

**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, 2020

OR

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

Commission File Number 001-37464



CENTREX, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

30-0399914

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

276 Greenpoint Ave. Suite 208, Brooklyn, NY

(Address of principal executive offices)

11222

(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 Capital Market
Preferred Stock, Series 1 \$0.001 par value per share	The NASDAQ Capital Market
Series 1 Warrants	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.001 par value per share

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 (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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). 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," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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, 2020, the number of the registrant's common stock held by non-affiliates of the registrant was 7,834,406 and the aggregate market value \$5,132,162 based on the average bid and asked price of \$0.70 on March 31, 2020.

As of December 30, 2020, the registrant had 17,968,177 shares of common stock outstanding.

CEMTREX, INC. AND SUBSIDIARIES

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Part I

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, right-of-use asset valuation, bad debts, goodwill impairment, inventory obsolescence, income tax valuation, and 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.

ITEM 1. BUSINESS

Centrex was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth into a leading multi-industry technology company. The Company has expanded in a wide range of sectors, including smart technologies, virtual and augmented realities, industrial solutions, and intelligent security systems. Unless the context requires otherwise, all references to “we”, “our”, “us”, “Company”, “registrant”, “Centrex” or “management” refer to Centrex, Inc. and its subsidiaries.

The Company continuously assesses the composition of its portfolio businesses to ensure it is aligned with its strategic objectives and positioned to maximize growth and return in the coming years. During fiscal 2018, the Company made a strategic decision to exit its Electronics Manufacturing group by selling all companies in that business segment on August 15, 2019. Accordingly, the Company has reported the results of the Electronics Manufacturing business as discontinued operations in the Consolidated Statements of Operations and in the Consolidated Balance Sheets. These changes have been applied for all periods presented. During fiscal 2019, the Company also reached a strategic decision to exit the environmental products business, which was part of the Industrial Services Segment. Accordingly, the Company has reported the results of the environmental control products business as discontinued operations in the Consolidated Statements of Operations and in the Consolidated Balance Sheets.

Now the Company has two business segments, consisting of (i) Advanced Technologies (AT) and (ii) Industrial Services (IS).

Advanced Technologies (AT)

Centrex's Advanced Technologies segment delivers cutting-edge technologies in the Internet of Things (IoT) and Smart Devices, such as the SmartDesk. Through the Company's advanced engineering and product design, the Company delivers Virtual Reality (VR) and Augmented Reality (AR) solutions that provide higher productivity, progressive design and impactful experiences for consumer products, and various commercial and industrial applications. The Company is in the process of developing virtual reality applications for commercialization over the next couple years.

The AT business segment also includes the Company's majority owned subsidiary, Vicon Industries, which provides end-to-end security solutions to meet the toughest corporate, industrial and governmental security challenges. Vicon's products include browser-based video monitoring systems and analytics-based recognition systems, cameras, servers, and access control systems for every aspect of security and surveillance in industrial and commercial facilities, federal prisons, hospitals, universities, schools, and federal and state government offices. Vicon provides cutting edge, mission critical security and video surveillance solutions utilizing Artificial Intelligence (AI) based data algorithms.

Industrial Services (IS)

Centrex's IS segment, offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers. 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.

Recent Developments

Potential Impacts of COVID-19 on our Business

The current COVID-19 pandemic has impacted our business operations and the results of our operations in this fiscal year, primarily with delays in expected orders by many customers and new product development, including newer versions of surveillance software since our technical facility in Pune, India has been under lock down. Overall bookings level in the IS segment of our business is down by more than 20%, however our AT segment has experienced relatively less slow down. In addition, due to delays in certain supply chain areas, the expected launch times of our new products and new versions has resulted in delays of several months.

The broader implications of COVID-19 on our results from operations going forward remains uncertain. The COVID-19 pandemic has the potential to cause adverse effects to our customers, suppliers or business partners in locations that have or will experience more pronounced disruptions, which could result in a reduction to future revenue and manufacturing output as well as delays in our new product development activities. However, on the other hand, opportunities in the video surveillance field have been growing for Vicon products.

The extent of the pandemic's effect on our operational and financial performance will depend in large part on future developments, which cannot be reasonably estimated at this time. Future developments include the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact both within and outside the jurisdictions where we operate, the impact on governmental programs and budgets, the development of treatments or vaccines, and the resumption of widespread economic activity. Due to the inherent uncertainty of the unprecedented and rapidly evolving situation, we are unable to predict with any confidence the likely impact of the COVID-19 pandemic on our future operations.

Business Strategy

We intend to continue utilizing our resource capabilities to deliver exceptional value for our customers, shareholders, and employees. Our focus is to grow in markets where we see significant long-term opportunity to create an attractive return on shareholder equity. We leverage our engineering, 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, we believe our senior management team has substantial business and technical experience to enable us to pursue our business strategies.

The Company believes its ability to attract and retain new customers comes from their ongoing commitment to understanding its customers' business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge through cutting edge technology. 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 provide the best solutions for them.

We 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. However, there can be no assurance that we will succeed in our strategies.

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 major difficulties either in obtaining fabricated components and other materials and parts or in obtaining qualified subcontractors for installation work, however, there have been some delays in certain components due to COVID-19. 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, international trade tariffs, wars, pandemics, disputes and 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.

COMPETITION

The Company faces substantial competition in each of its products & services and 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, past performance records, 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. The Company currently has multiple patents and patent claims that it owns. Additionally, the Company has multiple patent applications pending related to the development of SmartDesk and will pursue those patents based upon its financial resources. Cemtrex continues to invest in research and development with intention of developing proprietary technology and intellectual property as allowed by its financial resources.

MARKETING

The Company sells its products globally and relies on direct sales force, manufacturing representatives, distributors, integrators and installers, commission sales agents, magazine advertisements, internet advertising, trade shows, trade directories and catalogue listings to market its products and services. The Company uses independent manufacturing representatives in the United States and throughout the world, 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 or wholesale pricing 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 the 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.

The Company has been selling its SmartDesk directly from its website whereby customers can place orders and make payments. The Company has been marketing SmartDesk through direct to consumer internet channels, including social media sites such as Facebook and Instagram as well as showcasing the product at several trade shows. The Company plans to continue its marketing efforts for the SmartDesk by marketing the product to enterprise clients and increase its overall marketing and sales efforts in online media.

CUSTOMERS

The Company's principal customers in its AT segment are generally consumers, government agencies or commercial businesses. The Company's principal customers in its IS segment include businesses engaged in manufacturing, chemical, packaging, printing, electronics, automotive, construction, 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. No one single customer accounts for more than 10% of its annual sales.

For the AT segment, the Company is responsible for the 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 284 full-time employees and approximately 10 part-time employees as of December 30, 2020, including 101 engaged in engineering, 101 in manufacturing & field service and 92 in administrative, sales 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.

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

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 our existing shareholders, as well as 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; the absence of which may significantly reduce our sales, profits and cash flow and adversely impact our financial condition.

In addition to overall reduced market demand, other competing technologies may be offered by both 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 improved products and services through our subsidiary Centrex Advanced Technologies, and there can be no assurance that we will successfully introduce new products and services into the market.

The success of new and improved products and services through our Centrex Advanced Technologies Inc. subsidiary depends on our research and development efforts and the initial acceptance of our products by consumers. This is a new line of business for our company, and our management has limited experience with consumer products in general, and with IoT products in particular. 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 due to lack of capital, 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.

Our failure to successfully develop, sell and market our new SmartDesk in a timely and cost-effective manner could adversely affect our future profitability.

We believe that our profitability will depend in part on our ability to effectively (i) market and sell SmartDesk, (ii) continue our engineering effort to develop new features for the SmartDesk as requested by customers, (iii) market SmartDesk through our own marketing organization and via third-party distribution channels in the United States and internationally, and (iv) deliver SmartDesk to customers with appropriate installation and service. Failure to successfully execute these tasks in a timely and cost-effective manner could adversely affect profitability. There can be no assurance that we will be successful in these efforts or that even when our SmartDesk is delivered, it will achieve market acceptance in a timely fashion. Further, there can be no assurance that expenses incurred in connection with the development, sales and marketing of SmartDesk will not exceed our expectations, or that SmartDesk will generate revenues sufficient to offset these expenses. In addition, although we have filed numerous U.S. patent applications relating to various aspects and features of our SmartDesk, there can be no assurance that any patents will issue on any of the pending patent applications.

