assemblies, provides broad-based industrial services, and provides industrial air filtration & environmental control equipment and systems globally. Unless the context requires otherwise, all references to “we”, “our”, “us”, “Company”, “registrant”, “Cemtrex” or “management” refer to Cemtrex, Inc. and its subsidiaries.

#### *Electronics Manufacturing Services (EMS)*

Cemtrex, through its Electronics Manufacturing Services (EMS) segment, provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products.

Cemtrex’s EMS segment works with industry leading OEMs in their outsourcing of non-core manufacturing services by forming a long-term relationship as an electronics manufacturing partner. We work in close relationships with our customers throughout the entire electronic lifecycle of a product, from design, manufacturing, and

distribution. We seek to grow our business through the addition of new, high quality customers, the expansion of our share of business with existing customers, and participating in the growth of existing customers.

Using our manufacturing capabilities, we provide our customers with advanced product assembly and system level integration combined with test services to meet the highest standards of quality. Through our agile manufacturing environment, we can deliver low and medium volume and mix services to our clients. Additionally, we design, develop, and manufacture various interconnects and cable assemblies that often are sold in conjunction with our PCBAs to enhance our value to our customers. The Company also provides engineering services from new product introductions and prototyping, related testing equipment, to product redesigns.

We believe our ability to attract and retain new customers comes from our ongoing commitment to understanding our customers' business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge. We work closely with our customers from an operational and senior executive level to achieve a deep understanding of our customer's goals, challenges, strategies, operations, and products to ultimately build a long lasting successful relationship.

In July 2017, the Company set up a subsidiary named Cemtrex Advanced Technologies Inc. to leverage its existing design and engineering experience by directly developing and manufacturing its own proprietary advanced electronic products and for third parties for IoT applications. The Company plans to pursue collaborative partnerships with OEMs that are looking to incorporate intelligence and connectivity into their everyday products such as: furniture, consumer wearables, industrial safety wearables, and other enterprise and consumer devices. Cemtrex will look to focus on developing systems, hardware and software solutions for consumer, business and industrial applications.

#### *Industrial Products & Services (IPS)*

Cemtrex, through its Industrial Products and Services segment, offers single-source services for in plant equipment erection, relocation, and maintenance. The segment also sells a complete line of air filtration and environmental control products to a wide variety of industrial customers worldwide. The Company, under the Griffin Filters brand, provides a complete line of air filtration and environmental control equipment to industries such as: chemical, cement, steel, food, construction, mining, & petrochemical worldwide. This equipment is used to: (i) remove dust, corrosive fumes, mists, submicron particles and particulate from industrial exhausts and boilers; (ii) clean acid gases such as sulfur dioxide, hydrogen chloride, and organics from industrial exhaust stacks prior to discharging to the atmosphere; and (iii) control emissions of coal, dust, sawdust, phosphates, fly ash, cement, carbon black, soda ash, silica, and similar substances from construction facilities, mining operations and dryer exhausts.

The Company through its Advanced Industrial Services ("AIS") brand offers one-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA. We install high precision equipment in a wide variety of industrial markets like automotive, printing & graphics, industrial automation, packaging, and chemicals among others. We are a leading provider of reliability-driven maintenance and contracting solutions for the machinery, packaging, printing, chemical, and other manufacturing markets. The focus is on customers seeking to achieve greater asset utilization and reliability to cut costs and increase production from existing assets, including small projects, sustaining capital, turnarounds, maintenance, specialty welding services, and high-quality scaffolding.

#### *Acquisitions*

On December 15, 2015, the Company acquired Advanced Industrial Services Inc. and its affiliate subsidiary company based in York, Pennsylvania for a purchase price of approximately \$7,500,000, and acquisition related expenses of \$476,340. The purchase price consisted of \$5,000,000 in cash, \$1,500,000 in a seller's note, and \$1,000,000 in the form of 315,458 shares of Cemtrex restricted Common Stock. AIS averaged approximately \$23 million in annual revenue and \$2.4 million in annual normalized EBITDA over the two calendar years 2013 and 2014. We worked with a local bank to finance the \$5.25 million self-amortizing, seven (7) year term loan and \$3.5 million working capital credit line for the transaction. The loans carry annual interest rates of 30 day LIBOR plus 2.25 and 2.0 respectively. The seller's note is for 3 years at 6% (see NOTE 13).

On May 31, 2016, the Company acquired a machinery & equipment business, an electronics manufacturing business and a logistics business from a German company, Periscope, GmbH ("Periscope") and placed them in three

newly formed entities: ROB Cemtrex Assets UG, ROB Cemtrex Automotive GmbH and ROB Cemtrex Logistics GmbH respectively. Periscope's electronic manufacturing business deals primarily with the major German automotive manufacturers, including Tier 1 suppliers in the industry, as well as for industries like telecommunications, industrial goods, luxury consumer products, display technology, and other industrial OEMs. Periscope had more than 35 years of industrial operating experience. The Periscope acquisition was completed through use of \$4,902,670 of cash, \$717,936 in a Seller note and \$3,298,600 in proceeds from the issuance of a related party note.

### *Business Strategy*

We intend to continue utilizing our resource capabilities to deliver exceptional value for our customers, shareholders, and employees. We leverage our engineering and manufacturing expertise and strong customer relationships to develop new cutting-edge technologies and advanced products that solve technological challenges faced by our customers. We thoroughly analyze new product opportunities by considering projected demand for the product or service, and expected operating costs, and then only pursue those opportunities which we believe will contribute to earnings growth in the future. In addition, our senior management team has substantial business and technical experience to enable us to pursue our business strategies.

Over the past four years we have demonstrated an ability to successfully acquire and integrate companies with complementary and synergistic technologies. We will continue to seek and execute additional strategic acquisitions and focus on expanding our products and services as well as entering into new markets. We believe that the diversity of our products & services and our ability to deliver full solutions to a variety of end markets provides us with multiple sources of stable growth and a competitive advantage relative to other players in the industry. We constantly look for opportunities to gain new customers and penetrate geographic locations and end markets or acquire new product or service opportunities through acquisitions that are operationally and financially beneficial for the Company.

### SUPPLIERS

The Company is not dependent on, nor expects to become dependent on, any one or a limited number of suppliers. The Company buys parts and components to assemble and manufacture its equipment and products. The Company also utilizes sub-suppliers and third-party vendors to procure from or fabricate its components based on its design, engineering and specifications. The Company also enters into subcontracts for field installation, which the Company supervises; and the Company manages all technical, physical and commercial aspects of the performance of the Company contracts. To date, the Company has not experienced difficulties either in obtaining fabricated components and other materials and parts or in obtaining qualified subcontractors for installation work. The Company seeks to have many sources of supply for each of its major requirements in order to avoid significant dependence on any one or a few suppliers. However, the supply of materials or other items could be disrupted by natural disasters or other events. Despite market price volatility for certain requirements and materials pricing pressures at some of our businesses, the raw materials and various purchased components needed for the Company's products have generally been available in sufficient quantities.

### PARTS, REPAIR AND REFURBISHMENT SERVICES

The Company also provides replacement and spare parts and repair and refurbishment services for all its systems following the expiration of the warranties which generally range up to 12 months. The Company has experienced only minimal costs from its warranties.

The Company's standard terms of sale disclaim any liability for consequential or indirect losses or damages stemming from any failure of its products or systems or any component thereof. The Company seeks indemnification from its subcontractors for any loss, damage or claim arising from the subcontractors' failure to perform.

### COMPETITION

The Company faces substantial competition in each of its principal markets. Most of its competitors are larger and have greater financial resources than the Company; several are divisions of multi-national companies. The Company competes on the basis of price, engineering and technological expertise, know-how and the quality of its products, systems and services. Additionally, the Company's management believes that the successful delivery,

installation and performance of the Company's products and systems is a key factor in gaining business as customers typically prefer to make significant purchases from a company with a solid performance history.

The Company obtains virtually all its contracts through competitive bidding. Although price is an important factor and may in some cases be the governing factor, it is not always determinative, and contracts are often awarded on the basis of the efficiency or reliability of products and the engineering and technical expertise of the bidder. Several companies market products that compete directly with Company's products. Other companies offer products that potential customers may consider to be acceptable alternatives to Company's products and services. The Company faces direct competition from companies with far greater financial, technological, manufacturing and personnel resources.

## INTELLECTUAL PROPERTY

Over the years, the Company has developed proprietary technologies that give it an edge in competing with its competitors. Thus, the Company relies on a combination of trade secrets and know-how to protect its intellectual property.

## MARKETING

The Company sells its products globally and relies on direct sales force, manufacturing representatives, distributors, commission sales agents, magazine advertisements, internet advertising, trade shows, trade directories and catalogue listings to market its products and services. The Company uses independent sales representatives in the United States backed by its sales management and technical professionals. The Company's arrangements with independent sales representatives accord each a defined territory within which to sell some or all of its products and systems, provide for the payment of agreed-upon sales commissions and are terminable at will. The Company's sales representatives do not have authority to execute contracts on the Company's behalf.

The Company's sales representatives also serve as ongoing liaison function between Company and its customers during the installation phase of the products and systems and address customers' questions or concerns arising thereafter. The Company selects representatives based upon industry reputation, prior sales performance including number of prospective leads generated and sales closure rates, and the breadth of territorial coverage, among other criteria.

Technical inquiries received from potential customers are referred to the engineering personnel. Thereafter, the Company's sales and engineering personnel jointly prepare a budget proposal, or a final bid. The period between initial customer contact and issuance of an order is generally between two and twelve months.

## CUSTOMERS

The Company's principal customers are engaged in automotive, medical, industrial automation, refining, power, chemical, packaging, printing, electronics, mining, and metallurgical processing. Historically, most of the customers have purchased individual products or systems which, in many instances, operate in conjunction with products and systems supplied by others. For several years, the Company has marketed its products as integrated custom engineered systems and solutions. No one single customer accounts for more than 10% of its annual sales.

For the IPS segment, the Company is responsible to its customers for all phases of the design, assembly, supply and, if included, field installation of its products and systems. The successful completion of a project is generally determined by a successful operational test of the supplied equipment conducted by our field service technician in the presence of the customer.

For the EMS segment, the company is responsible for the prototype design, production, supply, and delivery of products to its customers. In order to satisfy customer orders, the Company must consistently meet production deadlines and maintain a high standard of quality.

## INSURANCE

The Company currently maintains different types of insurance, including general liability and property coverage. The Company also maintains product liability insurance with respect to its products and equipment. Management believes that the insurance coverage that it has is adequate for its current business needs.

## EMPLOYEES

The Company employs approximately 548 full-time people as of December 5, 2017, including 36 engaged in engineering, 306 in manufacturing & field service and 206 in administrative and marketing functions.

## GOVERNMENT REGULATION

The Company's operations are subject to certain foreign, federal, state and local regulatory requirements relating to, among others, environmental, waste management, labor and health and safety matters. Management believes that the Company's business is operated in material compliance with all such regulations.

Management believes that the existence of governmental regulations creates demand for Company's emission monitoring equipment and environmental control systems. Significant environmental laws, particularly the Federal Clean Air Act, have been enacted in response to public concern about the environment. The Company believes that compliance with and enforcement of these laws and regulations create the demand for its environmental control related products and systems. The Federal Clean Air Act, initially adopted in 1970 and extensively amended in 1990, requires compliance with ambient air quality standards and empowers the EPA to establish and enforce limits on the emission of various pollutants from specific types of industrial facilities. States have primary responsibility for implementing these standards, and, in some cases, have adopted more stringent standards.

### ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report, including the consolidated audited financial statements and the related notes appearing at the end of this annual report on Form 10-K, with respect to any investment in shares of our common stock. If any of the following risks actually occurs, our business, financial condition, results of operations and future prospects would likely be materially and adversely affected. In that event, the market price of our common stock could decline and you could lose all or part of your investment. These statements, like all statements in this report, speak only as of the date of this report (unless another date is indicated) and we undertake no obligation to update or revise the statements in light of future development.

#### RISKS RELATED TO OUR BUSINESS

##### ***Our Proposed Acquisition of Key Tronic Corp. May Not Be Completed or Completed On the Terms and Conditions different from those Contemplated, or Without the Expected Benefits***

We are currently pursuing a potential acquisition of Key Tronic Corp. Key Tronic has not responded positively to the Company's previous and current proposals. If the proposed transaction were to proceed, we can make no assurance as to the completion, terms, timing, costs or benefits anticipated from any such acquisition. The acquisition would involve increases in the Company's debt levels and outstanding shares. Unforeseen developments, including delays in obtaining various tax, regulatory and other approvals, could delay this acquisition, or cause it to occur on terms and conditions that are less favorable, or at a higher cost, than expected. In addition, the Company may encounter difficulties in integration and may not realize the degree or timing of the anticipated benefits of the acquisition. There can be no assurance that this acquisition will ever be completed.

***There is no guarantee that cash flow from operations and/or debt and equity financings will provide sufficient capital to meet our expansion goals and working capital needs.***

Our current strategic plan includes the expansion of our company both organically and through acquisitions if market conditions and competitive conditions allow. Due to the long-term nature of investments in acquisitions and other financial needs to support organic growth, including working capital, we expect our long-term and working

capital needs to periodically exceed the short-term fluctuations in cash flow from operations. We anticipate that we will likely raise additional external capital from the sale of common stock, preferred stock and debt instruments as market conditions may allow, in addition to cash flow from operations (which may not always be sufficient), to fund our growth and working capital needs.

In the event that we need to raise significant amounts of external capital at any time or over an extended period, we face a risk that we may need to do so under adverse capital market conditions with the result that persons who acquire our common stock may incur significant and immediate dilution should we raise capital from the sale of our common or preferred stock. Similarly, we may need to meet our external capital needs from the sale of secured or unsecured debt instruments at interest rates and with such other debt covenants and conditions as the market then requires. In all of these transactions we anticipate that we will likely need to raise significant amounts of additional external capital to support our growth. However, there can be no guarantee that we will be able to raise external capital on terms that are reasonable in light of current market conditions. In the event that we are not able to do so, those who acquire our common stock may face significant and immediate dilution and other adverse consequences. Further, debt covenants contained in debt instruments that we issue may limit our financial and operating flexibility with consequent adverse impact on our common stock market price.

***We are substantially dependent upon the success and continued market acceptance of our technology and a favorable regulatory environment; the absence of which may significantly reduce our sales, profits and cash flow and adversely impact our financial condition.***

The failure of the emissions control regulations may adversely impact the market development as we anticipate and any lack of acceptance of our emissions control equipment technology would adversely affect our environmental control products business. In this respect, we may find that other competing technologies may be offered by other existing competitors or by those that enter the market and these competing technologies may offer a better cost-benefit ratio than our products and/or at lower prices with the result that our sales, profits, and cash flow may suffer significantly over an extended period with serious adverse impact on our financial condition.

***Our Future Operating Results Depend in Part on Continued Successful Research, Development and Marketing of New and/or Improved Products and Services, through newly created subsidiary named Cemtrex Advanced technologies Inc., and There Can Be No Assurance That We Will Continue to Successfully Introduce New Products and Services into the market.***

The success of new and improved products and services through Cemtrex Advanced Technologies Inc. subsidiary depends on our research & development effort and the initial acceptance of our products by the consumers. Our business is affected by varying degrees of technological change and corresponding shifts in customer demand, which result in unpredictable product transitions, shortened life cycles and increased importance of being first to market with new products and services. We may experience difficulties or delays in the research, development, production and/or marketing of new products and services which may negatively impact our operating results and prevent us from recouping or realizing a return on the investments required to continue to bring new products and services to market.

***We have substantial debt which could adversely affect our ability to raise additional capital to fund operations and prevent us from meeting our obligations under outstanding indebtedness.***

As of September 30, 2017, our total indebtedness was approximately \$16 million, including a revolving line of credit of \$4.5 million, convertible notes payable of \$220,000, non-convertible notes payable of \$751,853, bank loans of \$6.5 million and mortgage of \$4.0 million. Approximately \$2.1 million of such debt is classified as current and approximately \$220,000 of such debt is convertible into shares of our common stock. This substantial debt could have important consequences, including the following: (i) a substantial portion of our cash flow from operations may be dedicated to the payment of principal and interest on indebtedness, thereby reducing the funds available for operations, future business opportunities and capital expenditures; (ii) our ability to obtain additional financing for working capital, debt service requirements and general corporate purposes in the future may be limited; (iii) we may face a competitive disadvantage to lesser leveraged competitors; (iv) our debt service requirements could make it more difficult to satisfy other financial obligations; (v) The number of shares of common stock into which the existing convertible notes may be converted into might increase without an upper bound as a consequence of the fluctuating conversion rate that is 75% or 80% of the weighted average market price



at the time of conversion. and (v) we may be vulnerable in a downturn in general economic conditions or in our business and we may be unable to carry out activities that are important to our growth.

Our ability to make scheduled payments of the principal of, or to pay interest on, or to refinance indebtedness depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors beyond management's control. If we are unable to generate sufficient cash flow to service our debt or to fund our other liquidity needs, we will need to restructure or refinance all or a portion of our debt, which could impair our liquidity. Any refinancing of indebtedness, if available at all, could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations. Despite our significant amount of indebtedness, we may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial debt.

***Our ability to secure and maintain sufficient credit arrangements is key to our continued operations and there is no assurance we will be able to obtain sufficient additional equity or debt financing in the future.***

There is no assurance that we will be able to retain or renew our credit agreements and other finance agreements in the future. In the event the business grows rapidly, the uncertain economic climate continues or we acquire one or more other companies, additional financing resources will likely be necessary in the current or future fiscal years. As a small company with a limited ability to attract and obtain financing, there is no assurance that we will be able to obtain sufficient additional equity or debt financing in the future on terms that are reasonable in light of current market conditions.

***Our sales and gross margins depend significantly on market demand for our products, as to which there can be no assurances.***

The uncertainty in the U.S. and international economic and political environment could result in a decline in demand for our products in any industry. Our gross margins are dependent upon our ability to maintain sales volumes at levels that allow us to cover our fixed costs and variable costs per unit. To the extent that one or more product lines experience a significant and protracted decline in sales volume, we may experience significant declines in our gross margins that may result in losses. Further, any adverse changes in tax rates and laws affecting our customers could result in decreases in demand of our products and thus decrease our gross margins. Any of these factors could negatively impact our business, results of operations and financial condition.

***Many of our existing and future customers do not commit to firm production schedules, which may result in higher fixed costs per unit for us relative to our competitors.***

Most of our customers do not commit to long-term production schedules, which makes it difficult to schedule production and achieve maximum efficiency at our manufacturing facilities and to manage inventory levels. As a result, our fixed costs per unit may be higher than our competitors who are able to achieve greater economies with longer production runs at lower costs per unit and, at the same time, achieve lower manufacturing costs as a result and as a result of better manufacturing scheduling.

- The volume and timing of sales to our customers may vary due to:
- customers' attempts to manage their inventory;
- variation in demand for the company's customers' products design changes; or
- acquisitions of or consolidation among customers.

Many of our existing and future customers do not commit to firm production schedules. As a result, we are unable to forecast the level of customer orders with any precision. This means that it is very difficult for us to schedule production and maximize utilization of manufacturing capacity and manage inventory levels. This may adversely impact our unit manufacturing costs so that our unit manufacturing costs may be higher than our competitors' costs.

In these circumstances, we anticipate that we could be required to increase or decrease staffing and more closely manage other expenses in order to meet the anticipated demand of our existing and future customers. Orders from our customers are subject to cancellation and delivery schedules fluctuate as a result of changes in our customers'

demand, thereby adversely affecting our results of operations, and may result in higher inventory levels. Higher inventory levels cause us to obtain greater external financing which adversely affects our financial performance.

***Our products could face serious competitive challenges, including rapid technological changes, and pricing pressure from competitors, which could adversely affect our business.***

In the event that one or more of our product lines become the subject of significant pressures from our existing and future competitors, market conditions, technological change, or any combination thereof, our sales revenues and our gross margins may suffer protracted and serious declines with the result that we will likely incur protracted losses thereby. Further, the barriers to entry in several of our lines of business are not so significant that we may be facing competition from others who see significant opportunities to enter the market and undercut our prices with products that possess superior technological attributes at prices that offer our customers a better value. In this instance, we could incur protracted and significant losses and persons who acquire our common stock would suffer losses thereby.

***Factors affecting the industries that utilize our customers' products could negatively impact our customers and us.***

We have no real control over these factors and to the extent that any one or more of them change dramatically, we may be facing significant financial challenges that are in excess of our abilities. These factors include:

- increased competition among our customers and their competitors;
- the inability of our customers to develop and market their products;
- recessionary periods in our customers' markets;
- the potential that our customers' products become obsolete;
- our customers' inability to react to rapidly changing technology;
- our customers' inability to pay for our products, which could, in turn, affect the company's results of operations.

***If we are unable to develop new products, our competitors may develop and market products with better features that may reduce demand for our potential products or otherwise result in our products becoming obsolete and could materially and adversely affect our ability to sustain profitability.***

There are many larger competitors who compete directly with us and who have significantly greater technological and research resources. These larger competitors have greater technological and research abilities that put us at a severe disadvantage. This may serve to severely damage our reputation and our ability to market and sell other products at price levels that would allow us to achieve and maintain profit margins and positive cash flow.

We are a small company and we face rapid technological change in many of our product markets and we may not be able to introduce any new products or any enhancements to our existing products on a timely basis, or at all. This could result in prolonged and significant losses. In addition, our introduction of any new products could adversely affect the sales of certain of our existing products if new products cannibalize sales of our existing products. If our competitors develop innovative technologies that are superior to our products or if we fail to accurately anticipate market trends and respond on a timely basis with our own innovations, we may not achieve sufficient growth in its revenues to attain profitability or if we do, we may not be able sustain profitability.

***Cemtrex has grown through acquisitions and is continuously looking to fund other acquisitions; Cemtrex's failure to raise funds may have the effect of slowing down its growth and Cemtrex's use of funds for acquisitions subjects it to acquisition-related risks.***

Cemtrex intends to make acquisitions of complementary (including competitive) businesses, products and technologies. However, any future acquisitions may result in material transaction costs, increased interest and amortization expenses related to goodwill and other intangible assets, increased depreciation expense and increased operating expenses, any of which could have an adverse effect on Cemtrex's operating results and financial position. Acquisitions will require integration of acquired assets and management into Cemtrex's operations to realize economies of scale and control costs. Acquisitions may involve other risks, including diversion of management attention that would otherwise be available for ongoing internal development of Cemtrex's business and risks inherent in entering markets in which Cemtrex has no or limited prior experience. Future acquisitions may also result in potentially dilutive issuances of equity securities. In addition, consummation of acquisitions may subject Cemtrex to

unanticipated business uncertainties, contingent liabilities or legal matters relating to those acquired businesses for which the sellers of the acquired businesses may not fully indemnify Cemtrex. There can be no assurance that Cemtrex's business will grow through acquisitions, as anticipated.

***We could be subject to economic, political, regulatory and other risks arising from international operations.***

Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that may be different from and incremental to those in the United States. In addition to the risks that we face in the United States, our international operations may involve risks that could adversely affect our business, including:

- the need to adapt our content and user interfaces for specific cultural and language differences, including licensing a certain portion of our content library before we have developed a full appreciation for its performance within a given territory;
- difficulties and costs associated with staffing and managing foreign operations;
- management distraction;
- political or social unrest and economic instability;
- compliance with United States laws, such as the Foreign Corrupt Practices Act, export controls and economic sanctions, and local laws prohibiting corrupt payments to government officials;
- unexpected changes in regulatory requirements;
- less favorable foreign intellectual property laws;
- adverse tax consequences such as those related to repatriation of cash from foreign jurisdictions into the United States, non-income related taxes such as value-added tax or other indirect taxes, changes in tax laws or their interpretations, or the application of judgment in determining our global provision for income taxes and other tax liabilities given inter-company transactions and calculations where the ultimate tax determination is uncertain;
- fluctuations in currency exchange rates, which could impact revenues and expenses of our international operations and expose us to foreign currency exchange rate risk;
- profit repatriation and other restrictions on the transfer of funds;
- differing payment processing systems as well as consumer use and acceptance of electronic payment methods, such as payment cards;
- new and different sources of competition;
- different and more stringent user protection, data protection, privacy and other laws; and
- availability of reliable broadband connectivity and wide area networks in targeted areas for expansion.

Our failure to manage any of these risks successfully could harm our international operations and our overall business, and results of our operations.

***Currency fluctuations may adversely impact our operations and reduce profits on our foreign sales or increase our costs, either of which could adversely affect our financial results.***

Given that substantial portion of our revenues are outside the United States, we are subject to fluctuations in foreign currency exchange rates. Translation losses resulting from currency fluctuations may adversely affect the profits from our operations and have a negative impact on our financial results. Foreign currency fluctuations may also make our systems and products more expensive for our customers, which could have a negative impact on our sales. In addition, we purchase some foreign-made products directly from and through our subcontractors. Due to the multiple currencies involved in our business, foreign currency positions partially offset and are netted against one another to reduce exposure. We cannot assure that fluctuations in foreign currency exchange rates will not make these products more expensive to purchase. Increases in our direct or indirect cost of purchasing these products could negatively impact our financial results if we are not able to pass those increased costs on to our customers.

***Even though we achieved a profit for the fiscal year ended September 30, 2017, we cannot assure you that we will remain profitable and maintain a positive cash flow or, if we are profitable and have a positive cash flow, that we can sustain operations that are profitable and have a positive cash flow in the future.***

We continue to incur significant expenditures related to selling and marketing and general and administrative activities as well as capital expenditures and anticipate that our expenses may increase in the foreseeable future as we expand our business. Further, as a public company we continue to incur significant legal, accounting and other expenses that we would not incur as a private company. To maintain profitability, we will need to generate significant additional revenues with significantly improved gross margins. There can be no assurance that we will be able to maintain profitability with our existing revenues and in the future generate such additional revenues, improve our gross margins, or both of them and maintain and sustain our profitability or a positive cash flow.

***We face constant changes in governmental standards by which our environmental control products are evaluated and we have no control over these standards.***

We have no ability to predict the extent to which governmental standards and regulations will favor or disfavor our products, our technology, or the business strategies that we have or will implement in the future. There is a distinct risk that we may face governmental standards and regulations that seriously undercut our fundamental assumptions regarding existing trends in regulation and technology and assumptions regarding the type of technology to use. To the extent that we are not able to accurately predict these trends and effectively utilize these predictions in our business strategy, we may suffer protracted losses with the result that persons who acquire our common stock will suffer losses thereby.

We believe that, due to the constant focus on the environment and clean air standards throughout the world, a requirement in the future to adhere to new and more stringent regulations both domestically and abroad is possible as governmental agencies seek to improve standards required for certification of products intended to promote clean air. In the event our products fail to meet these ever-changing standards, some or all of our emission monitoring and environmental control products may become obsolete.

***The future growth of our environmental control business depends, in part, on enforcement of existing emissions-related environmental regulations and further tightening of emission standards worldwide with regulations that allow our products to compete effectively against our competitors.***

We expect that the future environmental control products business growth will likely be driven, in part, by the enforcement of existing emissions-related environmental regulations and tightening of emissions standards worldwide. If such standards do not continue to become stricter or are loosened or are not enforced by governmental authorities or if such standards require the use of technologies that we do not possess or are not able to develop, it could have a material adverse effect on our business, operating results, financial condition and long-term prospects.

***We may incur substantial costs enforcing our proprietary information, defending against third-party patents, invalidating third-party patents or licensing third-party intellectual property, as a result of litigation or other proceedings relating to intellectual property rights.***

We have undertaken only a limited evaluation of our intellectual property rights and we may discover that one or more of our intellectual property rights infringe upon the patents or rights of others with the result that we may incur significant losses thereby. In that event, any person who acquires our common stock may suffer losses thereby.

***While we believe that our technology and procedures are likely proprietary, we cannot assure you that others have not or will not replicate our technology and procedures and achieve greater efficiencies and success at our expense.***

In that event, we could suffer serious and protracted losses and negative cash flow thereby, our strategy has been to rely on our flexibility to develop custom engineered solutions for various applications and be responsive to customer needs. We cannot assure you that this strategy is or will remain effective to meet these challenges.

***We may not have sufficient financial resources to defend our intellectual property rights or otherwise successfully defend against claims that we have infringed on a third party's intellectual property and, as a result, it may adversely affect our business, financial condition and results of operations.***

Even if such claims are not valid, they could subject us to significant costs. In addition, it may be necessary in the future to enforce our intellectual property rights to determine the validity and scope of the proprietary rights of others. Litigation may also be necessary to defend against claims of infringement or invalidity by others. We may not have sufficient financial resources to defend our intellectual property rights or otherwise to successfully defend the company against valid or spurious claims that we have infringed upon the intellectual property rights of others.

An adverse outcome in litigation or any similar proceedings could force us to take actions that could harm its business. These include: (i) ceasing to sell products that contain allegedly infringing property; (ii) obtaining licenses to the relevant intellectual property which we may not be able to obtain on terms that are acceptable, or at all; (iii) indemnifying certain customers or strategic partners if it is determined that we have infringed upon or misappropriated another party's intellectual property; and (iv) redesigning products that embody allegedly infringing intellectual property. Any of these results could adversely and significantly affect our business, financial condition and results of operations. In addition, the cost of defending or asserting any intellectual property claim, both in legal fees and expenses, and the diversion of management resources, regardless of whether the claim is valid, could be significant and lead to significant and protracted losses.

***We may not have sufficient funds to defend a class action suit from a customer as a result of our installed base of products.***

Our products are installed at large industrial plants where products of other manufacturers and suppliers are also installed. We could be subject to a class action lawsuit from a customer as a result of loss sustained by a customer due to malfunction of another manufacturer's product. We may not have sufficient financial resources to successfully defend such a lawsuit.

***Product defects could cause us to incur significant product liability, warranty and repair and support costs and damage our reputation which would have a material adverse effect on our business.***

Although we test our products, defects may be discovered in future or existing products. These defects could cause us to incur significant warranty, support and repair costs and divert the attention of research and development personnel. It could also significantly damage our reputation and relationship with distributors and customers which would adversely affect our business. In addition, such defects could result in personal injury or financial or other damages to customers who may seek damages with respect to such losses. A product liability claim against us, even if unsuccessful, would likely be time consuming and costly to defend. We carry some product liability insurance but we cannot assure you that the amount of coverage that we carry is sufficient to insulate us from these claims. In the event of any claim asserting product defects, we will be directly exposed to liability for claims in excess of our coverage limits and there is a clear risk that we and our stockholders could suffer significant and protracted losses thereby.

***Three alleged securities class action complaints have been filed against the Company and certain of its executive officers that challenged various aspects of Cemtrex's stock trading and relationships, the results of which are inherently unpredictable.***

Three alleged securities class action complaints were filed against Cemtrex and certain of its executive officers in the U.S. District Court for the Eastern District of New York on February 24, 2017. Under the requirements of the Private Securities Litigation Reform Act of 1995, these three alleged class actions, as well as any further related actions, will be consolidated into a single lawsuit following decisions on motions to consolidate filed with the Court on April 25, 2017. A follow-on, related derivative complaint was also filed against Cemtrex and its executive officers and directors in New York State court on April 10, 2017. That derivative action has been stayed by agreement of the parties until after the motion to dismiss process in the consolidated alleged class actions has run its course. The allegations in all four complaints are based on the assertions contained in a blog post published on an internet website that challenged various aspects of Cemtrex's stock trading and relationships, including with its outside auditor. Cemtrex denies these assertions, and filed a lawsuit seeking damages in the amount of \$170 million, against the blogger on March 4, 2017 in the U.S. District Court for the Eastern District of New York. Cemtrex voluntarily dismissed that lawsuit on June 12, 2017, because it was unable to serve the defendant blogger within the required time, but Cemtrex has reserved the right to re-file its claims against him at a later date. Cemtrex's outside auditor, Bharat Parikh & Associates, also denied the allegations concerning it, in a letter addressed to Cemtrex's Audit Committee and Board of Directors just a few days after the blog post was published. A copy of that letter is attached to this report as Exhibit 99.1.

Cemtrex believes the alleged class action and derivative litigations are without merit and intends to defend itself vigorously. Cemtrex intends to seek dismissal of the litigations at the earliest possible stage. Regardless of the merit of the claims, litigation is inherently unpredictable and may be costly, time consuming and disruptive to Cemtrex's business. Cemtrex could incur judgments or enter into settlements of claims that could adversely affect its business, operating results or cash flows. Although, the Company does have insurance, the insurance may not be sufficient and Cemtrex could also be subject to costly indemnification of its executive officers, which may not be covered by insurance.

***The markets in which we operate are highly competitive, and many of our competitors have significantly greater financial and managerial resources than we do.***

There is significant competition among companies that provide emissions monitoring and environmental control systems. Several companies market products that compete directly with our products. Other companies offer products that potential customers may consider to be acceptable alternatives to our products and services. We face direct competition from companies with far greater financial, technological, manufacturing and personnel resources.