We have broad discretion in the use of the net proceeds from our universal shelf registration statement and may not use them effectively.

We intend to continue to allocate the net proceeds that we received from our registered shelf offering that went effective with the SEC on June 14, 2017 (i) to further the development, and sales and marketing of our new smart device, known as the SmartDesk, a proprietary advanced technology workspace solution developed entirely by our Advanced Technologies business segment, and (ii) for general corporate purposes, including for working capital purposes, to increase sales and operational capabilities in each of our market segments. The Company on an on-going basis invests its excess cash in large cap securities, both stocks and options, listed on major exchanges pending use of net proceeds for business matters. While these investments may prove to be lucrative to the company, these investments may prove to be disappointing and we could lose some or all of the net proceeds in this fashion. Our management will have broad discretion in the actual application of the net proceeds, and the failure by our management to apply these funds effectively could have a material adverse effect on our business.

The Company is exposed to credit risk, market risk, and fluctuations in the values of its investment portfolio.

The Company invests excess cash that the Company has on hand in large cap securities listed on major exchanges, including stocks and options. The Company's investments can be negatively affected by liquidity, credit deterioration, financial results, market and economic conditions, political risk, sovereign risk, interest rate fluctuations or other factors. As a result, the value and liquidity of the Company's cash, cash equivalents, and marketable securities may fluctuate substantially. Therefore, although the Company has not realized any significant losses on its cash, cash equivalents, and marketable securities, future fluctuations in their value could result in significant losses and could have an adverse impact on the Company's financial condition and operating results.

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, 2020, our total indebtedness was approximately \$19.4 million, including notes payable of \$10.8 million, mortgage payable of \$2.4 million, and bank loans of \$6.2 million, including \$3.5 million of PPP loans that the Company expects to be forgiven. Approximately \$7 million of such debt is classified as current. 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; 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 our 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 need 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 our company 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 smaller public 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.

We are involved in an ongoing SEC investigation, which could divert management's focus, result in substantial investigation expenses and have an adverse impact on our reputation, financial condition, results of operations and cash flows.

The Company has received subpoenas from the Securities and Exchange Commission ("SEC"). The subpoenas request documents and information concerning, among other things, a company known as Telidyne Inc., a company controlled by our prior officer and director, Aron Govil, securities offerings related to Telidyne, and the Company's own product and services, business operations, securities' offerings and use of proceeds. Although the Company is not currently the subject of any enforcement proceedings, the investigation could lead to enforcement proceedings if the SEC contends that the Company has not complied with securities laws. The Company is fully cooperating with the SEC's requests. The Company has incurred legal expenses and may incur significant legal and accounting expenditures in connection with the SEC's investigation. The Company is unable to predict how long the SEC's investigation will continue or its outcome.

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

The uncertainty in the United States and in the 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.

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 from our customers 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 may cause us to need greater external financing, which adversely affects our financial performance.

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

All of our product lines are subject to significant competition from existing and future competitors, market conditions and technological change, or a combination of them, and our sales revenues and gross margins may suffer protracted and serious declines with the result that we would likely incur protracted losses. 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 products could negatively impact our customers and us.

We have no real control over factors affecting the industries that utilize our products and to the extent that any one or more of these industries change dramatically, we may be facing significant financial challenges that are in excess of our existing capabilities. 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; and
- 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 existing and 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 financial, technological and research resources. This may serve to severely damage our ability to market and sell our products at price levels that would allow us to achieve and maintain profit margins and positive cash flow.

We are a smaller public company and we face rapid technological change in many of our product markets and we may not be able to introduce any successful 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 new products could adversely affect sales of certain of our existing products if these new products directly compete with 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 to sustain profitability.

Developing and maintaining a patent portfolio is an expensive and time-consuming process and there is no assurance the Company will successfully develop patents to protect the intellectual property it is working on.

If we fail to establish, maintain and enforce intellectual property rights with respect to our technology, our financial condition, results of operations and business could be negatively impacted.

Our ability to establish, maintain and enforce intellectual property rights with respect to our proprietary technologies, patents, patent applications, software and other rights will be a significant factor in determining our future financial and operating performance. We seek to protect our intellectual property rights by relying on a combination of patent, trade secret and copyright laws. We also use confidentiality and other provisions in our agreements that restrict access to and disclosure of our confidential know-how and trade secrets.

We have filed patent applications with respect to many aspects of our technologies. However, we cannot provide any assurances that any of these applications will ultimately result in issued patents or, if patents are issued, that they will provide sufficient protections for our technology against competitors. Although we have filed various patent applications for some of our core technologies, we currently hold only six issued patents, with two in the United States and four in Canada, and we may face delays and difficulties in obtaining our other filed patents, or we may not be able to obtain such patents at all.

Outside of these patent applications, we seek to protect our technology as trade secrets and technical know-how. However, trade secrets and technical know-how are difficult to maintain and do not provide the same legal protections provided by patents. In particular, only patents will allow us to prohibit others from using independently developed technology that are similar. If competitors develop knowledge substantially equivalent or superior to our trade secrets and technical know-how, or gain access to our knowledge through other means such as observation of our technology that embodies trade secrets at customer sites which we do not control, the value of our trade secrets and technical know-how would be diminished.

While we strive to maintain systems and procedures to protect the confidentiality and security of our trade secrets and technical know-how, these systems and procedures may fail to provide an adequate degree of protection. For example, although we generally enter into agreements with our employees, consultants, advisors, and strategic partners restricting the disclosure and use of trade secrets, technical know-how and confidential information, we cannot provide any assurance that these agreements will be sufficient to prevent unauthorized use or disclosure. In addition, some of the technology deployed at customer sites in the future, which we do not control, may be readily observable by third parties who are not under contractual obligations of non-disclosure, which may limit or compromise our ability to continue to protect such technology as a trade secret.

Monitoring and policing unauthorized use and disclosure of intellectual property is difficult. If we learned that a third party was in fact infringing or otherwise violating our intellectual property, we may need to enforce our intellectual property rights through litigation. Litigation relating to our intellectual property may not prove successful and might result in substantial costs and diversion of resources and management attention.

From our customers' standpoint, the strength of the intellectual property under which we control can be a critical determinant of the value of our products and services. If we are unable to secure, protect and enforce our intellectual property, it may become more difficult for us to attract new customers. Any such development could have a material adverse effect on our business, prospects, financial condition and results of operations.

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 have grown through acquisitions and are continuously looking to fund other acquisitions; our failure to raise funds for acquisitions may have the effect of slowing down our growth and our use of funds for acquisitions subjects us to acquisition-related risks.

We intend 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 our operating results and financial position. Acquisitions will require integration of acquired assets and management into our 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 our business and risks inherent in entering markets in which we have no or limited prior experience. In connection with future acquisitions, we may make potentially dilutive issuances of equity securities. In addition, consummation of acquisitions may subject us 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 us. There can be no assurance that our business will grow through acquisitions, as anticipated.

The loss of the services of 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 Saagar Govil, our Chairman, President and Chief Executive Officer. Saagar Govil possesses engineering, sales and marketing experience concerning our company that our other officers do not have. We have not entered into an employment arrangement with Mr. Govil and we have not obtained key man insurance over him. There can be no assurance that Saagar Govil will continue to provide services to us. A voluntary or involuntary departure by 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.

Risks Related to Our Common Stock

Our management stockholders have significant stockholdings in and influence over our company which could make it impossible for public stockholders to influence the affairs of our company.