***Our results may fluctuate due to certain regulatory, marketing and competitive factors over which we have little or no control.***

The factors listed below, some of which we cannot control, may cause our revenue and results of operations to fluctuate significantly:

- The existence and enforcement of government environmental regulations. If these regulations are not maintained or enforced then the market for the company's products could deteriorate;
- Retaining and keeping qualified employees and management personnel;
- Ability to upgrade our products to keep up with the changing market place requirements;
- Ability to keep up with our competitors who have much higher resources than us;
- Ability to find sub-suppliers and sub-contractors to assemble and install our products;
- General economic conditions of the industry and the ability of potential customers to spend money on setting up new industries that require our products;
- Ability to maintain or raise adequate working capital required for the operations and future growth; and
- Ability to retain our Chief Executive Officer and other senior key personnel.

***Increased internet information security threats and targeted computer crimes could pose a risk to our systems, networks, and operations.***

Increased global internet information security threats and targeted computer crimes pose a risk to the security of our systems, information and networks and the confidentiality, availability and integrity of our data and communications. While we attempt to mitigate these risks by employing a number of measures, including comprehensive monitoring of our networks and maintenance of backup and protective systems, still our systems, networks and products could remain potentially vulnerable to advanced persistent threats. Depending on their nature, such threats could potentially lead to the compromising of our information and communications, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations.

***The loss of the services of Aron Govil and Saagar Govil for any reason would materially and adversely affect our business operations and prospects.***

Our financial success is dependent to a significant degree upon the efforts of Aron Govil, our Executive Director, and Saagar Govil, our President and Chief Executive Officer. Aron Govil, who previously served as our Chairman of the Board, has knowledge regarding environmental control systems and has financial resources and business contacts that would be extremely difficult to replace. Saagar Govil possesses engineering, sales and marketing experience concerning our company that our other officers do not have. We have not entered into employment arrangements with them. There can be no assurance that Aron Govil and Saagar Govil will continue to provide services to us. While Saagar Govil devotes all of his working time to our company, Aron Govil devotes an average of 20 hours per week to our company and the balance of his working time is devoted to other business and investment activities. A voluntary or involuntary departure by Aron Govil and/or Saagar Govil could have a materially adverse effect on our business operations if we were not able to attract a qualified replacement for them in a timely manner.

***We have a small management team. The loss of any member of our senior management and any significant failure to attract and retain qualified personnel in a competitive labor market could limit our ability to execute our growth strategy, resulting in a slower rate of growth or a period of losses and/or negative cash flow.***

We depend on the continued service of our senior management. Due to the nature of our business, we may have difficulty locating and hiring qualified personnel and retaining such personnel once hired. The loss of the services of any of our key personnel, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could limit our ability to execute our growth strategy resulting in a slower rate of growth.

***We are an “emerging growth company” and our election to delay adoption of new or revised accounting standards applicable to public companies may result in our consolidated financial statements not being comparable to those of some other public companies. As a result of this and other reduced disclosure requirements applicable to emerging growth companies, our securities may be less attractive to investors.***

As a company with less than \$1.0 billion in revenue during our last completed fiscal year, we qualify as an “emerging growth company” under the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements that are otherwise generally applicable to public companies. In particular, as an emerging growth company we:

- are not required to obtain an attestation and report from our auditors on our management’s assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;
- are not required to provide a detailed narrative disclosure discussing our compensation principles, objectives and elements and analyzing how those elements fit with our principles and objectives;
- are not required to obtain a non-binding advisory vote from our stockholders on executive compensation or golden parachute arrangements;
- are exempt from certain executive compensation disclosure provisions requiring a pay-for-performance graph and Chief Executive Officer pay ratio disclosure;

- may present only two years of audited financial statements and only two years of related Management’s Discussion and Analysis of Financial Condition and Results of Operations;
- are eligible to claim longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act; and
- will not be required to conduct an evaluation of our internal control over financial reporting for two years.

We intend to take advantage of all of these reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act. Our election to use the phase-in periods may make it difficult to compare our consolidated financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the phase-in periods under §107 of the JOBS Act.

Certain of these reduced reporting requirements and exemptions were already available to us due to the fact that we also qualify as a “smaller reporting company” under SEC rules. For instance, smaller reporting companies are not required to obtain an auditor attestation and report regarding management’s assessment of internal control over financial reporting, are not required to provide a compensation discussion and analysis, are not required to provide a pay-for-performance graph or CEO pay ratio disclosure, and may present only two years of audited financial statements and related Management’s Discussion and Analysis of Financial Condition and Results of Operations disclosure.

Under the JOBS Act, we may take advantage of the above-described reduced reporting requirements and exemptions for up to five years after our initial sale of common equity pursuant to a registration statement declared effective under the Securities Act, or such earlier time that we no longer meet the definition of an emerging growth company. In this regard, the JOBS Act provides that we would cease to be an “emerging growth company” if we have more than \$1.0 billion in annual revenues, have more than \$700 million in market value of our common stock held by non-affiliates, or issue more than \$1.0 billion in principal amount of non-convertible debt over a three-year period. Under current SEC rules, however, we will continue to qualify as a “smaller reporting company” for so long as we have a public float (*i.e.*, the market value of common equity held by non-affiliates) of less than \$75 million as of the last business day of our most recently completed second fiscal quarter.

We cannot predict if investors will find our securities less attractive due to our reliance on these exemptions. If investors were to find our securities less attractive as a result of our election, we may have difficulty raising all of the proceeds we seek in this offering.

***Sales of substantial amounts of our common stock in the public market could depress the market price of our common stock.***

Our common stock is traded on the Nasdaq Capital Market. If our stockholders sell substantial amounts of our common stock in the public market, including the shares of common stock issuable upon the exercise of the Series 1 Warrants, shares issued in acquisitions, and shares issuable upon the exercise of outstanding stock options, or the market perceives that such sales may occur, the market price of our common stock could fall and we may be unable to sell our common stock in the future.

***Our common stock may experience extreme price and volume fluctuations, which could lead to costly litigation for us and make an investment in us less appealing.***

- The market price of our common stock may fluctuate substantially due to a variety of factors, including:
  - our business strategy and plans;
  - changing factors related to doing business in various jurisdictions within the United States;
  - new regulatory pronouncements and changes in regulatory guidelines and timing of regulatory approvals;
  - general and industry-specific economic conditions;
  - additions to or departures of our key personnel;
  - variations in our quarterly financial and operating results;



- changes in market valuations of other companies that operate in our business segments or in our industry;
- lack of adequate trading liquidity;
- announcements about our business partners;
- changes in accounting principles; and
- general market conditions.

The market prices of the securities of early-stage companies, particularly companies like ours without consistent product revenues and earnings, have been highly volatile and are likely to remain highly volatile in the future. This volatility has often been unrelated to the operating performance of particular companies. In the past, companies that experience volatility in the market price of their securities have often faced securities class action litigation. Whether or not meritorious, litigation brought against us could result in substantial costs, divert our management's attention and resources and harm our financial condition and results of operations.

## **RISKS RELATED TO INVESTMENT IN THE COMMON STOCK OF THE COMPANY**

The Company's Common Stock currently trades on the NASDAQ under the symbol "CETX". There can be no assurance that the Company's shares will continue to trade on NASDAQ in the future, and there can be no assurance that an active trading market will develop or be sustained. The market price of the shares of Common Stock is likely to be highly volatile and may be significantly affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcements of technological innovations, new products or new contracts by the Company or its competitors, developments with respect to proprietary rights, adoption of new government regulations affecting the environment, general market conditions and other factors. In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market price for the common stocks of technology companies. These types of broad market fluctuations may adversely affect the market price of the Company's common stock.

### ***Our common stock has from time to time been "thinly-traded."***

The number of persons interested in purchasing our common stock at or near ask prices at any given time may be relatively small or non-existent. Therefore, stockholders may be unable to sell at or near ask prices or at all if they need to sell shares to raise money or otherwise desire to liquidate their shares. Our "thinly-traded" stock is attributable to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we become more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give stockholders any assurance that a broader or more active public trading market for our common shares will develop or be sustained, or that current trading levels will be sustained.

### ***We may not pay cash dividends.***

During fiscal year 2017 the Company's Board of Directors approved an annual dividend on the common stock of the Company. There can be no assurance that the Company will pay cash dividends on its common stock in the future. Any decision to pay cash dividends will depend upon the Company's profitability at the time, cash available and other relevant factors.

### ***Our principal shareholder has significant influence over our Company which could make it impossible for the public stockholders to influence the affairs of the Company.***

We are a "Controlled Company" under exchange listing rules. Approximately 61% of our outstanding voting equity is beneficially held by combination of Aron Govil, the Company's Executive Director, and Saagar Govil the Company's CEO, as a result of this common stock ownership and the Series A preferred stock ownership by Mr. Aron Govil, the Company's management controls and will control in the future, substantially all matters requiring approval

by the stockholders of the Company, including the election of all directors and approval of significant corporate transactions. This makes it impossible for the public stockholders to influence the affairs of the Company.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2. PROPERTIES**

The Company has the following properties:

Our IPS segment leases (i) approx. 5,000 square feet of office and warehouse space in Liverpool, New York from a third party in a five year lease at a monthly rent of \$2,200 expiring on March 31, 2018, (ii) approximately 2,000 square feet of office on a month to month rental from a third party in Hong Kong at a monthly rental of \$4,133.00, (iii) approximately 25,000 square feet of warehouse space in Manchester, PA from a third party in a seven year lease at a monthly rent of \$7,300 expiring on December 13, 2020, (iv) approximately 43,000 square feet of office and warehouse space in York, PA from a third party in a ten year lease at a monthly rent of \$22,625 expiring on March 23, 2026, (v) approximately 15,500 square feet of warehouse space in Emigsville, PA from a third party in a one year lease at a monthly rent of \$4,337 expiring on August 31, 2018, and (vi) the Company leases its principal office at Farmingdale, New York, 6,000 square feet of office and warehouse/shop space on a month to month lease in a building owned by Aron Govil, Executive Director of the Company, at a monthly rental of \$4,000.

Our EMS segment owns a 70,000 square foot manufacturing building in Neulingen, Germany. The EMS segment also leases (i) a 10,000 square foot manufacturing facility in Sibiu, Romania from a third party in a ten year lease at a monthly rent of €8,000 expiring on May 31, 2019, (ii) approximately 100,000 square feet of office, warehouse and manufacturing space in Paderborn, Germany at monthly rental of €5,400 which expires on December 31, 2017, (iii) approximately 50,000 square feet of office, warehouse space in Paderborn, Germany at a monthly rental of €2,633 which expires on December 31, 2017.

## **ITEM 3. LEGAL PROCEEDINGS**

Three alleged securities class action complaints have been filed against Centrex and certain of its executive officers that challenged various aspects of Centrex's stock trading and relationships, the results of which are inherently unpredictable. These three alleged securities class action complaints were filed against Centrex and certain of its executive officers in the U.S. District Court for the Eastern District of New York on February 24, 2017. Under the requirements of the Private Securities Litigation Reform Act of 1995, these three alleged class actions, as well as any further related actions, will be consolidated into a single lawsuit following decisions on motions to consolidate filed with the Court on April 25, 2017. A follow-on, related derivative complaint was also filed against Centrex and its executive officers and directors in New York State court on April 10, 2017. That derivative action has been stayed by agreement of the parties until after the motion to dismiss process in the consolidated alleged class actions has run its course. The allegations in all four complaints are based on the assertions contained in a blog post published on an internet website that challenged various aspects of Centrex's stock trading and relationships, including with its outside auditor. Centrex denies these assertions, and filed a lawsuit seeking damages in the amount of \$170 million, against the blogger on March 4, 2017 in the U.S. District Court for the Eastern District of New York. Centrex voluntarily dismissed that lawsuit on June 12, 2017, because it was unable to serve the defendant blogger within the required time, but Centrex has reserved the right to re-file its claims against him at a later date. Centrex's outside auditor, Bharat Parikh & Associates, also denied the allegations concerning it, in a letter addressed to Centrex's Audit Committee and Board of Directors just a few days after the blog post was published. A copy of that letter is attached to this report as Exhibit 99.1.

Centrex believes the alleged class action and derivative litigations are without merit and intends to defend itself vigorously. Centrex intends to seek dismissal of the litigations at the earliest possible stage. Regardless of the merit of the claims, litigation is inherently unpredictable and may be costly, time consuming and disruptive to Centrex's business. Centrex could incur judgments or enter into settlements of claims that could adversely affect its business, operating results or cash flows. Although, the Company does have insurance, however the insurance may

not be sufficient and Centrex could also be subject to costly indemnification of its executive officers, which may not be covered by insurance.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Common Stock currently trades on the NASDAQ Capital Markets under the symbol "CETX".

As of December 5, 2017, there were approximately 4,400 holders of record of the Company's common stock as determined from the Company's transfer agent's list. Such list also includes beneficial owners of securities whose shares are held in the names of various dealers and clearing agencies.

The Company is authorized to issue 20,000,000 shares of common stock, \$0.001 par value per share. On December 5, 2017, there were 10,553,522 shares of common stock issued and outstanding and 1,000,000 shares of Series A preferred stock issued or outstanding.

In April 2015, the Company effected a 1-for-6 reverse stock split of its outstanding common stock.

On June 25, 2015, the Company's common stock commenced trading on the NASDAQ Capital Markets under the symbol "CETX". Prior to June 25, 2015 the Company's Common Stock traded on the over-the-counter bulletin board trading system. The price ranges presented below represent the highest and lowest quoted bid prices during the calendar quarters for 2015, 2016 and 2017 reported by the exchange and converted based on the one-for-six reverse stock split. The quotes represent prices between dealers and do not reflect mark-ups, markdowns or commissions and therefore may not necessarily represent actual transactions.

Year	Fiscal Period	Stock Price	
		High	Low
2017	4th Quarter	\$3.65	\$2.74
	3rd Quarter	\$3.94	\$3.06
	2nd Quarter	\$8.00	\$3.04
	1st Quarter	\$7.34	\$3.74
2016	4th Quarter	\$5.95	\$3.71
	3rd Quarter	\$3.69	\$1.90
	2nd Quarter	\$2.85	\$1.65
	1st Quarter	\$3.44	\$2.36
2015	4th Quarter	\$4.35	\$2.23
	3rd Quarter	\$5.40	\$2.70
	2nd Quarter	\$4.20	\$2.58
	1st Quarter	\$4.74	\$3.60

As reported by NASDAQ Capital Markets, on December 5, 2017 the closing sales price of the Company's Common Stock was \$2.60 per share.

#### Dividend Policy

On April 19, 2017, the Company's Board of Directors approved an annual dividend on the common stock of the Company. There can be no assurance that the Company will pay cash dividends on its common stock in the future. Any decision to pay cash dividends will depend upon the Company's profitability at the time, cash available and other relevant factors.

### ITEM 6. SELECTED FINANCIAL DATA

Not required for Smaller Reporting Companies

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as “anticipates”, “believes”, “could”, “estimates”, “expects”, “may”, “plans”, “potential” and “intends” and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company’s management, as well as assumptions made by and information currently available to the Company’s management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions; the impact of competitive products and their pricing; unexpected manufacturing or supplier problems; the Company’s ability to maintain sufficient credit arrangements; changes in governmental standards by which our environmental control products are evaluated and the risk factors reported from time to time in the Company’s SEC reports, including its recent report on Form 10-K. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.*

### Overview

The Company was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth from a small emission monitoring Instruments Company into a diversified global technology leader that provides innovative solutions to meet today’s industrial and manufacturing challenges. The Company offers manufacturing services of advanced electronic system assemblies, provides broad-based industrial services, and provides industrial air filtration & environmental control equipment and systems globally.

#### *Electronics Manufacturing Services (EMS)*

Cemtrex, through its Electronics Manufacturing Services (EMS) segment, provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products.

Cemtrex’s EMS segment works with industry leading OEMs in their outsourcing of non-core manufacturing services by forming a long-term relationship as an electronics manufacturing partner. We work in close relationships with our customers throughout the entire electronic lifecycle of a product, from design, manufacturing, and distribution. We seek to grow our business through the addition of new, high quality customers, the expansion of our share of business with existing customers, and participating in the growth of existing customers.

Using our manufacturing capabilities, we provide our customers with advanced product assembly and system level integration combined with test services to meet the highest standards of quality. Through our agile manufacturing environment, we can deliver low and medium volume and mix services to our clients. Additionally, we design, develop, and manufacture various interconnects and cable assemblies that often are sold in conjunction with our PCBAs to enhance our value to our customers. The Company also provides engineering services from new product introductions and prototyping, related testing equipment, to product redesigns.