We are a “controlled company” under Nasdaq Listing Rules. Approximately 90% of our outstanding voting shares, which includes our common stock, Series A preferred stock, Series C preferred stock and Series 1 preferred stock, are beneficially held by Aron Govil, our Founder, former officer and Director, and Saagar Govil, our Chairman, President and Chief Executive Officer and Director. Pursuant to the certificate of designation for our Series A preferred stock, each outstanding share of Series A preferred stock is entitled to the number of votes equal to the result of (i) the total number of shares of our common stock outstanding at the time of such vote multiplied by 1.01, divided by (ii) the total number of shares of our Series A preferred stock outstanding at the time of such vote, at each meeting of stockholders of our company with respect to any and all matters presented to our stockholders for their action or consideration, including the election of directors. Pursuant to certificate of designation for our Series C preferred, each outstanding share of Series C Preferred Stock is entitled to the number of votes equal to the result of (i) the total number of shares of Common Stock outstanding at the time of such vote multiplied by 10.01, and divided by (ii) the total number of shares of Series C Preferred Stock outstanding at the time of such vote, at each meeting of our shareholders with respect to any and all matters presented to our shareholders for their action or consideration, including the election of directors. As a result of Aron Govil’s and Saagar Govil’s ownership of our common stock and Aron Govil’s ownership of our Series A and Series C preferred stock and Series 1 preferred stock, our management stockholders control, and will control in the future, substantially all matters requiring approval by the stockholders of our company, including the election of all directors and approval of significant corporate transactions. This could make it impossible for public stockholders to influence the affairs of our company.

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 listed for trading 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 our Series 1 warrants and stock options, and shares issued as consideration in future acquisitions, 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 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.

Our Series 1 preferred stock and all of our existing and future indebtedness rank senior to our common stock in the event of a liquidation, winding up or dissolution of our business.

In the event of our liquidation, winding up or dissolution, our assets would be available to make payments to holders of all existing and future indebtedness and Series 1 preferred stock before payments to holders of our common stock. In the event of our bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying amounts to the holders of our indebtedness and Series 1 preferred stock, to pay anything to common stockholders. As of September 30, 2020, we had total consolidated debt of approximately \$19.4 million and 2,156,784 shares of Series 1 preferred stock outstanding. Any liquidation, winding up or dissolution of our company or of any of our wholly or partially owned subsidiaries would have a material adverse effect on holders of our common stock.

Our common stockholders may be adversely affected by the issuance of any subsequent series of preferred stock.

Our certificate of incorporation does not restrict our ability to offer one or more additional new series of preferred stock, any or all of which may rank equally with or have preferences over our common stock as to dividend payments, voting rights, rights upon liquidation or other types of rights. We would have no obligation to consider the specific interests of the holders of common stock in creating any such new series of preferred stock or engaging in any such offering or transaction. Our creation of any new series of preferred stock or our engaging in any such offering or transaction could have a material adverse effect on holders of our common stock.

The public trading market for the common stock may be limited in the future.

Our common stock is listed for trading on the Nasdaq Capital Market under the symbol CETX. The trading volume fluctuates and there have been time periods during which the common stock trading volume has been limited. Management can make no assurances that trading volume will not be similarly limited in the future. Without an active trading market, there can be no assurance of any liquidity or resale value of the common stock, and stockholders may be required to hold their shares of common stock for an indefinite period of time.

We may not pay cash dividends on our common stock.

Our board of directors declared a one-time cash dividend on our common stock in April 2017. The terms of our series 1 preferred stock provide for the payment of semiannual dividends on the last day of March and September in each year, which began in March 2017. No other cash dividends have been declared or paid by us on our stock during either of the two most recent fiscal years or the period through the date of this prospectus. Other than with respect to our series 1 preferred stock, our board of directors declares dividends when, in its discretion, it determines that a dividend payment, as opposed to another use of cash, is in the best interests of the stockholders. Such decisions are based on the facts and circumstances then existing including, without limitation, our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant. As a result, we cannot predict when, or whether, another dividend on our common stock will be declared in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company has the following properties:

The Company has moved its head office to New York City with a lease of 2,500 square feet of office space at a rate of \$13,000 per month on a month to month lease.

The Company's IS segment owns approximately 25,000 square feet of warehouse space in Manchester, PA and approximately 43,000 square feet of office and warehouse space in York, PA. The IS segment also leases approximately 15,500 square feet of warehouse space in Emigsville, PA from a third party in a three-year lease at a monthly rent of \$4,555 expiring on August 31, 2022.

The Company's AT segment leases (i) approximately 6,700 square feet of office and warehouse space in Pune, India from a third party in a five-year lease at a monthly rent of \$6,453 (INR456,972) expiring on February 28, 2024, (ii) approximately 30,000 square feet of office and warehouse space in Hauppauge, New York from a third party in a seven-year lease at a monthly rent of \$28,719 expiring on March 31, 2027, (iii) approximately 9,400 square feet of office and warehouse space in Southampton, England in a fifteen-year lease with at an annual rent of \$87,745 (£69,250) which expires on March 24, 2031 and contains provisions to terminate in 2021 and 2026.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

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 30, 2019, the Company had 68 shareholders of record. This amount does not take into account shareholders whose shares are held in "street name" by brokerage houses or other intermediaries.

The Company is authorized to issue 10,000,000 shares of preferred stock, par value \$0.001 and 40,000,000 shares of common stock, \$0.001 par value per share. On December 30, 2020, there were 17,968,177 shares of common stock issued and outstanding, 1,000,000 shares of Series A preferred stock issued and outstanding, and 2,264,953 shares of Series 1 preferred stock issued and outstanding, and 100,000 shares of Series C preferred stock issued and outstanding.

The price ranges presented below represent the highest and lowest quoted bid prices during the calendar quarters for 2018, 2019 and 2020 reported by the exchange. 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
2020	4th Quarter	\$ 1.75	\$ 0.97
	3rd Quarter	\$ 3.11	\$ 0.67
	2nd Quarter	\$ 2.51	\$ 0.66
	1st Quarter	\$ 1.64	\$ 1.18
2019	4th Quarter	\$ 2.48	\$ 1.33
	3rd Quarter	\$ 4.31	\$ 1.70
	2nd Quarter	\$ 7.44	\$ 4.00
	1st Quarter	\$ 12.00	\$ 4.59
2018	4th Quarter	\$ 18.08	\$ 11.28
	3rd Quarter	\$ 23.44	\$ 16.40
	2nd Quarter	\$ 24.33	\$ 19.68
	1st Quarter	\$ 24.11	\$ 19.84

As reported by NASDAQ Capital Markets, on December 29, 2020 the closing sales price of the Company's Common Stock was \$1.31 per share.

Dividend Policy

Our board of directors declared a one-time cash dividend on our common stock in April 2017. The terms of our series 1 preferred stock provide for the payment of semiannual dividends on the last day of March and September in each year, which began in March 2017. No other cash dividends have been declared or paid by us on our stock during either of the two most recent fiscal years or the period through the date of this prospectus. Other than with respect to our series 1 preferred stock, our board of directors declares dividends when, in its discretion, it determines that a dividend payment, as opposed to another use of cash, is in the best interests of the stockholders. Such decisions are based on the facts and circumstances then existing including, without limitation, our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant. As a result, we cannot predict when, or whether, another dividend on our common stock will be declared in the future.

Securities Authorized for Issuance under Equity Compensation Plans

The following table presents certain information as of September 30, 2019 regarding our equity compensation plans:

<u>Plan category</u>	<u>Number of Common Stock Shares to be Issued upon Exercise of Outstanding Options</u>	<u>Weighted Average Exercise Price of Outstanding Options</u>	<u>Number of Securities Remaining Available for Future Issuance under Plans (1)</u>
	(a)	(b)	(c)
Approved by security holders			
2020 Equity Compensation Plan			2,000,000
Not approved by security holders			
Options	945,833	\$ 1.91	
Total	<u>945,833</u>	<u>\$ 1.91</u>	<u>2,000,000</u>

(1) See more detailed information regarding our equity compensation plans in the Notes to Consolidated Financial Statements in this 2020 Form 10-K.