We believe our ability to attract and retain new customers comes from our ongoing commitment to understanding our customers’ business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge. We work closely with our customers from an operational and senior executive level to achieve a deep understanding of our customer’s goals, challenges, strategies, operations, and products to ultimately build a long lasting successful relationship.

In July 2017, the Company set up a subsidiary named Cemtrex Advanced Technologies Inc. to leverage its existing design and engineering experience by directly developing and manufacturing its own proprietary advanced electronic products for third parties for IoT applications. The Company plans to pursue collaborative partnerships with OEMs that are looking to incorporate intelligence and connectivity into their everyday products such as: furniture, consumer wearables, industrial safety wearables, and other enterprise and consumer devices. Cemtrex will look to focus on developing systems, hardware solutions for both consumer and industry applications, and software applications.

## *Industrial Products & Services (IPS)*

Centrex, through its Industrial Products and Services segment, offers single-source services for in plant equipment erection, relocation, and maintenance. The segment also sells a complete line of air filtration and environmental control products to a wide variety of industrial customers worldwide. The Company, under the Griffin Filters brand, provides a complete line of air filtration and environmental control equipment to industries such as: chemical, cement, steel, food, construction, mining, & petrochemical worldwide. This equipment is used to: (i) remove dust, corrosive fumes, mists, submicron particles and particulate from industrial exhausts and boilers; (ii) clean acid gases such as sulfur dioxide, hydrogen chloride, and organics from industrial exhaust stacks prior to discharging to the atmosphere; and (iii) control emissions of coal, dust, sawdust, phosphates, fly ash, cement, carbon black, soda ash, silica, and similar substances from construction facilities, mining operations and dryer exhausts.

The Company through its Advanced Industrial Services (“AIS”) brand offers one-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA. We install high precision equipment in a wide variety of industrial markets like automotive, printing & graphics, industrial automation, packaging, and chemicals among others. We are a leading provider of reliability-driven maintenance and contracting solutions for the machinery, packaging, printing, chemical, and other manufacturing markets. The focus is on customers seeking to achieve greater asset utilization and reliability to cut costs and increase production from existing assets, including small projects, sustaining capital, turnarounds, maintenance, specialty welding services, and high-quality scaffolding.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The following discussion and analysis is based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses, and assets and liabilities during the periods reported. Estimates are used when accounting for certain items such as revenues, allowances for returns, early payment discounts, customer discounts, doubtful accounts, employee compensation programs, depreciation and amortization periods, taxes, inventory values, and valuations of investments, goodwill, other intangible assets and long-lived assets. We base our estimates on historical experience, where applicable and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions. We believe that the following critical accounting policies affect our more significant judgments and estimates used in preparation of our consolidated financial statements.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We base our estimates on the aging of our accounts receivable balances and our historical write-off experience, net of recoveries.

We value our inventories at the lower of cost or market. We write down inventory balances for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based upon assumptions about future demand and market conditions.

Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the Company's carrying amount is greater than the fair value. In accordance with SFAS 142, the Company examined goodwill for impairment and determined that the Company's carrying amount did not exceed the fair value, thus, there was no impairment.

Generally, sales are recognized when shipments are made to customers. Rebates, allowances for damaged goods and other advertising and marketing program rebates are accrued pursuant to contractual provisions and included in accrued expenses. Certain amount of our revenues fall under the percentage-of-completion method of accounting used for long-term contracts. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified.

In countries in which the Company operates, and the functional currency is other than the U.S. dollar, assets and liabilities are translated using published exchange rates in effect at the consolidated balance sheet date. Revenues and expenses and cash flows are translated using an approximate weighted average exchange rate for the period. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income on the accompanying consolidated balance sheet.

### **Results of Operations - For the fiscal years ending September 30, 2017 and 2016**

Total revenue for the years ended September 30, 2017 and 2016 was \$120,628,200 and \$93,704,560, respectively, an increase of \$26,923,640, or 29%. Net income for years ended September 30, 2017 and 2016 was \$4,389,915 and \$4,994,045, respectively, a decrease of \$604,130, or 12%. Revenues, as compared to the previous period, were higher due to the acquisition of AIS and Periscope as well as increased sales in our existing businesses. Net income in this period as compared to the previous period was lower due to increased research and development costs, acquisition costs as well as higher sales and marketing expenses.

#### *Revenues*

Our IPS segment's revenues for the year ended September 30, 2017 increased by \$7,325,255 or 15%, to \$56,569,266 from \$49,244,011 for the year ended September 30, 2016. The increase was mainly attributed to increased sales and to some extent, the acquisition of AIS.

Our EMS segment's revenues for the year ended September 30, 2017 increased by \$19,598,385 or 44% to \$64,058,934 from \$44,460,549 for the year ended September 30, 2016. The increase was mainly attributed to the acquisition of Periscope and to a lesser extent increased sales within the segment.

#### *Gross Profit*

Gross Profit for the year ended September 30, 2017 was \$39,913,552 or 33% of revenues as compared to gross profit of \$29,213,670 or 31% of revenues for the year ended September 30, 2016. The increase in gross profit percentage in the year ended September 30, 2017, as compared to the prior year, was a direct result of projects with higher profit margins.

#### *Operating Expenses*

Operating expenses for the year ended September 30, 2017 increased \$10,648,102 or 44% to \$34,797,874 from \$24,149,772 for the year ended September 30, 2016. Operating expenses as a percentage of revenue increased in the year ended September 30, 2017 to 29% from 26% in the year ended September 30, 2016. The increases in operating expenses in both dollars and as a percentage of revenue are the result of increased research and development costs, increased sales and marketing expenses, increased acquisition costs as well as due to acquisition of Periscope.

#### *Other Income*

Other income for the fiscal year of 2017 was \$313,817 as compared to \$1,693,931 for the fiscal year of 2016. The decrease was due to one-time other income generated in fiscal year 2016.

#### *Interest Expense*

Interest expense for the fiscal year of 2017 was \$923,952 as compared to \$673,612 for the fiscal year of 2016. The increase in interest expense was attributed to higher balances on our revolving lines of credit and interest paid on our convertible notes.

#### *Provision for Income Taxes*

During the fiscal year of 2017 we recorded an income tax provision of \$115,648 compared to \$1,090,173 for the fiscal year of 2016. The provision for income tax is based upon the projected income tax from the Company's various domestic and international subsidiaries that are subject to income taxes.

## *Net Income*

The Company had net income of \$4,389,915 or 4% of revenues, for the year ended September 30, 2017 as compared to a net income of \$4,994,045 or 5% of revenues, for the year ended September 30, 2016. Net income in this period as compared to the previous period was lower due to increased research and development costs, acquisition costs as well as higher sales and marketing expenses.

## **Effects of Inflation**

The Company's business and operations have not been materially affected by inflation during the periods for which financial information is presented.

## **Liquidity and Capital Resources**

Working capital was \$26,366,437 at September 30, 2017 compared to \$11,771,946 at September 30, 2016. This includes cash and cash equivalents of \$10,442,857 at September 30, 2017 and \$6,045,521 at September 30, 2016, respectively. The increase in working capital was primarily due to the cash received in the Company's subscription rights offering.

Accounts receivable increased by \$1,892,412 or 14% to \$15,461,139 at September 30, 2017 from \$13,568,727 at September 30, 2016. The increase in accounts receivable is attributed to increased sales.

Inventories increased by \$3,200,255 or 23% to \$17,271,882 at September 30, 2017 from \$14,071,627 at September 30, 2016. The increase in inventory is attributed to the need for additional inventories for upcoming projects and product lines due to increased sales demand from customers.

Operating activities provided \$1,107,727 for the year ended September 30, 2017 compared to providing \$7,895,211 of cash for the year ended September 30, 2016. The decrease in operating cash flows in fiscal 2017 was mainly due to the increases in inventory and accounts receivable.

Investment activities used \$6,956,627 of cash during the year ended September 30, 2017 compared to using \$17,146,716 during the year ended September 30, 2016. In fiscal 2017 our investment activities were mainly comprised of investment in equipment and the purchase and retirement of shares of our common stock.

Financing activities provided \$10,246,236 for the year ended September 30, 2017 as compared to providing \$13,210,289 in the year ended September 30, 2016. In fiscal 2017 our financing activities were mainly comprised of the proceeds from our subscription rights offering offset by payments on our long-term debt and cash dividends.

We believe that our cash on hand, cash generated by operations, is sufficient to meet the capital demands of our current operations during the 2018 fiscal year (ending September 30, 2018). Any major increases in sales, particularly in new products, may require substantial capital investment. Failure to obtain sufficient capital could materially adversely impact our growth potential.

In December 2016, we commenced a subscription rights offering to our stockholders to raise up to \$15.0 million through the sale of units, each consisting of one share of our series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and two five-year series 1 warrants, upon the exercise of subscription rights at \$10.00 per unit. On February 2, 2017, the Company completed the final closing of its rights offering. With the final closing, the total subscription proceeds received by the Company in its rights offering and related standby placement amounted to \$14,018,750, before payment of the dealer-manager fee and other offering expenses.

Overall, there is no guarantee that cash flow from our existing or future operations and any external capital that we may be able to raise will be sufficient to meet our expansion goals and working capital needs.



## **Outlook**

We anticipate that the outlook for our products and services remains fairly strong and we are positioned well to take advantage of it.

We are a technology company with worldwide operations. Our diversity of business segments, and the breadth of our product and services portfolios, have helped mitigate the economic impact of any one particular industry sector or any single country on our consolidated operating results and we expect the same in the future. We believe growth for our products and services is driven by the increasing demand for newer technological products and overall industrial economic growth. These trends stimulate investment in new consumer and industrial products with related infrastructure, and in upgrades of existing facilities. We continue to focus on revenue growth, market expansion and increasing profitability by expanding our presence in emerging technologies. Our outlook is to continue expanding our scope of technology, products, and services horizontally through selective acquisitions and the formation of new business units by leveraging our technical and financial resources.

This Outlook section, and other portions of this document, include certain "forward-looking statements" within the meaning of that term in Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, including, among others, those statements preceded by, following or including the words "believe," "expect," "intend," "anticipate" or similar expressions. These forward-looking statements are based largely on the current expectations of management and are subject to a number of assumptions, risks and uncertainties. Our actual results could differ materially from these forward-looking statements. Important factors to consider in evaluating such forward-looking statements include those discussed in Item 1A. Risk Factors as well as:

- the shortage of reliable market data regarding the emission monitoring & air filtration market;
- changes in external competitive market factors or in our internal budgeting process which might impact trends in our results of operations;
- anticipated working capital or other cash requirements;
- changes in our business strategy or an inability to execute our strategy due to unanticipated changes in the market;
- product obsolescence due to the development of new technologies; and
- Various competitive factors that may prevent us from competing successfully in the marketplace.
- In light of these risks and uncertainties, there can be no assurance that the events contemplated by the forward-looking statements contained in this Form 10-K will in fact occur.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements required to be included in this report appear as indexed in the appendix to this report beginning on page F-1.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There have been no changes in and/or disagreements with Bharat Parikh & Associates, our independent registered public accountants, on accounting and financial disclosure matters.

## **ITEM 9A. CONTROLS AND PROCEDURES**

Our Chief Executive Officer and Vice President of Finance (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Certifying Officers have designed such disclosure controls and procedures to ensure that material information is made known to them, particularly during the period in which this Report was prepared.

### **Evaluation of Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive and financial officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost- benefit relationship of possible controls and procedures.

### **Management's Report on Internal Control Over Financial Reporting**

The company's management is responsible for establishing and maintaining adequate "internal control over financial reporting" (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Management evaluates the effectiveness of the company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). Management, under the supervision and with the participation of the company's Chief Executive Officer and Vice President of Finance, assessed the effectiveness of the company's internal control over financial reporting as of September 30, 2017, and concluded that it is effective.

This report does not include an attestation report of the Company's Independent Registered Public Accounting Firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's Independent Registered Public Accounting Firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only Management's report in this Annual Report.

As of September 30, 2017, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial and Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective.

### **Changes in Internal Controls**

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's last fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Limitations on the Effectiveness of Controls**

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives. The Company's chief executive officer and principal financial and accounting officer concluded that the Company's disclosure controls and procedures are effective at that reasonable assurance level.

**ITEM 9B. OTHER INFORMATION**

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We incorporate the information this item requires by referring to the information under the captions **Proposal No. 1: Election of Directors and Corporate Governance** in our proxy statement for our 2017 annual stockholders' meeting ("2017 Proxy Statement"), which we will file with the SEC pursuant to Regulation 14A.

### ITEM 11. EXECUTIVE COMPENSATION

We incorporate the information this item requires by referring to the information under the caption **Executive Compensation** in our 2017 Proxy Statement, which we will file with the SEC pursuant to Regulation 14A.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We incorporate the information this item requires by referring to the information under the caption **Security Ownership of Certain Beneficial Owners and Management** in our 2017 Proxy Statement, which we will file with the SEC pursuant to Regulation 14A.

#### Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents certain information as of September 30, 2017 regarding our equity compensation plans:

Plan category	Number of Common Stock Shares to be Issued upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance under Plans
Approved by security holders		\$ -	
Not approved by security holders	437,997	\$ 2.87	0

See more detailed information regarding our equity compensation plans in Note 15 in the Notes to Consolidated Financial Statements in this 2017 Form 10-K.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

We incorporate the information this item requires by referring to the information under the captions **Proposal No. 1: Election of Directors and Corporate Governance** in our 2017 Proxy Statement, which we will file with the SEC pursuant to Regulation 14A.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We incorporate the information this item requires by referring to the information under the caption **Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm** in our 2017 Proxy Statement, which we will file with the SEC pursuant to Regulation 14A.

## PART IV

### ITEM 15 EXHIBITS AND FINANCIAL STATEMENTS

(a)	<u>Financial Statements and Notes to the Consolidated Financial Statements</u> See Index to Consolidated Financial Statements on page F-1 at beginning of attached financial statements.
(b)	<u>Exhibits</u>
Exhibit No.	Description
2.1	Asset Purchase Agreement regarding the assets of ROB Holding AG, ROB Electronic GmbH, ROB Connect GmbH, and ROB Engineering dated September 10, 2013. (5)
2.2	Stock Purchase Agreement regarding the stock of Advanced Industrial Services, Inc., AIS Leasing Company, AIS Graphic Services, Inc., and AIS Energy Services, LLC, Dated December 15, 2015. (6)
2.3	Asset Purchase agreement between Periscope GmbH and ROB Centrex Assets UG, ROB Centrex Automotive GmbH, and ROB Centrex Logistics GmbH. (7)
3.1	Certificate of Incorporation of the company.(1)
3.2	By Laws of the company.(1)
3.3	Certificate of Amendment of Certificate of Incorporation, dated September 29, 2006.(1)
3.4	Certificate of Amendment of Certificate of Incorporation, dated March 30, 2007.(1)
3.5	Certificate of Amendment of Certificate of Incorporation, dated May 16, 2007.(1)
3.6	Certificate of Amendment of Certificate of Incorporation, dated August 21, 2007.(1)
3.7	Certificate of Amendment of Certificate of Incorporation, dated April 3, 2015.(3)
3.8	Certificate of Designation of the Series A Preferred Shares, dated September 8, 2009.(2)
3.9	Certificate of Designation of the Series 1 Preferred Stock.(12)
3.10	Certificate of Amendment of Certificate of Incorporation, dated September 7, 2017 (15)
4.1	Form of Subscription Rights Certificate. (10)
4.2	Form of Series 1 Preferred Stock Certificate. (10)
4.3	Form of Series 1 Warrant. (10)
10.1	Centrex Lease Agreement-Ducon Technologies, Inc.(1)
10.2	Lease Agreement between Daniel L. Canino and Griffin Filters, LLC.(1)
10.3	Asset Purchase Agreement between Ducon Technologies, Inc. and Centrex, Inc.(1)
10.4	Agreement and Assignment of Membership Interests between Aron Govil and Centrex, Inc.(1)
10.5	8.0% Convertible Subordinated Debenture.(1)
10.6	Letter Agreement by and between Centrex, Inc. and Arun Govil, dated September 8, 2009.(2)
10.7	Loan Agreement between Fulton Bank, N.A. and Advanced Industrial Services, Inc., AIS Acquisition, Inc., AIS Leasing Company, dated December 15, 2015.(6)
10.8	Promissory Note between Kris L. Mailey and AIS Acquisition, Inc. dated December 15, 2015.(6)
10.9	Promissory Note between Michael R. Yergo and AIS Acquisition, Inc. dated December 15, 2015.(6)
10.1	Term Loan Agreement between Centrex GmbH and Sparkasse Bank for Financing of funds within the scope of the Asset-Deals of the ROB Group, dated October 4, 2013.(8)
10.11	Working Capital Credit Line Agreement between Centrex GmbH and Sparkasse Bank, dated October 4, 2013 (updated May 8, 2014).(8)
10.12	Loan Agreement between ROB Centrex GmbH and Sparkasse Bank to finance the purchase of the property at Am Wolfsbaum 1, 75245 Neulingen, Germany, dated October 7, 2013, purchase completed March 1, 2014.(9)
10.13	Nonstatutory Stock Option Agreement entered into as of February 12, 2016 between Centrex, Inc. and Saagar Govil (11)
10.14	Nonstatutory Stock Option Agreement entered into as of December 5, 2016 between Centrex, Inc. and Saagar Govil (13)
10.15	Exchange Agreement dated as of February 1, 2017 and effective February 9, 2017 by and between Centrex Inc. and Ducon Technologies, Inc.(12)
14.1	Corporate Code of Business Ethics.(4)
21.1*	Subsidiaries of the Registrant
31.1*	Certification of Chief Executive Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Vice President of Finance and Principal Financial Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Vice President of Finance and Principal Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*	Letter from Bharat Parikh & Associates regarding securities class action complaints.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