Recent Sales of Unregistered Securities

The information set forth below relates to our issuances of securities without registration under the Securities Act of 1933 during the reporting period which were not previously included in an Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K.

For the fiscal year ended September 30, 2020, 217,099 shares of Series 1 Preferred Stock were issued to pay \$2,089,540 worth of dividends to holders of Series 1 Preferred Stock. For the fiscal years ended September 30, 2020, the Company purchased 235,133 shares of its Series 1 Preferred Stock on the open market at an average price per share of \$1.92, for an aggregate cost of approximately \$338,774, as part of its ongoing share repurchase program announced earlier. The Company retired 171,033 shares worth \$190,484 during fiscal 2020.

For the fiscal year ended September 30, 2020, we issued 6,530,473 shares of common stock to satisfy \$8,737,125 of notes payable and accumulated interest.

During fiscal year 2020, the Company issued 513,358 shares in exchange for \$532,788 worth of goods and services.

For the year ended September 30, 2020, 100,000 shares of Series C Preferred Stock were issued to Aron Govil, former Executive former Director and CFO of the Company as part of his employment agreement. In order to determine the fair market value of these shares the Company used the closing price of its Series 1 preferred stock of \$0.95 on October 3, 2019. On July 10, 2020, Aron Govil transferred 50,000 shares of the Series C Preferred Stock to Saagar Govil.

On November 3, 2020, the Company issued 345,648 shares of common stock to satisfy \$323,517 worth of notes payable and accumulated interest.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Use of Proceeds

On June 14, 2017, our Registration Statement on Form S-3 (File No. 333-218501) was declared effective by the SEC for our universal shelf registration statement. The universal shelf registration statement permitted the Company to offer and sell, from time to time, on a continuous or delayed basis in the future, up to \$20 million of equity, debt or other types of securities described in the shelf registration statement, or any combination of such securities, in one or more future public offerings. The shelf registration statement expired on June 14, 2020. During effectiveness, the Company offered and sold the following securities in fiscal year 2020:

On December 4, 2019, the Company entered into a Subscription Agreement relating to the public offering of 338,393 shares of the Company's common stock, par value \$0.001 per share, all of which were sold by the Company to an accredited investor. The offering price of the shares was \$1.12 per share for gross proceeds of \$379,000. After deducting offering expenses of \$18,950 the Company received \$360,050 in net proceeds.

On January 24, 2020, the Company entered into a Subscription Agreement relating to the public offering of 500,000 shares of the Company's common stock, par value \$0.001 per share, all of which were sold by the Company to an accredited investor. The offering price of the shares was \$1.50 per share for gross proceeds of \$750,000. After deducting offering expenses of \$37,500 the Company received \$712,500 in net proceeds.

On February 26, 2020, the Company entered into a Subscription Agreement relating to the public offering of 347,000 shares of the Company's common stock, par value \$0.001 per share, all of which were sold by the Company to an accredited investor. The offering price of the shares was \$1.30 per share for gross proceeds of \$451,100. After deducting offering expenses of \$2,500 the Company received \$448,600 in net proceeds.

On June 1, 2020, the Company entered into a Subscription Agreement relating to the public offering of 3,055,556 shares of the Company's common stock, par value \$0.001 per share, all of which were sold by the Company to accredited investors. The offering price of the shares was \$1.80 per share for gross proceeds of \$5,500,000. After deducting offering expenses of \$395,000 the Company received \$5,105,000 in net proceeds.

On June 9, 2020, the Company entered into a Subscription Agreement relating to the public offering of 2,402,923 shares of the Company's common stock, par value \$0.001 per share, all of which were sold by the Company to accredited investors. The offering price of the shares was \$2.24 per share for gross proceeds of \$5,382,548. After deducting offering expenses of \$386,778 the Company received \$4,995,769 in net proceeds.

On August 3, 2020, the Company announced that its new universal shelf registration statement on Form S-3 was declared effective by the Securities and Exchange Commission. The universal shelf registration statement permits the Company to offer and sell, from time to time, on a continuous or delayed basis in the future, up to \$50 million of equity, debt or other types of securities described in the shelf registration statement, or any combination of such securities, in one or more future public offerings, along with a sales agreement prospectus covering the offer, issuance and sale by us of up to a maximum aggregate offering price of up to \$20,000,000 of our common stock that may be issued and sold from time to time under a sales agreement with A.G.P / Alliance Global Partners (the "Sales Agreement"). The shelf registration statement replaces the shelf registration statement on Form S-3 which was declared effective on June 14, 2017 and which has expired.

The Company believes that the shelf registration statement and Sales Agreement provides it with continued financial flexibility pursuant to the sale of the registered securities, from time to time. If and when the Company offers any securities under the registration statement, the Company will prepare and make available a prospectus supplement that includes the specific terms of the securities being offered, the use of proceeds and other terms of the offering.

ITEM 6. SELECTED FINANCIAL DATA

Not required under Regulation S-K 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 this report on Form 10-K. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

Overview

Cemtrex was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth into a leading multi-industry technology company. The Company has expanded in a wide range of sectors, including smart technologies, virtual and augmented realities, industrial solutions, and intelligent security systems.

We are a diversified company that predominantly operates in the United States. We believe 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 region 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 technology 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.

Potential Impacts of COVID-19 on our Business

The current COVID-19 pandemic has impacted our business operations and the results of our operations in this fiscal year, primarily with delays in expected orders by many customers and new product development, including newer versions of surveillance software since our technical facility in Pune, India has been under lock down. Overall bookings level in the IS segment of our business is down by more than 20%, however our AT segment has experienced relatively less slow down. In addition, due to delays in certain supply chain areas, the expected launch times of our new products and new versions has resulted in delays of several months.

The broader implications of COVID-19 on our results from operations going forward remains uncertain. The COVID-19 pandemic has the potential to cause adverse effects to our customers, suppliers or business partners in locations that have or will experience more pronounced disruptions, which could result in a reduction to future revenue and manufacturing output as well as delays in our new product development activities. However, on the other hand, opportunities in the video surveillance field have been growing for Vicon products.

The extent of the pandemic's effect on our operational and financial performance will depend in large part on future developments, which cannot be reasonably estimated at this time. Future developments include the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact both within and outside the jurisdictions where we operate, the impact on governmental programs and budgets, the development of treatments or vaccines, and the resumption of widespread economic activity. Due to the inherent uncertainty of the unprecedented and rapidly evolving situation, we are unable to predict with any confidence the likely impact of the COVID-19 pandemic on our future operations.

Business Strategy

We intend to continue utilizing our resource capabilities to deliver exceptional value for our customers, shareholders, and employees. Our focus is to grow in markets where we see significant long-term opportunity to create an attractive return on shareholder equity. We leverage our engineering, 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, we believe our senior management team has substantial business and technical experience to enable us to pursue our business strategies.

The Company believes its ability to attract and retain new customers comes from their ongoing commitment to understanding its customers' business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge through cutting edge technology. 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 provide the best solutions for them.

We 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. However, there can be no assurance that we will succeed in our strategies.

Now the Company has two business segments, consisting of (i) Advanced Technologies (AT) and (ii) Industrial Services (IS).

Advanced Technologies (AT)

Centrex's Advanced Technologies segment delivers cutting-edge technologies in the Internet of Things (IoT) and Smart Devices, such as the SmartDesk. Through the Company's advanced engineering and product design, the Company delivers Virtual Reality (VR) and Augmented Reality (AR) solutions that provide higher productivity, progressive design and impactful experiences for consumer products, and various commercial and industrial applications. The Company is in the process of developing virtual reality applications for commercialization over the next couple years.

The AT business segment also includes the Company's majority owned subsidiary, Vicon Industries, which provides end-to-end security solutions to meet the toughest corporate, industrial and governmental security challenges. Vicon's products include browser-based Video monitoring systems and analytics-based recognition systems, cameras, servers, and access control systems for every aspect of security and surveillance in industrial and commercial facilities, federal prisons, hospitals, universities, schools, and federal and state government offices. Vicon provides cutting edge, mission critical security and video surveillance solutions utilizing Artificial Intelligence (AI) based data algorithms.