\* Filed herewith

- (1) Incorporated by reference from Form 10-12G filed on May 22, 2008.
- (2) Incorporated by reference from Form 8-K filed on September 10, 2009.
- (3) Incorporated by reference from Form 8-K filed on August 22, 2016.
- (4) Incorporated by reference from Form 8-K filed on July 1, 2016.
- (5) Incorporated by reference from Form 10-K filed on August 25, 2016.
- (6) Incorporated by reference from Form 8-K/A filed on September 26, 2016.
- (7) Incorporated by reference from Form 8-K/A filed on November 24, 2017.
- (8) Incorporated by reference from Form 8-K/A filed on November 9, 2016.
- (9) Incorporated by reference from Form 10-Q/A filed on November 10, 2016.
- (10) Incorporated by reference from Form S-1 filed on August 29, 2016 and as amended on November 4, 2016, November 23, 2016, and December 7, 2016.
- (11) Incorporated by reference from Form 10-K filed on December 28, 2016.
- (12) Incorporated by reference from Form 8-K filed on January 24, 2017.
- (13) Incorporated by reference from Form 8-K filed on February 10, 2017.
- (14) Incorporated by reference from Form 10-Q filed on February 14, 2017.
- (15) Incorporated by reference from Form 8-K filed on September 8, 2017.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### CEMTREX, INC.

December 13, 2017

By: /s/ Saagar Govil  
Saagar Govil,  
Chairman of the Board, CEO,  
President & Secretary (Principal Executive Officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

December 13, 2017

By: /s/ Saagar Govil  
Saagar Govil,  
Chairman of the Board, CEO,  
President & Secretary (Principal Executive Officer)

December 13, 2017

By: /s/ Renato Dela Rama  
Renato Dela Rama,  
Vice President of Finance (Principal Financial and  
Accounting Officer)

December 13, 2017

By: /s/ Raju Panjwani  
Raju Panjwani,  
Director

December 13, 2017

By: /s/ Sunny Patel  
Sunny Patel,  
Director

December 13, 2017

By: /s/ Shamik Shah  
Shamik Shah,  
Director

December 13, 2017

By: /s/ Aron Govil  
Aron Govil,  
Executive Director

## Index to the Consolidated Financial Statements

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To  
The Board of Directors and Shareholders of  
Cemtrex Inc.  
19 Engineers Lane  
New York- NY  
USA.

We have audited the consolidated balance sheet of Cemtrex, Inc. (the “Company”) and its subsidiaries as of September 30, 2017 and 2016 and the related consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Advanced Industrial Services Inc, a wholly owned subsidiary, whose financial statements reflects total assets of \$13,186,148 as of September 30, 2017 and total revenues of \$21,706,436 for the year then ended. Those statements were audited by other independent auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for Advanced Industrial Services Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and subsidiaries as of September 30, 2017 and 2016 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**For Bharat Parikh & Associates**  
**Chartered Accountants**

/s/ **□□ Bharat Parikh**

**CA Bharat Parikh**  
**(Senior Managing Partner)**  
**Registered with PCAOB**  
**Date :- 12/13/2017**  
**Place:- HQ Vadodara GJ,**  
**India**

## CONSOLIDATED BALANCE SHEETS

Assets	September 30, 2017	September 30, 2016
<b>Current assets</b>		
Cash and equivalents	\$ 10,442,857	\$ 6,045,521
Restricted Cash	1,531,895	698,459
Accounts receivable, net	15,461,139	13,568,727
Inventory, net	17,271,882	14,071,627
Prepaid expenses and other current assets	1,720,864	2,475,404
Deferred tax asset	-	67,000
Total current assets	46,428,637	36,926,738
Property and equipment, net	20,118,311	17,647,888
Goodwill	3,322,818	918,819
Other assets	311,607	540,064
<b>Total Assets</b>	<b>\$ 70,181,373</b>	<b>\$ 56,033,509</b>
<b>Liabilities &amp; Stockholders' Equity (Deficit)</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 6,945,153	\$ 7,733,459
Credit card payable	165,111	294,169
Sales tax payable	550,532	263,107
Revolving line of credit	4,466,218	3,454,913
Accrued expenses	3,614,415	5,174,529
Deferred revenue	463,022	1,387,139
Accrued income taxes	1,553,665	1,042,589
Convertible notes payable	220,000	3,748,000
Current portion of long-term liabilities	2,084,084	2,056,887
Total current liabilities	20,062,200	25,154,792
<b>Long-term liabilities</b>		
Loans payable to bank	5,175,276	6,402,228
Notes payable	241,200	1,222,158
Mortgage payable	3,819,392	3,869,066
Notes payable to related party	-	3,599,307
Total long-term liabilities	9,235,868	15,092,759
Deferred tax liabilities	1,891,000	94,000
Total liabilities	31,189,068	40,341,551
Commitments and contingencies	-	-
<b>Shareholders' equity</b>		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized,		
Series A, 1,000,000 shares authorized, issued and outstanding at		
June 30, 2017 and September 30, 2017	1,000	1,000
Series 1, 3,000,000 shares authorized, 1,822,660 and no shares issued and		
outstanding as of September 30, 2017 and September 30, 2016, respectively	1,824	-
Common stock, \$0.001 par value, 20,000,000 shares authorized, 10,404,434		
shares issued and outstanding at September 30, 2017 and 9,460,283		
shares issued and outstanding at September 30, 2016	10,404	9,460
Additional paid-in capital	24,694,324	5,230,745
Retained earnings	14,418,245	11,424,900
Accumulated other comprehensive loss	(133,492)	(974,147)
Total shareholders' equity	38,992,305	15,691,958
<b>Total liabilities and shareholders' equity</b>	<b>\$ 70,181,373</b>	<b>\$ 56,033,509</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

	For the twelve months ended	
	September 30,	
	2017	2016
<b>Revenues</b>		
Industrial Products & Services Revenue	\$ 56,569,266	\$ 49,244,011
Electronics Manufacturing Services Revenue	64,058,934	44,460,549
Total revenues	<u>120,628,200</u>	<u>93,704,560</u>
<b>Cost of revenues</b>		
Cost of Sales, Industrial Products & Services	40,117,904	35,496,098
Cost of Sales, Electronics Manufacturing Services	40,596,744	28,994,792
Total cost of revenues	<u>80,714,648</u>	<u>64,490,890</u>
Gross profit	<u>39,913,552</u>	<u>29,213,670</u>
<b>Operating expenses</b>		
General and administrative	34,797,874	24,149,772
Total operating expenses	<u>34,797,874</u>	<u>24,149,772</u>
Operating income	<u>5,115,678</u>	<u>5,063,898</u>
<b>Other income (expense)</b>		
Other Income (expense)	313,837	1,693,931
Interest Expense	(923,952)	(673,612)
Total other income (expense)	<u>(610,115)</u>	<u>1,020,319</u>
Net income before income taxes	<u>4,505,563</u>	<u>6,084,217</u>
Provision for income taxes	115,648	1,090,172
Net income	<u>4,389,915</u>	<u>4,994,045</u>
Preferred dividends paid	1,200,871	-
Net income available to common shareholders	<u>3,189,044</u>	<u>4,994,045</u>
<b>Other comprehensive income/(loss)</b>		
Foreign currency translation gain/(loss)	840,655	(974,147)
Comprehensive income available to common shareholders	<u>\$ 4,029,699</u>	<u>\$ 4,019,898</u>
Income Per Common Share-Basic	<u>\$ 0.32</u>	<u>\$ 0.59</u>
Income Per Common Share-Diluted	<u>\$ 0.31</u>	<u>\$ 0.59</u>
Weighted Average Number of Common Shares-Basic	<u>10,013,378</u>	<u>8,441,620</u>
Weighted Average Number of Common Shares-Diluted	<u>10,175,736</u>	<u>8,514,772</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock Series A Par Value \$0.001		Preferred Stock Series 1 Par Value \$0.001		Common Stock Par Value \$0.01		Additional Paid-in Capital	Retained	Accumulated	Total Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount		Earnings (Accumulated Deficit)	other Comprehensive Income(loss)	
Balance at October 1, 2015	1,000,000	\$ 1,000		\$ -	7,158,087	\$ 7,158	\$ 1,020,444	\$ 6,430,855	\$ (333,888)	\$ 7,125,569
Foreign currency translations									\$ (640,259)	\$ (640,259)
Stock issued for employee options					7,583	\$ 8	\$ 51,888			\$ 51,896
Stock issued for convertible debt					1,919,492	\$ 1,919	\$ 2,989,488			\$ 2,991,407
Stock issued for services					57,661	\$ 58	\$ 169,242			\$ 169,300
Stock issued for acquisition					317,460	\$ 317	\$ 999,683			\$ 1,000,000
Net income								\$ 4,994,045		\$ 4,994,045
Balance at September 30, 2016	1,000,000	\$ 1,000	-	\$ -	9,460,283	\$ 9,460	\$ 5,230,745	\$ 11,424,900	\$ (974,147)	\$ 15,691,958
Foreign currency translations									\$ 840,655	\$ 840,655
Stock issued for employee options					37,500	\$ 38	\$ 67,462			\$ 67,500
Stock issued for convertible debt					1,237,105	\$ 1,237	\$ 3,690,391			\$ 3,691,628
Stock issued for services					33,074	\$ 33	\$ 108,585			\$ 108,618
Stock repurchased and retired					(363,528)	\$ (364)	\$ (1,344,230)			\$ (1,344,594)
Preferred stock purchased during rights offering			1,736,858	\$ 1,737			\$ 16,073,525			\$ 16,075,262
Dividends paid			86,793	\$ 87			\$ 867,846	\$ (1,396,570)		\$ (528,637)
Net income								\$ 4,389,915		\$ 4,389,915
Balance at September 30, 2017	1,000,000	\$ 1,000	1,823,651	\$ 1,824	10,404,434	\$ 10,404	\$ 24,694,324	\$ 14,418,245	\$ (133,492)	\$ 38,992,305

*The accompanying notes are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash Flows from Operating Activities	For the twelve months ended	
	September 30,	
	2017	2016
Net income	\$ 4,389,915	\$ 4,994,045
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,141,610	2,296,010
Deferred revenue	(924,117)	1,126,809
Share-based compensation	67,500	51,896
Shares issued for professional services	108,617	-
Shares issued for acquisition	-	1,000,000
Discounts on convertible debt	-	249,000
Interest expense on convertible debt	163,628	138,907
Deferred taxes	(539,999)	102,000
Goodwill	-	4,633
Changes in operating assets and liabilities net of effects from acquisition of subsidiaries:		
Restricted cash	(833,436)	(90,032)
Accounts receivable	(1,892,412)	(5,585,686)
Inventory	(3,200,255)	764,640
Prepaid expenses and other assets	754,540	2,342,744
Others	228,457	(170,926)
Accounts payable	(788,306)	1,376,793
Credit card payable	(129,058)	66,891
Sales tax payable	287,425	85,312
Revolving line of credit	1,011,305	(6,116,739)
Accrued expenses	(1,248,763)	4,297,221
Income taxes payable	511,076	961,693
<b>Net cash provided by operating activities</b>	<b>1,107,727</b>	<b>7,895,211</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(5,677,666)	(663,834)
Gain on disposal of property and equipment	65,633	-
Investment in subsidiary, net of cash received	-	(16,482,882)
Purchase and retirement of common stock	(1,344,594)	-
<b>Net cash provided by (used by) investing activities</b>	<b>(6,956,627)</b>	<b>(17,146,716)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable	-	2,217,936
Payments on notes payable	(980,958)	(486,125)
Proceeds/(payments) on affiliated loan	(259,474)	3,480,252
Proceeds from bank loans	-	5,176,262
Payments on bank loans	(801,997)	(1,655,536)
Proceeds from convertible notes	-	5,077,500
Net proceeds from subscription rights offering	12,817,302	-
Dividends paid	(528,637)	-
<b>Net cash provided by (used by) financing activities</b>	<b>10,246,236</b>	<b>13,810,289</b>
Net increase (decrease) in cash	4,397,336	4,558,784
Cash beginning of period	6,045,521	1,486,737
<b>Cash end of period</b>	<b>\$ 10,442,857</b>	<b>\$ 6,045,521</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the period for interest	\$ 920,918	\$ 312,286
Cash paid during the period for income taxes	\$ 73,921	\$ 5,032

*The accompanying notes are an integral part of these consolidated financial statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 – ORGANIZATION AND PLAN OF OPERATIONS

The Company was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth from a small emissions monitoring instruments company into a diversified global technology leader that provides innovative solutions to meet today's industrial and manufacturing challenges. The Company offers manufacturing services of advanced electronic system assemblies, provides broad-based industrial services, and provides industrial air filtration & environmental control equipment and systems globally. Unless the context requires otherwise, all references to “we”, “our”, “us”, “Company”, “registrant”, “Cemtrex” or “management” refer to Cemtrex, Inc. and its subsidiaries.

#### *Electronics Manufacturing Services (EMS)*

Cemtrex, through its Electronics Manufacturing Services (EMS) segment, provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products.

Cemtrex’s EMS segment works with industry leading OEMs in their outsourcing of non-core manufacturing services by forming a long-term relationship as an electronics manufacturing partner. We work in close relationships with our customers throughout the entire electronic lifecycle of a product, from design, manufacturing, and distribution. We seek to grow our business through the addition of new, high quality customers, the expansion of our share of business with existing customers, and participating in the growth of existing customers.

Using our manufacturing capabilities, we provide our customers with advanced product assembly and system level integration combined with test services to meet the highest standards of quality. Through our agile manufacturing environment, we can deliver low and medium volume and mix services to our clients. Additionally, we design, develop, and manufacture various interconnects and cable assemblies that often are sold in conjunction with our PCBAs to enhance our value to our customers. The Company also provides engineering services from new product introductions and prototyping, related testing equipment, to product redesigns.

We believe our ability to attract and retain new customers comes from our ongoing commitment to understanding our customers’ business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge. We work closely with our customers from an operational and senior executive level to achieve a deep understanding of our customer’s goals, challenges, strategies, operations, and products to ultimately build a long lasting successful relationship.

In July 2017, Company set up a subsidiary named Cemtrex Advanced Technologies Inc. to leverage its existing design and engineering experience by directly developing and manufacturing its own proprietary advanced electronic products and for third parties for IoT applications. The Company plans to pursue collaborative partnerships with OEMs that are looking to incorporate intelligence and connectivity into their everyday products such as: furniture, consumer wearables, industrial safety wearables, and other enterprise and consumer devices. Cemtrex will look to focus on developing systems, hardware and software solutions for both consumer, business and industrial applications.

#### *Industrial Products & Services (IPS)*

Cemtrex, through its Industrial Products and Services segment, offers single-source services for in plant equipment erection, relocation, and maintenance. The segment also sells a complete line of air filtration and environmental control products to a wide variety of industrial customers worldwide.

The Company through its Advanced Industrial Services (“AIS”) brand offers one-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA. We install high precision equipment in a wide variety of industrial markets like automotive, printing & graphics, industrial automation, packaging, and chemicals among others. We are a leading

provider of reliability-driven maintenance and contracting solutions for the machinery, packaging, printing, chemical, and other manufacturing markets. The focus is on customers seeking to achieve greater asset utilization and reliability to cut costs and increase production from existing assets, including small projects, sustaining capital, turnarounds, maintenance, specialty welding services, and high-quality scaffolding.