Industrial Services (IS)

Centrex's IS segment, offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers. 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.

Significant 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.

Please see Note 2 for detailed information regarding our significant accounting policies and estimates in the Notes to Consolidated Financial Statements in this 2020 Form 10-K.

Results of Operations - For the fiscal years ending September 30, 2020 and 2019

Total revenue for the years ended September 30, 2020 and 2019 was \$43,518,384 and \$39,265,041, respectively, an increase of \$4,253,343, or 11%. Comprehensive net loss for the years ended September 30, 2020 and 2019 was a \$13,082,711 and \$23,051,140, respectively, a decrease of \$9,968,429 or 43%. Total revenue for the fiscal year increased, as compared to total revenue in the same period last year, due to sales increases in the Advanced Technology Segment. Net loss decreased due to the sale of discontinued operations of the Electronics Manufacturing Segment and our Environmental Products lines in fiscal year 2019. For the year ended September 30, 2020 the Company had a loss of \$812,895 on discontinued operations and for the year ended September 30, 2019, the Company had a loss of \$10,559,963 on discontinued operations.

Revenues

Our Advanced Technologies segment revenues for the years ended September 30, 2020 and 2019 were \$25,750,684 and \$19,268,687, respectively, an increase of \$6,481,997 or 34%. This increase represents the increase in demand for technology and security products during the fiscal year as well as the consolidation of Vicon.

Our Industrial Services segment revenues for the year ended September 30, 2020 decreased by \$2,228,654 or 11%, to \$17,767,700 from \$19,996,354 for the year ended September 30, 2019. The decrease was primarily due to the decrease in demand for services due to the COVID-19 crisis.

Gross Profit

Gross Profit for the year ended September 30, 2020 was \$19,364,447 or 44% of revenues as compared to gross profit of \$15,562,674 or 40% of revenues for the year ended September 30, 2019. The increase in gross profit percentage in the year ended September 30, 2020, as compared to the prior year, was a result of the sale of products and services with higher profit margins.

General and Administrative Expenses

General and Administrative Expenses for the year ended September 30, 2020 increased \$42,521 or less than 1% to \$21,570,666 from \$21,528,145 for the year ended September 30, 2019. The increases in General and Administrative Expenses in dollars is the result of increases in personnel costs and insurance, offset by savings measures enacted during the fiscal year.

Research and Development Expenses

Research and Development expenses for the year ended September 30, 2020 and 2019 were \$1,827,286 and \$1,481,879, respectively. Research and Development expenses have increased with the increased capital resources of the Company and focus on new product development.

Other Income/(Expense)

Interest and other income/(expense) for fiscal 2020 was \$(2,786,424) as compared to \$(5,190,987) for fiscal 2019. For fiscal year 2020 other income/(expense) was due was primarily due to interest on notes payable offset by income on the sale of marketable securities.

Provision for Income Taxes

During the fiscal year of 2020 we recorded an income tax expense of \$2,073,835 compared to a benefit of \$1,335,584 for the fiscal year of 2019. The increase in the provision for income tax is mainly due to the increase in the valuation allowance in the Company's deferred taxes.

Net Income/(Loss)

The Company had a net loss of \$9,933,775 or 23% of revenues, for the year ended September 30, 2020 as compared to a net loss of \$22,364,941 or 57% of revenues, for the year ended September 30, 2019. Net loss in this period as compared to the previous period was lower due to the discontinued operations of the Environmental Products business and its Electronics Manufacturing Segment. For the year ended September 30, 2020 the Company had a loss of \$812,895 on discontinued operations and for the year ended September 30, 2019, the Company had a gain of \$10,559,963 on discontinued operations.

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 \$23,285,122 at September 30, 2020 compared to \$3,240,348 at September 30, 2019. This includes cash and cash equivalents and restricted cash of \$21,072,859 at September 30, 2020 and \$2,858,085 at September 30, 2019, respectively. The increase in working capital was primarily due to the increase in the Company's current assets of \$19,184,125 and a decrease in the Company's current liabilities of \$860,649. The primary reason for the increase in current assets was the cash raised by equity offerings during the fiscal year and the primary reason for the decrease in current liabilities was the decrease in the Company's accounts payable balance.

Accounts receivable increased by \$277,813 or 4% to \$6,686,797 at September 30, 2020 from \$6,458,984 at September 30, 2019. The increase in accounts receivable is mainly due to the increase in revenue over that past fiscal year.

Inventories increased by \$1,586,651 or 30% to \$6,793,806 at September 30, 2020 from \$5,207,155 at September 30, 2019. The increase in inventories is attributable to the company's purchase of inventory for its security business to maintain sufficient stock on hand for sale.

Operating activities for continuing operations used \$3,280,162 for the year ended September 30, 2020 compared to using \$3,571,616 of cash for the year ended September 30, 2019. Operating activities for discontinued operations used \$812,895 and provided \$7,507,090 of cash for the year ended September 30, 2020 and 2019, respectively.

Investing activities for continuing operations provided \$764,552 of cash during the year ended September 30, 2020 compared to using \$2,043,771 during the year ended September 30, 2019. In fiscal 2019 discontinued operations provided \$8,883,541 of cash.

Financing activities for continuing operations provided \$21,520,985 for the year ended September 30, 2020 as compared to using \$2,391,839 in the year ended September 30, 2019. In fiscal 2020 our financing activities were mainly comprised of the proceeds from subscription rights offering and notes payable offset by payments on our debt. In fiscal 2019 discontinued operations used \$9,465,508.

We believe that our cash on hand and cash generated by operations is sufficient to meet the capital demands of our current operations during the 2021 fiscal year (ending September 30, 2021). Any major increases in sales, particularly in new products, may require additional capital investment. Failure to obtain sufficient capital could materially adversely impact our growth potential.

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.

We have on file with the SEC a shelf registration statement that became effective on August 3, 2020. The universal shelf registration statement permits the Company to offer and sell, from time to time, on a continuous or delayed basis in the future, up to \$50 million of equity, debt or other types of securities described in the shelf registration statement, or any combination of such securities, in one or more future public offerings, along with a sales agreement prospectus covering the offer, issuance and sale by us of up to a maximum aggregate offering price of up to \$20,000,000 of our common stock that may be issued and sold from time to time under a Sales Agreement. We have sold no shares under this registration statement and there is no guarantee that we will be able to or raise capital in such amounts as is necessary for our existing or future operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for “smaller reporting companies”.

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

On October 9, 2019, the Company engaged Haynie & Company to serve as our independent registered public accounting firm for the year ending September 30, 2019. The engagement of Haynie & Company was approved by our Audit Committee.

On October 15, 2020, the Company engaged Haynie & Company to serve as our independent registered public accounting firm for the year ending September 30, 2020. The engagement of Haynie & Company was approved by our Audit Committee.

There have been no disagreements with Haynie & Company, our independent registered public accountants, on accounting and financial disclosure matters.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance of achieving the desired control objectives, and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Our management, including our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2020, and concluded that the disclosure controls and procedures were not effective, because certain deficiencies involving internal controls constituted material weaknesses as discussed below. The material weaknesses identified did not result in the restatement of any previously reported financial statements or any other related financial disclosure, nor does management believe that it had any effect on the accuracy of our financial statements for the current reporting period.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with GAAP. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our principal executive officer and principal accounting officer, conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control—Integrated Framework (2013). Based on its evaluation, our management concluded that as of September 30, 2020 there is a material weakness in our internal control over financial reporting. The material weakness relates to the Company lacking sufficient, qualified, accounting personnel. The shortage of qualified accounting personnel resulted in the Company lacking entity level controls around the review of period-end reporting processes, accounting policies and public disclosures. This deficiency is common in small companies, similar to us, with limited personnel.

In order to mitigate the material weakness, the Board of Directors has assigned a priority to the short-term and long-term improvement of our internal control over financial reporting. Our Board of Directors will work with management to continuously review controls and procedures to identified deficiencies and implement remediation within our internal controls over financial reporting and our disclosure controls and procedures.