The Company, under the Griffin Filters brand, provides a complete line of air filtration and environmental control equipment to industries such as: chemical, cement, steel, food, construction, mining, & petrochemical worldwide. This equipment is used to: (i) remove dust, corrosive fumes, mists, submicron particles and particulate from industrial exhausts and boilers; (ii) clean acid gases such as sulfur dioxide, hydrogen chloride, and organics from industrial exhaust stacks prior to discharging to the atmosphere; and (iii) control emissions of coal, dust, sawdust, phosphates, fly ash, cement, carbon black, soda ash, silica, and similar substances from construction facilities, mining operations and dryer exhausts.

### *Acquisitions*

On December 15, 2015, the Company acquired Advanced Industrial Services Inc. and its affiliate subsidiary company based in York, Pennsylvania for a purchase price of approximately \$7,500,000, and acquisition related expenses of \$476,340. The purchase price consisted of \$5,000,000 in cash, \$1,500,000 in a seller's note, and \$1,000,000 in the form of 315,458 shares of Centrex restricted Common Stock. AIS averaged approximately \$23 million in annual revenue and \$2.4 million in annual normalized EBITDA over the two calendar years 2013 and 2014. We worked with a local bank to finance the \$5.25 million self-amortizing, seven (7) year term loan and \$3.5 million working capital credit line for the transaction. The loans carry annual interest rates of 30 day LIBOR plus 2.25 and 2.0 respectively. The seller's note is for 3 years at 6% (see NOTE 13).

On May 31, 2016, the Company acquired a machinery & equipment business, an electronics manufacturing business and a logistics business from a German company, Periscope, GmbH ("Periscope") and placed them in three newly formed entities: ROB Centrex Assets UG, ROB Centrex Automotive GmbH and ROB Centrex Logistics GmbH respectively. Periscope's electronic manufacturing business deals primarily with the major German automotive manufacturers, including Tier 1 suppliers in the industry, as well as for industries like telecommunications, industrial goods, luxury consumer products, display technology, and other industrial OEMs. Periscope had more than 35 years of industrial operating experience. The Periscope acquisition was completed through use of \$4,902,670 of cash, \$717,936 in a Seller note and \$3,298,600 in proceeds from the issuance of a related party. (see NOTE 13).

## **NOTE 2 – BASIS OF PRESENTATION AND CRITICAL ACCOUNTING POLICIES**

### *Basis of Presentation and Use of Estimates*

The Management of the Company is responsible for the selection and use of appropriate accounting policies and the appropriateness of accounting policies and their application. Critical accounting policies and practices are those that are both most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Company's significant and critical accounting policies and practices are disclosed below as required by generally accepted accounting principles.

### *Basis of Presentation*

The accompanying consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

### *Fiscal Year-End*

The Company elected September 30 as its fiscal year-end date.

### *Use of Estimates and Assumptions and Critical Accounting Estimates and Assumptions*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s).

Critical accounting estimates are estimates for which (a) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and (b) the impact of the estimate on financial condition or operating performance is material. The Company's critical accounting estimates and assumptions affecting the financial statements were:

- i. Allowance for doubtful accounts: Management's estimate of the allowance for doubtful accounts is based on historical sales, historical loss levels, and an analysis of the collectability of individual accounts; and general economic conditions that may affect a client's ability to pay. The Company evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole;
- ii. Inventory Obsolescence and Markdowns: The Company's estimate of potentially excess and slow-moving inventories is based on evaluation of inventory levels and aging, review of inventory turns and historical sales experiences. The Company's estimate of reserve for inventory shrinkage is based on the historical results of physical inventory cycle counts;
- iii. Fair value of long-lived assets: Fair value is generally determined using the asset's expected future discounted cash flows or market value, if readily determinable. If long-lived assets are determined to be recoverable, but the newly determined remaining estimated useful lives are shorter than originally estimated, the net book values of the long-lived assets are depreciated over the newly determined remaining estimated useful lives. The Company considers the following to be some examples of important indicators that may trigger an impairment review:
  - i. significant under-performance or losses of assets relative to expected historical or projected future operating results;
  - ii. significant changes in the manner or use of assets or in the Company's overall strategy with respect to the manner or use of the acquired assets or changes in the Company's overall business strategy;
  - iii. significant negative industry or economic trends;
  - iv. increased competitive pressures;
  - v. a significant decline in the Company's stock price for a sustained period of time; and
  - vi. regulatory changes. The Company evaluates acquired assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events.
- iv. Valuation allowance for deferred tax assets: Management assumes that the realization of the Company's net deferred tax assets resulting from its net operating loss ("NOL") carry-forwards for Federal income tax purposes that may be offset against future taxable income was not considered more likely than not and accordingly, the potential tax benefits of the net loss carry-forwards are offset by a full valuation allowance. Management made this assumption based on (a) the Company has incurred recurring losses, (b) general economic conditions, and (c) its ability to raise additional funds to support its daily operations by way of a public or private offering, among other factors.

These significant accounting estimates or assumptions bear the risk of change due to the fact that there are uncertainties attached to these estimates or assumptions, and certain estimates or assumptions are difficult to measure or value.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable in relation to the financial statements taken as a whole under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Management regularly evaluates the key factors and assumptions used to develop the estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such evaluations, if deemed appropriate, those estimates are adjusted accordingly.

Actual results could differ from those estimates.



## *Principles of Consolidation*

The Company applies the guidance of Topic 810 “Consolidation” of the FASB Accounting Standards Codification to determine whether and how to consolidate another entity. Pursuant to ASC Paragraph 810-10-15-10 all majority-owned subsidiaries—all entities in which a parent has a controlling financial interest—shall be consolidated except (1) when control does not rest with the parent, the majority owner; (2) if the parent is a broker-dealer within the scope of Topic 940 and control is likely to be temporary; (3) consolidation by an investment company within the scope of Topic 946 of a non-investment-company investee. Pursuant to ASC Paragraph 810-10-15-8 the usual condition for a controlling financial interest is ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than 50 percent of the outstanding voting shares of another entity is a condition pointing toward consolidation. The power to control may also exist with a lesser percentage of ownership, for example, by contract, lease, agreement with other stockholders, or by court decree. The Company consolidates all less-than-majority-owned subsidiaries, if any, in which the parent’s power to control exists.

The consolidated financial statements of the Company include the accounts of its 100% owned subsidiaries, Griffin Filters LLC, MIP Cemtrex Inc., Cemtrex Advanced Technologies Inc., Cemtrex Ltd., ROB Cemtrex GmbH, ROB Systems Srl, ROB Cemtrex Assets UG, ROB Cemtrex Automotive GmbH, ROB Cemtrex Logistics GmbH, and Advanced Industrial Services, Inc. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements include all accounts of the Company and its wholly-owned subsidiary as of the reporting period end dates and for the reporting periods then ended.

All inter-company balances and transactions have been eliminated.

## *Fair Value of Financial Instruments*

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

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 observable inputs and not corroborated by market data.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying amounts of the Company’s financial assets and liabilities, such as cash, prepaid expenses and accounts payable, approximate their fair values because of the short maturity of these instruments.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

#### *Fair Value of Non-Financial Assets or Liabilities Measured on a Recurring Basis*

The Company's non-financial assets include inventories. The Company identifies potentially excess and slow-moving inventories by evaluating turn rates, inventory levels and other factors. Excess quantities are identified through evaluation of inventory aging, review of inventory turns and historical sales experiences. The Company provides lower of cost or market reserves for such identified excess and slow-moving inventories. The Company establishes a reserve for inventory shrinkage, if any, based on the historical results of physical inventory cycle counts.

#### *Carrying Value, Recoverability and Impairment of Long-Lived Assets*

The Company has adopted paragraph 360-10-35-17 of the FASB Accounting Standards Codification for its long-lived assets. The Company's long-lived assets, which include property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Company assesses the recoverability of its long-lived assets by comparing the projected undiscounted net cash flows associated with the related long-lived asset or group of long-lived assets over their remaining estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is generally determined using the asset's expected future discounted cash flows or market value, if readily determinable. When long-lived assets are determined to be recoverable, but the newly determined remaining estimated useful lives are shorter than originally estimated, the net book values of the long-lived assets are depreciated over the newly determined remaining estimated useful lives.

The Company considers the following to be some examples of important indicators that may trigger an impairment review: (i) significant under-performance or losses of assets relative to expected historical or projected future operating results; (ii) significant changes in the manner or use of assets or in the Company's overall strategy with respect to the manner or use of the acquired assets or changes in the Company's overall business strategy; (iii) significant negative industry or economic trends; (iv) increased competitive pressures; (v) a significant decline in the Company's stock price for a sustained period of time; and (vi) regulatory changes. The Company evaluates acquired assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events.

The key assumptions used in management's estimates of projected cash flow deal largely with forecasts of sales levels, gross margins, and operating costs of the manufacturing facilities. These forecasts are typically based on historical trends and take into account recent developments as well as management's plans and intentions. Any difficulty in manufacturing or sourcing raw materials on a cost-effective basis would significantly impact the projected future cash flows of the Company's manufacturing facilities and potentially lead to an impairment charge for long-lived assets. Other factors, such as increased competition or a decrease in the desirability of the Company's products, could lead to lower projected sales levels, which would adversely impact cash flows. A significant change in cash flows in the future could result in an impairment of long lived assets.

The impairment charges, if any, is included in operating expenses in the accompanying statements of operations.

#### *Cash Equivalents*

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

#### *Short-term Investments*

The Company's short-term investments consist of certificates of deposit with original maturities of greater than three months. They are bought and held principally for the purpose of selling them in the near-term and are

classified as trading securities. Trading securities are recorded at fair value on the consolidated balance sheets in current assets, with the change in fair value during the year recorded in earnings.

#### *Accounts Receivable and Allowance for Doubtful Accounts*

Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. The Company follows paragraph 310-10-50-9 of the FASB Accounting Standards Codification to estimate the allowance for doubtful accounts. The Company performs on-going credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by the review of their current credit information; and determines the allowance for doubtful accounts based on historical write-off experience, customer specific facts and general economic conditions that may affect a client's ability to pay.

Pursuant to paragraph 310-10-50-2 of the FASB Accounting Standards Codification account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company has adopted paragraph 310-10-50-6 of the FASB Accounting Standards Codification and determine when receivables are past due or delinquent based on how recently payments have been received.

Outstanding account balances are reviewed individually for collectability. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Bad debt expense is included in general and administrative expenses, if any.

The Company has \$298,708 and \$121,650 allowance for doubtful accounts at September 30, 2017 and 2016, respectively.

The Company does not have any off-balance-sheet credit exposure to its customers at September 30, 2017 or 2016.

#### *Inventory and Cost of Goods Sold*

##### *Inventory Valuation*

The Company values inventory, consisting of finished goods, at the lower of cost or market. Cost is determined on the first-in and first-out ("FIFO") method. The Company reduces inventory for the diminution of value, resulting from product obsolescence, damage or other issues affecting marketability, equal to the difference between the cost of the inventory and its estimated market value. Factors utilized in the determination of estimated market value include (i) current sales data and historical return rates, (ii) estimates of future demand, and (iii) competitive pricing pressures.

##### *Inventory Obsolescence and Markdowns*

The Company evaluates its current level of inventory considering historical sales and other factors and, based on this evaluation, classify inventory markdowns in the income statement as a component of cost of goods sold pursuant to Paragraph 420-10-S99 of the FASB Accounting Standards Codification to adjust inventory to net realizable value. These markdowns are estimates, which could vary significantly from actual requirements if future economic conditions, customer demand or competition differ from expectations.

There was \$411,101 and 970,763 in inventory obsolescence at September 30, 2017 and 2016, respectively.

#### *Property and Equipment*

Property and equipment is recorded at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation of property and equipment is computed by the straight-line method (after taking into account their respective estimated residual values shown in the table below) over the estimated useful lives of the respective assets.

	Estimated Useful Life (Years)
Building	30
Furniture and office equipment	5
Computer software	7
Machinery and equipment	7

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in statements of operations.

### *Goodwill*

Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. The Company accounts for goodwill under the guidance of the ASC Topic 350, “Intangibles: Goodwill and Other”. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but instead tested for impairment, at least annually, in accordance with this guidance. The recoverability of goodwill is subject to an annual impairment test or whenever an event occurs or circumstances change that would more likely than not result in an impairment. The Company tests goodwill for impairment at the reporting unit level on an annual basis as of September 30 and between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. In accordance with the FASB revised guidance on “Testing of Goodwill for Impairment,” a company first has the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the company decides, as a result of its qualitative assessment, that it is more-likely-than- not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a two-step goodwill impairment test. The first step compares the fair value of each reporting unit to its carrying amount. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit’s goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

### *Leases*

Lease agreements are evaluated to determine whether they are capital leases or operating leases in accordance with paragraph 840-10-25-1 of the FASB Accounting Standards Codification (“Paragraph 840-10-25-1”). Pursuant to Paragraph 840-10-25-1 A lessee and a lessor shall consider whether a lease meets any of the following four criteria as part of classifying the lease at its inception under the guidance in the Lessees Subsection of this Section (for the lessee) and the Lessors Subsection of this Section (for the lessor): a. Transfer of ownership. The lease transfers ownership of the property to the lessee by the end of the lease term. This criterion is met in situations in which the lease agreement provides for the transfer of title at or shortly after the end of the lease term in exchange for the payment of a nominal fee, for example, the minimum required by statutory regulation to transfer title. b. Bargain purchase option. The lease contains a bargain purchase option. c. Lease term. The lease term is equal to 75 percent or more of the estimated economic life of the leased property. d. Minimum lease payments. The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at lease inception over any related investment tax credit retained by the lessor and expected to be realized by the lessor. In accordance with paragraphs 840-10- 25- 29 and 840-10-25-30, if at its inception a lease meets any of the four lease classification criteria in Paragraph 840-10- 25-1, the lease shall be classified by the lessee as a capital lease; and if none of the four criteria in Paragraph 840-10- 25-1 are met, the lease shall be classified by the lessee as an operating lease. Pursuant to Paragraph 840-10- 25-31 a lessee shall compute the present value of the minimum lease payments using the lessee's incremental borrowing rate unless both of the following conditions are met, in which circumstance the lessee shall use the implicit rate: a.) It is practicable for the lessee to learn the implicit rate computed by the lessor. b.) The implicit rate computed by the lessor

is less than the lessee's incremental borrowing rate. Capital lease assets are depreciated on a straight-line method, over the capital lease assets estimated useful lives consistent with the Company's normal depreciation policy for tangible fixed assets. Interest charges are expensed over the period of the lease in relation to the carrying value of the capital lease obligation.

Operating leases primarily relate to the Company's leases of office spaces. When the terms of an operating lease include tenant improvement allowances, periods of free rent, rent concessions, and/or rent escalation amounts, the Company establishes a deferred rent liability for the difference between the scheduled rent payment and the straight-line rent expense recognized, which is amortized over the underlying lease term on a straight-line basis as a reduction of rent expense.

The Company has adopted Subtopic 350-30 of the FASB Accounting Standards Codification for intangible assets other than goodwill. Under the requirements, the Company amortizes the acquisition costs of intangible assets other than goodwill on a straight-line basis over their estimated useful lives, the terms of the exclusive licenses and/or agreements, or the terms of legal lives of the intangible assets, whichever is shorter. Upon becoming fully amortized, the related cost and accumulated amortization are removed from the accounts.

#### *Related Parties*

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the related parties include a. affiliates of the Company; b. entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; c. trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d. principal owners of the Company; e. management of the Company; f. other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g. other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a. the nature of the relationship(s) involved b. description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

#### *Commitment and Contingencies*

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated

financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time, that these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

#### *Revenue Recognition*

The Company follows paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

The Company derives a certain amount of its revenues from sales of its products, with revenues being generated upon the shipment of merchandise. Persuasive evidence of an arrangement is demonstrated via sales invoice or contract; the sales price to the customer is fixed upon acceptance of the signed purchase order or contract and there is no separate sales rebate, discount, or volume incentive.

A certain amount of our revenues fall under the percentage-of-completion method of accounting used for long-term contracts. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified.

#### *Shipping and Handling Costs*

The Company accounts for shipping and handling fees in accordance with paragraph 605-45-45-19 of the FASB Accounting Standards Codification. While amounts charged to customers for shipping products are included in revenues, the related costs are classified in cost of goods sold as incurred.