This annual report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to Commission rules that permit the Company to provide only management’s report in this annual report.

This report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred in the year ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

As of the date of this Annual Report, the members of our Board of Directors and Executive Officers are:

Name and Address	Age	Positions and Offices
Saagar Govil 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	34	Chairman of the Board of Directors, President, Chief Executive Officer, & Director
Priscilla Popov 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	46	Chief Financial Officer
Raju Panjwani 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	65	Director
Sunny Verma 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	65	Director
Metodi Filipov 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	56	Director

Principal Occupations and Business Experience of Directors and Executive Officers

The following is a brief account of the business experience of the Company's directors:

Saagar Govil is the Company's Chairman since June 2014, and the Chief Executive Officer and President since December 2011. He has been working at Centrex since 2008, initially as a field engineer, subsequently moving into sales and management roles as Vice President of Operations. Saagar was recently recognized as a Forbes' 30 Under 30 in 2016, Business Insiders #17 on Top 100 of Silicon Alley in 2015, and Top 40 Under 40 by Stony Brook University in 2014. Saagar Govil has a B.E. in Materials Engineering from Stony Brook University, N.Y. and studied business at Harvard Business School. Mr. Govil's experience and deep understanding of the operations of the Company allow him to make valuable contributions to the Board.

Priscilla Popov has been appointed Centrex's Chief Financial Officer on September 30, 2020, where she is responsible for the Company's financial planning, accounting, tax, and business process functions. Priscilla has over 20 years of extensive knowledge in Accounting, Finance, Administration, and Operations. During her career, she held numerous executive-level positions with increasing responsibilities and has directed highly skilled financial management teams to support and achieve overall corporate goals and objectives. She has proven track record in financial management, evaluating financial management systems and implementing process improvements, and driving efficiency. Priscilla joined the Company in 2020 and prior to joining Centrex, she held senior accounting positions at Videri, Bulgari, and Sotheby's. Priscilla holds a B.S. in Accounting from Brooklyn College and an MBA in Administration, Finance from New York Institute of Technology.

Raju Panjwani was appointed to the Board on April 22, 2015. He is an accomplished executive with over 35 years of experience, including 20 years on Wall Street, and 20 years as an entrepreneur and business builder. Raju was a Managing Director with Morgan Stanley, where he spent 18 years in several senior roles in risk management, audit, strategy and being the Chief Operating Officer and Country Head for the Firm's India office. Since leaving Morgan Stanley in 2005, Mr. Panjwani has considerable experience in emerging Asian markets, with a reputation built on focused execution, high integrity and strong relationships. He has worked with many companies in the United States and India and negotiated complex joint ventures, mergers & acquisitions, and capital raises, particularly within the technology sector. Mr. Panjwani is a CPA in New York State and spent several years with Price Waterhouse and other accounting firms prior to joining Morgan Stanley. Mr. Panjwani's accounting background and extensive knowledge of finance and commerce allow him to make valuable contributions to the Board.

Sunny Verma was appointed as a director of the Company on December 2, 2019 and is the Audit Committee chairman. Mr. Verma has over 21 years of diversified IT and software development experience and is Chief Operating Officer of a privately held Seva Technologies Inc., an Information Technology consulting firm since 2009. Mr. Verma has BS in Computer science and has extensive and diversified management and financial operations experience in a variety of technology industries.

Metodi Filipov was appointed to the Board on February 9, 2018 and is an entrepreneur and technology executive with over 25 years of experience creating, operating and driving growth for technology companies. He has a proven track record of identifying business opportunities and building compelling products. Metodi was formerly VP of Operations at Centrex from 2008 to 2010. After Centrex, Mr. Filipov served as Managing Director of Bianor, a mobile consulting company providing solutions for enterprise clients. There, he led the development and implementation of innovative mobile products in industries including aviation, pharmaceutical and entertainment. Metodi co-founded Flipp Media, an OTT video distribution platform positioned to be an alternative to traditional cable pay-per-view systems. Before Bianor, he served as product lead for Raritan, a data center technology organization, where he was an integral part of the transition team that led the company to becoming a global IT service management solutions provider. Prior to joining Raritan, Mr. Filipov served as VP of Operations at ISS, a security products company. There, he successfully managed product development and contract manufacturing across continents. Mr. Filipov has extensive experience delivering superior solutions with a focus on optimized efficiency and productivity.

None of our directors or officers is a director in any other reporting companies. None of our directors or officers has been affiliated with any company that has filed for bankruptcy within the last ten years. The Company is not aware of any proceedings to which any of the Company's officers or directors, or any associate of any such officer or director, is a party adverse to the Company or any of the Company's subsidiaries or has a material interest adverse to it or any of its subsidiaries.

Each director of the Company serves for a term of one year or until the successor is elected at the Company's annual shareholders' meeting and is qualified, subject to removal by the Company's shareholders. Each officer serves, at the pleasure of the board of directors, for a term of one year and until the successor is elected at the annual meeting of the board of directors and is qualified.

Meetings of the Board of Directors

During the fiscal year ended September 30, 2020 ("Fiscal 2020"), the Board of Directors held four meetings. No Director attended less than 75% of the aggregate of the total number of meetings of the Board of Directors.

Committees of the Board

Our Board of Directors currently has one standing committee: The Audit Committee.

Compensation Committee

As a "Controlled Company" as such term is defined under NASDAQ Listing Rule 5615, the Company is not required to have a Compensation Committee.

Audit Committee

The Audit Committee, which has been established in accordance with requirements of Section 3(a)(58)(A) of the Exchange Act, is comprised of the following independent directors: Sunny Verma (Chair), Raju Panjwani and Metodi Filipov. The Board of Directors has determined that each member of the Audit Committee: (i) is independent, (ii) meets the financial literacy requirements of the Nasdaq Rules, and (iii) meets the enhanced independence standards established by the SEC. In addition, the Board has determined that Mr. Verma qualifies as an “audit committee financial expert” as that term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Exchange Act by the SEC.

The Audit Committee is primarily concerned with the integrity of our financial statements, the independence, qualifications and performance of our independent registered public accounting firm, and our compliance with legal requirements. The Audit Committee operates under a written charter approved by the Board of Directors and the Audit Committee that reflects standards and requirements adopted by the SEC and NASDAQ.

As indicated in its charter, the Audit Committee’s duties include selecting and engaging our independent registered public accounting firm; reviewing the scope of the audit to be conducted by our independent registered public accounting firm; overseeing our independent registered public accounting firm and reviewing the results of its audit; reviewing our financial reporting processes, including the accounting principles and practices followed and the financial information provided to shareholders and others; overseeing our internal control over financial reporting and disclosure controls and procedures; and serving as our legal compliance committee.

Nomination of Directors

The Company does not currently have a standing nominating committee or a formal nominating committee charter. As a “Controlled Company” as such term is defined by NASDAQ Listing Rule 5615 the Company is not required to have a Nominating Committee. Currently, the independent members of the Board (Messrs. Panjwani, Verma and Filipov), rather than a nominating committee, approve or recommend to the full Board those persons to be nominated. The Board believes that the current method of nominating directors is appropriate because it allows each independent board member input into the nomination process and does not unnecessarily restrict the input that might be provided from an independent director who could be excluded from a committee. Currently, three of the four Directors are independent. Furthermore, the Board has adopted by resolution a director nomination policy. The purpose of the policy is to describe the process by which candidates for inclusion in the Company’s recommended slate of director nominees are selected. The director nomination policy is administered by the Board. Many of the benefits that would otherwise come from a written committee charter are provided by this policy.

In the ordinary course, absent special circumstances or a change in the criteria for Board membership, the incumbent directors who continue to be qualified for Board service and are willing to continue as directors are re-nominated. If the Board thinks it is in the best interest of the Company to nominate a new individual for director in connection with an annual meeting of shareholders, or if a vacancy occurs between annual shareholder meetings, the Board will seek potential candidates for Board appointments who meet the criteria for selection as a nominee and have the specific qualities or skills being sought. Director candidates will be selected based on input from members of the Board, senior management of the Company and, if deemed appropriate, a third-party search firm.