#### *Income Tax Provision*

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. 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 the Consolidated Statements of Income and Comprehensive Income in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25"). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty (50) percent likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

The estimated future tax effects of temporary differences between the tax basis of assets and liabilities are reported in the accompanying consolidated balance sheets, as well as tax credit carry-backs and carry-forwards. The Company periodically reviews the recoverability of deferred tax assets recorded on its consolidated balance sheets and provides valuation allowances as management deems necessary.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

#### *Uncertain Tax Positions*

The Company did not take any uncertain tax positions and had no adjustments to its income tax liabilities or benefits pursuant to the provisions of Section 740-10-25 for the fiscal year ended September 30, 2017 or 2016.

#### *Net Income (Loss) per Common Share*

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially dilutive outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through contingent share arrangements, stock options and warrants.

There were 162,358 and 139,987 potentially dilutive common shares outstanding for the fiscal years ended September 30, 2017 and 2016, respectively.

#### *Foreign Currency Translation Gain and Comprehensive Income (Loss)*

In countries in which the Company operates, and the functional currency is other than the U.S. dollar, assets and liabilities are translated using published exchange rates in effect at the consolidated balance sheet date. Revenues and expenses and cash flows are translated using an approximate weighted average exchange rate for the period. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income on the accompanying consolidated balance sheet. For the years ending September 30, 2017 and September 30, 2016, comprehensive income includes a gain of \$840,655 and a loss of \$974,147, respectively, which were entirely from foreign currency translation.

#### *Cash Flows Reporting*

The Company adopted paragraph 230-10-45-24 of the FASB Accounting Standards Codification for cash flows reporting, classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category, and uses the indirect or reconciliation method ("Indirect method") as defined by paragraph 230-10-45-25 of the FASB Accounting Standards Codification to report net cash flow from operating activities by adjusting net income to reconcile it to net cash flow from operating activities by removing the effects of (a) all deferrals of past operating cash receipts and payments and all accruals of expected future operating cash receipts and payments and (b) all items that are included in net income that do not affect operating cash receipts and payments. The Company reports the reporting currency equivalent of foreign currency cash flows, using the current exchange rate at the time of the cash flows and the effect of exchange rate changes on cash held in foreign currencies is reported as a separate item in the reconciliation of beginning and ending balances of cash and cash equivalents and separately provides information about investing and financing activities not resulting in cash receipts or payments in the period pursuant to paragraph 830-230-45-1 of the FASB Accounting Standards Codification.

### *Subsequent Events*

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued. Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

### *Reclassifications*

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

### *Recently Issued Accounting Pronouncements*

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740) (ASU 2016-16). ASU 2016-16 will require an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements have not been issued or made available for issuance. The Company expects to adopt this standard in its fiscal year ending September 30, 2019 and does not expect the adoption of this standard to have a material effect upon its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350)* (ASU 2017-04). ASU 2017-04 simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The amendment should be applied on a prospective basis. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company expects to adopt this standard in its fiscal year ending September 30, 2021 and does not expect the adoption of this standard to have a material effect upon its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) Clarifying the Definition of a Business (ASU 2017-01). ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company expects to adopt this standard in its fiscal year ending September 30, 2019 and does not expect the adoption of this standard to have a material effect upon its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting (ASU 2017-09). The new guidance clarifies when a change to the terms or conditions of a share-based payment award must be accounted for as a modification. ASU 2017-09 is effective for fiscal years, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. The Company expects to adopt this standard in its fiscal year ending September 30, 2019 and does not expect the adoption of this standard to have a material effect upon its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted. The Company expects to adopt this standard in its fiscal year ending September 30, 2020 and does not expect the adoption of this standard to have a material effect upon its consolidated financial statements.



Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

### **NOTE 3 – LIQUIDITY**

Our current strategic plan includes the expansion of the Company both organically and through acquisitions if market conditions and competitive conditions allow. Due to the long-term nature of investments in acquisitions and other financial needs to support organic growth, including working capital, we expect our long-term and working capital needs to periodically exceed the short-term fluctuations in cash flow from operations. Accordingly, we anticipate that we will likely raise additional external capital from the sale of common stock, preferred stock, and debt instruments as market conditions may allow in addition to cash flow from operations to fund our growth and working capital needs.

To the extent that our internally-generated cash flow is insufficient to meet our needs, we are subject to uncertain and ever-changing debt and equity capital market conditions over which we have no control. The magnitude and the timing of the funds that we need to raise from external sources also cannot be easily predicted.

In January and February 2017, the Company received aggregate gross proceeds of \$14,018,750 through the issuance of 1,401,875 shares of its series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and 2,803,750 series 1 warrants to purchase shares of common stock at \$6.31 per share for five years.

There is no guarantee that cash flow from operations and/or debt and equity vehicles will provide sufficient capital to meet our expansion goals and working capital needs.

### **NOTE 4 – SEGMENT AND GEOGRAPHIC INFORMATION**

The Company reports and evaluates financial information for two segments: Electronics Manufacturing Services (EMS) segment and the Industrial Products and Services (IPS) segment. The EMS segment provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products. The IPS segment sells a complete line of air filtration and environmental control products to a wide variety of industrial and manufacturing industries worldwide. The Company also manufactures sells, and services monitoring instruments, software and systems for measurement of emissions of Greenhouse gases, hazardous gases, particulate and other regulated pollutants used in emissions trading globally as well as for industrial processes. The Company also markets monitoring and analysis equipment for gas and liquid measurement for various downstream oil & gas applications as well as various industrial process applications.

The following tables summarize the Company's segment information:

	As of or for the twelve months ended September 30, 2017		
	Industrial Products & Services Segment	Electronics Manufacturing Services Segment	Consolidated
Revenue form external customers	\$ 56,569,266	\$ 64,058,934	\$ 120,628,200
Total assets	\$ 39,115,299	\$ 31,066,074	\$ 70,181,373
Accounts receivable, net	\$ 11,402,374	\$ 4,058,765	\$ 15,461,139
Other assets	\$ 293,995	\$ 17,612	\$ 311,607

Column1	Column3	Column5	Column7
	As of or for the twelve months ended September 30, 2016		
	Industrial Products & Services Segment	Electronics Manufacturing Services Segment	Consolidated
Revenue form external customers	\$ 49,244,011	\$ 44,460,549	\$ 93,704,560
Total assets	\$ 23,890,455	\$ 32,143,054	\$ 56,033,509
Accounts receivable, net	\$ 8,193,982	\$ 5,374,745	\$ 13,568,727
Other assets	\$ 477,456	\$ 62,608	\$ 540,064

The Company generates revenue from product sales and services from its subsidiaries located in the United States, Germany, Romania and Hong Kong. Revenue information for the Company is as follows:

	Year ended September 30,	
	2017	2016
United States	\$ 31,345,296	\$ 21,692,736
Non-U.S. Locations	89,282,904	72,011,824
	<u>\$ 120,628,200</u>	<u>\$ 93,704,560</u>

#### NOTE 5 – FAIR VALUE MEASUREMENTS

The Company complies with the provisions of ASC 820 “Fair Value Measurements and Disclosures” (“ASC 820”). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

The following tables present information about the Company’s assets measured at fair value as of September 30, 2017 and September 30, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2017
<b>Assets</b>				
Investment in certificates of deposit				
(included in short-term investments)	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)	Balance as of September 30, 2016
<b>Assets</b>				
Investment in certificates of deposit				
(included in short-term investments)	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### NOTE 6 – RESTRICTED CASH

A subsidiary of the Company participates in a consortium in order to self-insure group care coverage for its employees. The plan is administrated by Benecon Group and the Company makes monthly deposits in a trust account to cover medical claims and any administrative costs associated with the plan. These funds, as required by the plan are restricted in nature and amounted to \$1,531,895 as of September 30, 2017. The Company also records a liability for claims that have been incurred but not recorded at the end of each year. The amount of the liability is determined by Benecon Group. The liability recorded in accrued expenses amounted to \$79,569 as of September 30, 2017.

#### NOTE 7 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

	September 30, 2017	September 30, 2016
Accounts receivable	\$ 15,759,847	\$ 13,690,377
Allowance for doubtful accounts	(298,708)	(121,650)
	<u>\$ 15,461,139</u>	<u>\$ 13,568,727</u>

Accounts receivable include amounts due for shipped products and services rendered.

Allowance for doubtful accounts include estimated losses resulting from the inability of our customers to make required payments.

## NOTE 8 – INVENTORY, NET

Inventory, net of reserves, consist of the following:

	September 30, 2017	September 30, 2016
Raw materials	\$ 10,653,963	\$ 9,636,142
Work in progress	2,600,229	2,554,025
Finished goods	4,428,791	2,852,223
	17,682,983	15,042,390
Less: Allowance for inventory obsolescence	(411,101)	\$ (970,763)
Inventory –net of allowance for inventory obsolescence	<u>\$ 17,271,882</u>	<u>\$ 14,071,627</u>

## NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	September 30, 2017	September 30, 2016
Land	\$ 1,241,720	\$ 1,193,230
Building	5,229,075	5,019,484
Furniture and office equipment	1,678,936	1,180,963
Computer software	1,723,408	1,377,260
Machinery and equipment	17,176,599	12,718,694
	27,049,738	21,489,631
Less: Accumulated depreciation	(6,931,427)	(3,841,743)
Property and equipment, net	<u>\$ 20,118,311</u>	<u>\$ 17,647,888</u>

The Company completed the annual impairment test of property and equipment and determined that there was no impairment as the fair value of property and equipment, substantially exceeded their carrying values at September 30, 2017. Depreciation and amortization of property and equipment totaled approximately \$3,141,610 and \$2,298,734 for fiscal years ended September 30, 2017 and 2016, respectively.

## NOTE 10 – PREPAID AND OTHER CURRENT ASSETS

On September 30, 2017, the Company had prepaid and other current assets consisting of prepayments on inventory purchases of \$1,310,129 and other current assets of \$410,735 and on September 30, 2016 the Company had prepaid and other current assets consisting of prepayments on inventory purchases of \$3,877,964 and other current assets of \$274,049.

## NOTE 11 – CONVERTIBLE NOTES PAYABLE

As of September 30, 2017, the Company had the following unsecured convertible notes, issued on the dates listed, to various unrelated third parties outstanding.

Amount	Maturity period	Interest rate	Conversion price	Conversion period
220,000	12 Months	10%	\$6.50	6 Months
<u>\$ 220,000</u>				

The use of the proceeds from the notes issued was for growth capital and planned acquisitions. Pursuant to the terms of these convertible notes the Company reserved 4,000,000 shares (post reverse split basis) representing approximately three times the actual shares that would be issued upon conversion of all the notes.

For the twelve months ended September 30, 2017, 1,237,105 shares of the Company's common stock were issued to satisfy \$3,528,000 of convertible notes payable and interest due on those notes.

## **NOTE 12 – LONG-TERM LIABILITIES**

### *Loans payable to bank*

On October 31, 2013, the Company acquired a loan from Sparkasse Bank of Germany in the amount of €3,000,000 (\$4,006,500, based upon exchange rate on October 31, 2013) in order to fund the purchase of ROB Centrex GmbH. \$2,799,411 of the proceeds went to direct purchase of ROB Centrex GmbH and \$1,207,089 funded beginning operations. This loan carries interest of 4.95% per annum and is payable on October 30, 2021.

On May 28, 2014, the Company financed an upgrade of the information technology infrastructure for ROB Centrex GmbH. The purchase was fully financed through Sparkasse Bank of Germany for €200,000 (\$272,840 based upon the exchange rate on May 28, 2014). This loan carries interest of 4.50% and is payable over 4 years.

On December 15, 2015, the Company acquired a loan from Fulton Bank in the amount of \$5,250,000 in order to fund the purchase of Advanced Industrial Services, Inc. \$5,000,000 of the proceeds went to direct purchase of AIS. This loan carries interest of LIBOR plus 2.25% per annum and is payable on December 15, 2022.

### *Mortgage payable*

On March 1, 2014, the Company completed the purchase of the building that ROB Centrex GmbH occupies in Neulingen, Germany. The purchase was fully financed through Sparkasse Bank of Germany for €4,000,000 (\$5,500,400 based upon the exchange rate on March 1, 2014). This mortgage carries interest of 3.00% and is payable over 17 years.

### *Notes payable*

On December 15, 2015, the Company issued notes payable to the sellers of Advanced Industrial Services, Inc. for \$1,500,000 to fund the purchase of AIS. These notes carry interest of 6% and are payable over 3 years.

### *Notes payable – related party*

Please see Note 14 – Related Party Transactions for details on notes payable to Ducon Technologies, Inc.

## **NOTE 13 – BUSINESS COMBINATION**

### *Advanced Industrial Services, Inc.*

On December 15, 2015, the Company acquired Advanced Industrial Services, Inc. ("AIS") and its affiliate subsidiary company based in York Pennsylvania. Advanced Industrial Services Inc. is a well-known broad based industrial services provider that offers one-source expertise and capabilities in plant and equipment erection, relocation, and disassembly. Over the years it has been one of the market leaders in installing high precision equipment in a wide variety of industrial markets like automotive, printing & graphics, industrial automation, packaging, and chemicals among others. In addition, AIS has experience in installing industrial air filtration equipment, similar to the equipment sold by Centrex through its existing business operations.

The acquisition date fair value of the total consideration transferred was approximately \$7.7 million, which consisted of the following:

Centrex, Inc. common stock	1,000,000
Loan from bank	5,176,262
Note payable	1,500,000
Total Purchase Price	<u>\$ 7,676,262</u>

In accordance with Accounting Standards Codification ("ASC") 805, Business Combinations ("ASC 805"), the total purchase consideration is allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of December 15, 2015 (the acquisition date). The purchase price was allocated based on the information currently available, and may be adjusted after obtaining more information regarding, among other things, asset valuations, liabilities assumed, and revisions of preliminary estimates.

The following table summarizes the current allocation of the assets acquired and liabilities assumed based on their preliminary estimated fair values and current measurement period adjustments as follows:

	As initially reported	Measurement period adjustments	As adjusted
Cash	\$ 112,586	\$ -	\$ 112,586
Restricted Cash	608,427	-	608,427
Accounts receivable, net	3,211,997	-	3,211,997
Prepaid expenses	551,292	-	551,292
Inventory, net	465,877	-	465,877
Deferred costs	43,208	-	43,208
Property, plant, and equipment, net	6,525,902	126,192	6,652,094
Goodwill	-	2,477,818	2,477,818
Other	121,000	-	121,000
Total Liabilities	(4,140,289)	(2,427,748)	(6,568,037)
Net assets acquired	<u>\$ 7,500,000</u>	<u>\$ 176,262</u>	<u>\$ 7,676,262</u>

The following supplemental pro forma information presents the financial results as if the acquisition of AIS had occurred October 1, 2015:

	For the twelve months ended	
	September 30,	
	2017	2016
Revenues	\$ 120,628,200	\$ 61,689,300
Net income	\$ 1,431,040	\$ 2,574,744
Income (Loss) Per Share-Basic	\$ 0.32	\$ 0.30
Income (Loss) Per Share-Diluted	\$ 0.31	\$ 0.30

#### *Periscope, GmbH*

On May 31, 2016, we acquired machinery & equipment, electronics manufacturing business and logistics business from a German company, Periscope, GmbH ("Periscope") and placed them in three newly formed entities:

ROB Cemtrex Assets UG, ROB Cemtrex Automotive GmbH and ROB Cemtrex Logistics GmbH respectively. Periscope's electronic manufacturing business deals primarily with the major German automotive manufacturers, including Tier 1 suppliers in the industry, as well as for industries like telecommunications, industrial goods, luxury consumer products, display technology, and other industrial OEMs. Periscope had more than 35 years of industrial operating experience.

The acquisition date fair value of the total purchase was approximately \$8.9 million, which was provided as follows;

Cash	4,902,670
Loan from related party	3,298,600
Note payable	717,936
Total Purchase Price	<u>\$ 8,919,206</u>

In accordance with Accounting Standards Codification ("ASC") 805, Business Combinations ("ASC 805"), the total purchase consideration is allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of May 31, 2016 (the acquisition date). The purchase price was allocated based on the information currently available, and may be adjusted after obtaining more information regarding, among other things, asset valuations, liabilities assumed, and revisions of preliminary estimates.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

Prepaid expenses	\$ 3,373,063
Inventory, net	8,000,874
Property, plant, and equipment, net	4,485,448
Total Liabilities	(6,940,179)
Net assets acquired	<u>\$ 8,919,206</u>

The following supplemental pro forma information presents the financial results as if the acquisition of Periscope had occurred October 1, 2015:

	For the twelve months ended	
	September 30.	
	2017	2016
Revenues	\$ 120,628,200	\$ 121,850,369
Net income	\$ 4,389,915	\$ 5,132,306
Income (Loss) Per Share-Basic	\$ 0.32	\$ 0.61
Income (Loss) Per Share-Diluted	\$ 0.31	\$ 0.60

#### NOTE 14 – RELATED PARTY TRANSACTIONS

The Company had notes payable to Ducon Technologies Inc., totaling \$0 and \$3,599,307 at September 30, 2017 and September 30, 2016, respectively. These notes were unsecured and carried 5% interest per annum. On February 9, 2017, the outstanding principal and accrued interest owed on the notes payable of \$3,339,833 were exchanged for 333,983 shares of the Company's series 1 preferred stock and 667,967 series 1 warrants.