Candidates for Board membership must possess the background, skills and expertise to make significant contributions to the Board, to the Company and its shareholders. Desired qualities to be considered include substantial experience in business or administrative activities; breadth of knowledge about issues affecting the Company; and ability and willingness to contribute special competencies to Board activities.

The Board of Directors intends to review the director nomination policy from time to time to consider whether modifications to the policy may be advisable as the Company’s needs and circumstances evolve, and as applicable legal or listing standards change. The Board may amend the director nomination policy at any time.

The Board will consider director candidates recommended by shareholders and will evaluate such director candidates in the same manner in which it evaluates candidates recommended by other sources, as described above. Recommendations must be in writing and mailed to Cemtrex, Inc., 276 Greenpoint Avenue, Suite 208, Brooklyn, NY 11222, Attention: Corporate Secretary, and include all information regarding the candidate as would be required to be included in a proxy statement filed pursuant to the proxy rules promulgated by the SEC if the candidate were nominated by the Board of Directors (including such candidate’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected). The shareholder giving notice must provide (i) his or her name and address, as they appear on the Company’s books, and (ii) the number of shares of the Company which are beneficially owned by such shareholder. The Company may require any proposed nominee to furnish such other information it may require to be set forth in a shareholder’s notice of nomination which pertains to the nominee.

Director Compensation

The members of the Board receive quarterly compensation of \$2,500. Additionally, we reimburse our directors for expenses incurred in connection with attending board meetings.

Insider Trading Policy

We recognize that the Company's executive officers and directors may sell shares from time to time in the open market to realize value to meet financial needs and diversify their holdings, particularly in connection with exercises of stock options. All such transactions are required to comply with the Company's insider trading policy.

Section 16 (a) Beneficial Ownership Reporting Compliance of the Securities Exchange Act

Section 16(a) of the Exchange Act requires directors, executive officers and persons who beneficially own more than 10% of our common stock (collectively, "Reporting Persons") to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC. Reporting Persons are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on our review of the copies of such reports received or written representations from certain Reporting Persons that no other reports were required, we believe that during the year ended September 30, 2020 all Reporting Persons timely complied with all applicable filing requirements.

Communications with Directors

Shareholders, associates of the Company and other interested parties may communicate directly with the Board of Directors, with the non-management Directors or with a specific Board member, by writing to the Board (or the non-management Directors or a specific Board member) and delivering the communication in person or mailing it to: Board of Directors, Privileged & Confidential, c/o Saagar Govil, CEO, Centrex, Inc., 276 Greenpoint Avenue, Suite 208, Brooklyn, NY 11222. Correspondence will be discussed at the next scheduled meeting of the Board of Directors, or as indicated by the urgency of the matter. From time to time, the Board of Directors may change the process by which shareholders may communicate with the Board of Directors or its members. Any changes in this process will be posted on the Company's website or otherwise publicly disclosed.

Corporate Governance

The Company has an ongoing commitment to good governance and business practices. In furtherance of this commitment, we regularly monitor, and are briefed by outside counsel on, developments in the area of corporate governance and securities law and review our policies and procedures in light of such developments. We comply with the rules and regulations promulgated by the SEC and implement other corporate governance practices we believe are in the best interests of the Company and the shareholders.

Code of Ethics

We have adopted a code of ethics as of June 28, 2016 that applies to our principal executive officer, principal financial officer, and principal accounting officer as well as our employees. Our standards are in writing and are posted on our website. The following is a summation of the key points of the Code of Ethics we adopted:

Honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

Full, fair, accurate, timely, and understandable disclosure reports and documents that a small business issuer files with, or submits to, the Commission and in other public communications made by our Company;

Full compliance with applicable government laws, rules and regulations;

The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and

Accountability for adherence to the code.

Board Leadership and Structure

Saagar Govil, our Chief Executive Officer, also serves as Chairman of the Board of Directors. The Board believes that the Company and its shareholders are best served by having the Chief Executive Officer also serve as Chairman of the Board. The Board also believes that this structure is appropriate in light of the size of our Company and corresponding size of our Board and the complexity of our business. We believe that Mr. Govil is best positioned to develop agendas that ensure that our Board's time and attention are focused on the matters that are most critical to us.

ITEM 11. EXECUTIVE COMPENSATION

The compensation discussion addresses all compensation awarded to, earned by, or paid to the Company's named executive officers ("NEO"), which currently consists of Saagar Govil, the Chairman, Chief Executive Officer, President and Secretary, and Aron Govil, former Executive Director and CFO, Aron Govil retired from Cemtrex on September 30, 2020. As of December 23, 2020, Saagar Govil is currently earning compensation from the Company. Set forth below is the aggregate compensation for services rendered in all capacities to us during our fiscal years ended September 30, 2019, and 2020 by our executive officers.

PRINCIPAL AND POSITION	YEAR	SALARY (\$)	BONUS (\$)	OPTION AWARDS (\$)	OTHER (\$)	TOTAL (\$)
Saagar Govil	2020	376,923	612,303	-	24,439	1,013,665
<i>Chairman of the Board Chief Executive Officer, and President</i>	2019	250,000	-	596,382 (1)	21,984	868,366
Aron Govil	2020	276,923	243,140	-	-	520,063
<i>Former Executive Director and Chief Financial Officer</i>	2019	240,400	-	298,289 (1)	-	538,689

(1) Represents the aggregate amount of the fair value of stock option awards on the grant date calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("FASBASC Topic 718"), rather than actual amounts to be realized by the named executive officer and disregarding any forfeitures based upon exercise price.

NARRATIVE TO SUMMARY COMPENSATION TABLE

At this time, we do not have an employment agreement with Saagar Govil, though the Company may enter into such an agreement with him on terms and conditions usual and customary for the industry. All amounts paid to our officers in fiscal year end 2020 were approved by the Company's board of directors. The Company does not currently have "key man" life insurance on Mr. Govil.

OPTIONS/SAR GRANTS IN THE LAST FISCAL YEAR

None.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION/SAR VALUES

None.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table presents information regarding our NEOs' unexercised options to purchase Common Stock as of September 30, 2020:

Name	Option Awards		
	Number of Securities Underlying Unexercised Options Exercisable	Option Exercise Price	Option Expiration Date
Saagar Govil	400,000	\$ 1.90	2/25/2026
Saagar Govil	100,000	\$ 1.92	2/25/2026
Saagar Govil	100,000	\$ 2.30	2/25/2026
Saagar Govil	100,000	\$ 2.76	2/25/2026
Aron Govil	200,000	\$ 1.90	2/25/2026
Aron Govil	25,000	\$ 1.92	2/25/2026
Aron Govil	12,500	\$ 2.30	2/25/2026
Aron Govil	8,333	\$ 2.76	2/25/2026

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

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of December 23, 2020 by:

all persons who are beneficial owners of five percent (5%) or more of our common stock;

each of our directors;

each of our executive officers; and

all current directors and executive officers as a group.

Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table below have sole voting and investment power with respect to all shares of common stock held by them.