## **NOTE 15 – SHAREHOLDERS’ EQUITY**

### *Preferred Stock*

The Company is authorized to issue 10,000,000 shares of Preferred Stock, \$0.001 par value. As of September 30, 2017, and September 30, 2016, there were 2,822,660 and 1,000,000 shares issued and outstanding, respectively.

#### Series A Preferred stock

Each issued and outstanding Series A Preferred Share shall be entitled to the number of votes equal to the result of: (i) the number of shares of common stock of the Company issued and outstanding at the time of such vote multiplied by 1.01; divided by (ii) the total number of Series A Preferred Shares issued and outstanding at the time of such vote, at each meeting of shareholders of the Company with respect to any and all matters presented to the shareholders of the Company for their action or consideration, including the election of directors. Holders of Series A Preferred Shares shall vote together with the holders of Common Shares as a single class.

During the twelve-month periods ended September 30, 2017 and 2016, the Company did not issue any Series A Preferred Stock.

As of September 30, 2017, and September 30, 2016, there were 1,000,000 shares of Series A Preferred Stock issued and outstanding, respectively.

#### Series 1 Preferred Stock

##### **Dividends**

Holders of the Series 1 Preferred will be entitled to receive cumulative cash dividends at the rate of 10% of the purchase price per year, payable semiannually on the last day of March and September in each year. Dividends may also be paid, at our option, in additional shares of Series 1 Preferred, valued at their liquidation preference. The Series 1 Preferred will rank senior to the common stock with respect to dividends. Dividends will be entitled to be paid prior to any dividend to the holders of our common stock.

##### **Liquidation Preference**

The Series 1 Preferred will have a liquidation preference of \$10.00 per share, equal to its purchase price. In the event of any liquidation, dissolution or winding up of our company, any amounts remaining available for distribution to stockholders after payment of all liabilities of our company will be distributed first to the holders of Series 1 Preferred, and then *pari passu* to the holders of the series A preferred stock and our common stock. The holders of Series 1 Preferred will have preference over the holders of our common stock on any liquidation, dissolution or winding up of our company. The holders of Series 1 Preferred will also have preference over the holders of our series A preferred stock.

##### **Voting Rights**

Except as otherwise provided in the certificate of designation, preferences and rights or as required by law, the Series 1 Preferred will vote together with the shares of our common stock (and not as a separate class) at any annual or special meeting of stockholders. Except as required by law, each holder of shares of Series 1 Preferred will be entitled to two votes for each share of Series 1 Preferred held on the record date as though each share of Series 1 Preferred were 2 shares of our common stock. Holders of the Series 1 Preferred will vote as a class on any amendment altering or changing the powers, preferences or special rights of the Series 1 Preferred so as to affect them adversely.

##### **No Conversion**

The Series 1 Preferred will not be convertible into or exchangeable for shares of our common stock or any other security.



## **Rank**

The Series 1 Preferred will rank with respect to distribution rights upon our liquidation, winding-up or dissolution and dividend rights, as applicable:

- senior to our series A preferred stock, common stock and any other class of capital stock we issue in the future unless the terms of that stock provide that it ranks senior to any or all of the Series 1 Preferred;
- on a parity with any class of capital stock we issue in the future the terms of which provide that it will rank on a parity with any or all of the Series 1 Preferred;
- junior to each class of capital stock issued in the future the terms of which expressly provide that such capital stock will rank senior to the Series 1 Preferred and the common stock; and
- junior to all of our existing and future indebtedness.

As of September 30, 2017, there were 1,822,660 shares of Series 1 Preferred Stock issued and outstanding.

As of September 30, 2017, \$1,200,871 worth of dividends have been paid to holders of Series 1 Preferred Stock.

### *Reverse Stock Split*

On April 3, 2015, our Board of Directors approved a reverse split of our common stock, par value \$0.001, at a ratio of one-for-six. This reverse stock split became effective on April 15, 2015 and, unless otherwise indicated, all share amounts, per share data, share prices, exercise prices and conversion rates set forth in this Report and the accompanying consolidated financial statements have, where applicable, been adjusted retroactively to reflect this reverse stock split.

### *Listing on NASDAQ Capital Markets*

On June 25, 2015, the Company's common stock commenced trading on the NASDAQ Capital Market under the symbol "CETX".

### *Common Stock*

The Company is authorized to issue 20,000,000 shares of common stock, \$0.001 par value. As of September 30, 2017, there were 10,404,434 shares issued and outstanding and at September 30, 2016, there were 9,460,283 shares issued and outstanding.

During the twelve-month period ended September 30, 2017, the Company issued 1,307,679 shares of common stock.

On February 12, 2016, the Company granted a stock option for 200,000 shares to Saagar Govil, the Company's Chairman and CEO. These options have an exercise price of \$1.70 per share, 50% of the options vest each year and they expire after six years. As of September 30, 2017, none of these options have been exercised.

On December 5, 2016, the Company granted a stock option for 200,000 shares to Saagar Govil, the Company's Chairman and CEO. These options have an exercise price of \$4.24 per share, 50% of the options vest each year and they expire after six years. As of September 30, 2017, none of these options have been exercised.

During the fiscal year ended September 30, 2014, the Company granted stock options for 100,000 shares to employees of the Company. These options have a call price of \$1.80 per share, vest over four years, and expire after six years. As of March 31, 2017, options to purchase 62,500 shares have been exercised and none have expired or have been cancelled.

During the twelve-months ended September 30, 2017 the Company acquired and retired 363,528 shares of its common stock at a cost of \$1,344,593 purchased under the share repurchase authorization that Cemtrex's board of directors approved in 2016 for the repurchase of up to one million outstanding shares over a 12-month period, depending on market conditions.

For the twelve months ended September 30, 2017, 1,237,105 shares of the Company's common stock were issued to satisfy \$3,528,000 of convertible notes payable and interest due on those notes (see NOTE 11).

#### *Subscription Rights Offering*

In December 2016, we commenced a subscription rights offering to our stockholders to raise up to \$15.0 million through the sale of units, each consisting of one share of our series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and two five-year series 1 warrants, upon the exercise of subscription rights at \$10.00 per unit. On February 2, 2017, Cemtrex, Inc. (the "Company") completed the final closing of its rights offering. With the final closing, the total subscription proceeds received by the Company in its rights offering and related standby placement amounted to \$14,018,750, before payment of the dealer-manager fee and other offering expenses

#### **NOTE 16 – COMMITMENTS AND CONTINGENCIES**

Our IPS segment leases (i) approx. 5,000 square feet of office and warehouse space in Liverpool, New York from a third party in a five year lease at a monthly rent of \$2,200 expiring on March 31, 2018, (ii) approximately 25,000 square feet of warehouse space in Manchester, PA from a third party in a seven year lease at a monthly rent of \$7,300 expiring on December 13, 2020, (iii) approximately 43,000 square feet of office and warehouse space in York, PA from a third party in a ten year lease at a monthly rent of \$22,625 expiring on March 23, 2026, (iv) approximately 15,500 square feet of warehouse space in Emigsville, PA from a third party in a one year lease at a monthly rent of \$4,337 expiring on August 31, 2018.

Our EMS segment owns a 70,000 square foot manufacturing building in Neulingen. The EMS segment also leases (i) a 10,000 square foot manufacturing facility in Sibiu, Romania from a third party in a ten year lease at a monthly rent of €8,000 expiring on May 31, 2019, (ii) approximately 100,000 square feet of office, warehouse and manufacturing space in Paderborn, Germany at monthly rental of €5,400 which expires on December 31, 2017, (iii) approximately 50,000 square feet of office, warehouse space in Paderborn, Germany at a monthly rental of €22,633 which expires on December 31, 2017.

#### **NOTE 17 – INCOME TAX PROVISION**

The Company accounts for income taxes under the provisions of FASB ASC 740, "Income Taxes", formerly referenced as SFAS No.109, "Accounting for Income Taxes". Under the provisions of FASB ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between their financial statement carrying values 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.

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considers all available evidence including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

The provision for income taxes is as follows:

	September 30, 2017	September 30, 2016
Current taxes payable		
Federal	\$ (38,059)	\$ 112,088
State	(12,686)	46,363
Foreign	166,393	904,721
Deferred taxes	1,891,000	27,000
Deferred tax valuation allowance	-	-
<b>Total</b>	<b>\$ 2,006,648</b>	<b>\$ 1,090,172</b>

The foreign provision for income taxes is based on foreign pre-tax earnings of \$4,653,748, and \$5,965,747 in 2017 and 2016, respectively. The Company's consolidated financial statements provide for any related tax liability on undistributed earnings that the Company does not intend to be indefinitely reinvested outside the U.S. Substantially all of the Company's undistributed international earnings intended to be indefinitely reinvested in operations outside the U.S.

Reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	For the Fiscal Year Ended September 30, 2017	For the Fiscal Year Ended September 30, 2016
U.S. statutory rate	34.00%	34.00%
State income taxes (net of federal benefit)	9%	9%
Permanent differences	0.29%	1.77%
Foreign	-40.72%	-27.29%
Benefit of net operating loss carry-forward	0.00	0.00
Effective rate	<u>2.57%</u>	<u>0.03%</u>

At September 30, 2017 and 2016, the Company has no net operating loss carryovers.

#### NOTE 18- SUBSEQUENT EVENTS

Cemtrex evaluated subsequent events from September 30, 2017 through January 8, 2018, the date the consolidated financial statements were issued. Cemtrex concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements.

## SUBSIDIARIES OF THE REGISTRANT

<b>Name of consolidated subsidiary or entity</b>	<b>State or other jurisdiction of incorporation or organization</b>	<b>Date of incorporation or formation (date of acquisition, if applicable)</b>	<b>Attributable interest</b>
Griffin Filters, LLC	New York	September 6, 2005 (April 30, 2007)	100%
ROB Centrex GmbH	Germany	August 15, 2013 (October 31, 2013)	100%
Centrex Ltd	Hong Kong	September 4, 2013	100%
Advanced Industrial Services, Inc.	Pennsylvania	July 20, 1984 (December 15, 2015)	100%
ROB Systems, Srl.	Romania	November 1, 2013	100%
ROB Automotive GmbH	Germany	May 31, 2016 (May 31, 2016)	100%
ROB Logistics GmbH	Germany	May 31, 2016 (May 31, 2016)	100%
ROB Assets GmbH	Germany	May 31, 2016 (May 31, 2016)	100%

**CERTIFICATION PURSUANT TO RULE 13a/15d OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Saagar Govil, certify that:

1. I have reviewed this report on Form 10-K of Cemtrex, Inc., for the fiscal year ended September 30, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 13, 2017

/s/ Saagar Govil  
Saagar Govil,  
Chairman of the Board, CEO,  
President & Secretary (Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a/15d OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Renato Dela Rama certify that:

1. I have reviewed this report on Form 10-K of Centrex, Inc., for the fiscal year ended September 30, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 13, 2017

/s/ Renato Dela Rama  
Renato Dela Rama  
Vice President of Finance (Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Cemtrex, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Saagar Govil, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: December 13, 2017

/s/ Saagar Govil  
Saagar Govil,  
Chairman of the Board, CEO,  
President & Secretary (Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Cemtrex, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Renato Dela Rama, Vice President of Finance of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: December 13, 2017

/s/ Renato Dela Rama

Renato Dela Rama,

Vice President of Finance (Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request





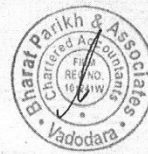
To,  
The Audit Committee/ Board of Directors  
Cemtrex Inc.  
19 Engineers Lane  
Farmingdale, NY, 11735 USA

Sub:- In the matters of Blog Posting on February 22, 2017 for Cemtrex Inc

Dear Sirs,

With regards to the Blog Postings on Seeking Alpha we would like to respond to the statements made against us on the blog. Our responses/facts are supported by the enclosed documents.

- 1) Cemtrex's auditors (appointed in 2014) Bharat Parikh & Associates Chartered Accountants India (BPACA) is a **registered chartered accounting firm** in India with Institute of Chartered Accountants of India (ICAI) setup by the Act of Parliament under Chartered Accountants Act 1949. The firm was incorporated by CA Bharat Parikh in 1986
- 2) BPACA is also a **PCAOB Non U.S. registered firm** licensed to perform US public company's audits. The firm BPACA is registered with PCAOB since 2011.
- 3) BPACA is Headquartered in Vadodara, Gujarat, India since the inception and it is not controlled or operated from any of its branches. All the business activities and all decisions have been performed for our HQ since 1986
- 4) All the branch offices of the firm have been registered and updated regularly with ICAI and has also been registered with PCAOB under form 2 annually
- 5) CA Mahesh Thakkar- a Chartered Accountant (CA) is a Partner of BPACA India since 2015. As per ICAI records, he is the branch in charge of our Texas Branch. The branch is registered with PCAOB and ICAI with the address 4940 McDermott Road, Plano TX 75024. Since CA Mahesh Thakkar is located in the US; his office address of Perfect Tax and Finance; tax consulting business has been officially registered with ICAI as BPACA's branch and is also updated with PCAOB. We use this branch as a US Correspondence address if required for any ventures. As a note to the blog; the operating location of CA Mahesh Thakkar has been relocated to 6850 TPC Dr #108, McKinney, TX 75070. The same has been sent to ICAI for updating their records
- 6) As per the partnership deed registered with ICAI; all the partners are independent from BPACA and they are legally authorized to operate their own practice if any unless and until they are not using the firm's name. If they want to do business under the firm's name then it must be notified in writing to CA Bharat Parikh and approved by him in the capacity of a Senior Managing Partner of BPACA




**CHARTERED ACCOUNTANTS**

Head Office : 509-508, Shriram Chambers, R.C. Dutt Rd., Alkapuri, Vadodara-390007, Gujarat, India. Ph. +91-0265-2338755  
 Branches : Ahmedabad, Mumbai, Delhi. Overseas : Texas (U.S.A.)  
 E-mail : bharat.parikh@bpaca.com, info@bpaca.com Website : www.bpaca.com

- 7) CA Mahesh Thakkar is not involved in any of our auditing services that we offer to our global clients especially none of the PCAOB audits. These audits are lead and signed off by the Senior Engagement Partner CA Bharat Parikh of the auditing firm BPACA
- 8) Since our firm is a Chartered Accounting firm and a non US PCAOB registered firm; Texas state board of public accountancy has no connections with the firm's PCAOB Audits
- 9) BPACA Is not controlled or owned by CA Mahesh Thakkar. This is validated by the name of the firm and its promoter CA Bharat Parikh who incorporated the firm in 1986
- 10) CA Bharat Parikh had partnered with Mahesh Thakkar CPA at TMK LP, a venture based partnership as a separate entity from the auditing firm BPACA. Moreover, TMK LP is not a registered public accounting firm in the US or even an auditing firm with PCAOB. TMK LP has not performed any business activity since being incorporated. The 51% holding of Mahesh Thakkar CPA is only limited to the business venture objective of TMK LP and has no relation with the business undertaken by BPACA India
- 11) BPACA a Chartered Accounting firm has no interest in what Mahesh Thakkar CPA is doing or has been doing in the past. The act's of Mahesh Thakkar CPA are not binding the Chartered Accounting firm BPACA as he has performed them under the capacity of a Certified Public Accountant
- 12) Further, in regards to the note stated in the blog regarding a US Number. We would like to state a fact that the number is an app based cell phone subscription that the firm uses to receive calls in India. If the cell phone number in any case is not reachable then the caller can also leave a voice mail for us to get back to them. Moreover we have listed our primary head office number and our email address on our website and also through PCAOB filings which is a public document through which we can be reached in case of any queries

We hope that the facts stated above helps you to negate the statements made on the blog against us. We reserve our right against any false statements that might impact the goodwill of our firm.

Yours Sincerely,

  
CA Bharat Parikh CMA 038204  
For Bharat Parikh & Associates  
Chartered Accountants India  
A PCAOB Registered Firm  
Date:- 28<sup>th</sup> February, 2017  
Place:- Vadodara, India



Encl:- 1) PCAOB Form 2- Annual Report Form 2016  
2) Firms Constitution Certificate- ICAI