As of December 30, 2020, 17,968,177 shares of Common Stock were issued and outstanding. In addition, there were 1,000,000 shares of Series A Preferred Stock outstanding which are entitled to vote 17,798,764 shares in the aggregate, all of which are held by Aron Govil, 100,000 shares of Series C Preferred Stock outstanding which are entitled to vote 176,401,615 shares in the aggregate, all of which is held by Saagar and Aron Govil and 2,156,784 shares of Series 1 Preferred Stock outstanding which are entitled to vote 4,313,568 shares in the aggregate. Accordingly, a total of 216,136,486 shares may be voted at the Annual Meeting. Priscilla Popov has been appointed Cemtrex's Chief Financial Officer on September 29, 2020, but she does not own any shares in the Company.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of December 23, 2020 are deemed outstanding. Such shares, however, are not deemed as of December 23, 2020 outstanding for the purpose of computing the percentage ownership of any other person.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Title</u>	<u>Amount Owned</u>	<u>Percentage of Issued Common Stock (1)</u>	<u>Percentage of voting stock (2)</u>
Common Stock	Aron Govil 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	Executive Director Chief Financial Officer Retired 9/30/2020	830,833 (5)	5%	*
Preferred Stock (Series A)	Aron Govil 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	Executive Director Chief Financial Officer Retired 9/30/2020	1,000,000 (3) (17.79 votes per share)	—	8.2%
Preferred Stock (Series C)	Aron Govil 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	Executive Director Chief Financial Officer Retired 9/30/2020	50,000 (4) (88,201 votes per share)	—	40.7%
Preferred Stock (Series C)	Saagar Govil 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	Chairman of the Board, Chief Executive Officer, and President	50,000 (4) (88,201 votes per share)	—	40.7%
Common Stock	Saagar Govil 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	Chairman of the Board, Chief Executive Officer, and President	1,061,889 (5)	6%	*
Preferred Stock (Series 1)	Saagar Govil 276 Greenpoint Avenue, Suite 208 Brooklyn, NY 11222	Chairman of the Board, Chief Executive Officer, and President	7,102	—	*
		All directors and executive officers as a group (5 persons)	2,212,324 (6)	10%	90.1%

* Less than one percent of outstanding shares.

- (1) Except as otherwise noted herein, the percentage is determined on the basis of 17,968,177 shares of our Common Stock outstanding plus securities deemed outstanding pursuant to Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Under Rule 13d-3, a person is deemed to be a beneficial owner of any security owned by certain family members and any security of which that person has the right to acquire beneficial ownership within 60 days, including, without limitation, shares of our common stock subject to currently exercisable options.
- (2) This percentage is based on the 17,968,177 shares of our Common Stock outstanding, the 17,798,764 votes that the Series A Preferred Stock is entitled to vote, the 216,136,486 votes that the Series C Preferred Stock is entitled to vote, and the 4,313,568 votes that the Series 1 Preferred Stock is entitled to vote based on 2 votes per share.
- (3) The Series A Preferred Stock was issued by the Company to Aron Govil, the Company’s former CFO and Executive Director, in conjunction with the settlement of the debenture issued as consideration for the purchase of Griffin Filters, Inc. in 2009. Pursuant to the Certificate of Designation of the Series A Preferred Stock, each issued and outstanding share of Series A Preferred Stock is entitled to the number of votes per share equal to the result of: (i) the number of shares of Common Stock issued and outstanding at the time of such vote multiplied by 1.01; divided by (ii) the total number of Series A Preferred Stock 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. The shares of Series A Preferred Stock held by Aron Govil represent 100% of the total Series A Preferred Stock issued and outstanding.
- (4) The Series C Preferred Stock was issued by the Company to Aron Govil, the Company’s former CFO and Executive Director as part of the employment agreement with Mr. Govil upon his appointment to CFO. On July 10, 2020, Aron Govil transferred 50,000 shares of the Series C Preferred Stock to Saagar Govil. Pursuant to the Certificate of Designation of the Series C Preferred Stock, each issued and outstanding share of Series C Preferred Stock are entitled to the number of votes per share equal to the result of (i) the total number of shares of Common Stock outstanding at the time of such vote multiplied by 10.01, and divided by (ii) the total number of shares of Series C Preferred Stock outstanding at the time of such vote, at each meeting of our shareholders with respect to any and all matters presented to our shareholders for their action or consideration, including the election of directors.

(5) Includes 245,833 shares included in exercisable options by Aron Govil and 491,667 shares included in exercisable options by Saagar Govil.

(6) Consists of actual amount of Common Stock and Series A, Series C and Series I Preferred Stock owned.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

None of our directors or officers is a director in any other reporting companies. None of our directors or officers has been affiliated with any company that has filed for bankruptcy within the last ten years. The Company is not aware of any proceedings to which any of the Company's officers or directors, or any associate of any such officer or director, is a party adverse to the Company or any of the Company's subsidiaries or has a material interest adverse to it or any of its subsidiaries.

Each director of the Company serves for a term of one year or until the successor is elected at the Company's annual shareholders' meeting and is qualified, subject to removal by the Company's shareholders. Each officer serves, at the pleasure of the board of directors, for a term of one year and until the successor is elected at the annual meeting of the board of directors and is qualified.

Director Independence

The Board of Directors has determined that each of Messrs. Panjwani, Verma and Filipov are independent in accordance with NASDAQ rules. To determine independence, the Board of Directors adopted and applied the categorical standards of independence included in NASDAQ Listing Rule 5605(a)(2), which include a series of objective tests, such as that the director is not an employee of the Company and has not engaged in various types of business dealings with the Company.

Risk Oversight

The Board oversees Company functions in an effort to assure that Company assets are properly safeguarded, that appropriate financial and other controls are maintained, and that the Company's business is conducted prudently and in compliance with applicable laws, regulations and ethical standards.

While the Board is responsible for risk oversight, Company management is responsible for managing risk. The Company has a robust internal process and a strong internal control environment to identify and manage risks and to communicate with the Board. The Board monitors and evaluates the effectiveness of the internal controls and the risk management program at least annually. Management communicates routinely with the Board and individual Directors on the significant risks identified and how they are being managed. Directors are free to, and often do, communicate directly with senior management.

Transactions with Related Persons

Ducon Technologies, Inc. is owned by Aron Govil, a beneficial owner of the Company.

On August 31, 2019, the Company entered into an Asset Purchase Agreement for the sale of Griffin Filters, LLC to Ducon Technologies, Inc., which Aron Govil, then, the Company's CFO, is President, for total consideration of \$550,000. As of September 30, 2020, and 2019, there was \$1,432,798 and \$771,519 in receivables due from Ducon Technologies, Inc., respectively.

On May 1, 2020, Company invested \$500,000 in a registered S-1 stock offering of Telidyne Inc., an OTC listed company, by purchasing 166,667 shares of common stock at \$3.00 per share. Telidyne Inc. is controlled by the Company's former CFO and Executive Director, Aron Govil. On September 30, 2020, the Company decided to withdraw its investment, the transaction was cancelled, and all proceeds were returned.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees billed to the Company for the years ended September 30, 2020 and 2019 by Haynie & Company the Company's independent auditor:

	2019	2020
Audit Fees	\$ 150,000	\$ 150,000
Audit-Related Fees	2,793	16,098
Tax Fees	-	-
Other Fees	-	16,750
Totals	\$ 152,793	\$ 182,848

For the fiscal year ended September 30, 2019, the company incurred fees for tax services of \$61,400, provided by Wiss and Company.

For the fiscal year ended September 30, 2020, the company incurred fees for tax services of \$67,314, provided by Wiss and Company.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENTS

(a) Financial Statements and Notes to the Consolidated Financial Statements

See Index to Consolidated Financial Statements on page F-1 at beginning of attached financial statements.

(b) Exhibits

Exhibit No.	Description
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.(11)
3.1	Certificate of Amendment of Certificate of Incorporation, dated September 7, 2017 (12)
3.11	Certificate of Designations of Series B Redeemable Convertible Preferred Stock.(21)
3.12	Certificate of Correction to the Certificate of Amendment to the Amended and Restated Certificate of Incorporation, as amended, of Centrex, Inc (6)
3.13	Amended Certificate of Designation of the Series 1 Preferred Shares, dated March 30, 2020.(16)
3.14*	Certificate of Amendment of Certificate of Incorporation, dated July 29, 2020
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)
4.4	Form of Common Stock Purchase Warrant, dated March 22, 2019. (14)
10.1	Dealer-Manager Agreement between Centrex, Inc. and Advisory Group Equity Services, Ltd. doing business as RHK Capital dated November 21, 2018 (8)
10.2	At-The-Market Offering Agreement dated January 28, 2019, by and among Centrex, Inc. and Advisory Group Equity Services, Ltd. doing business as RHK Capital.(9)
10.3	Securities Purchase Agreement by and between Intercostal Capital, dated July 1, 2019 and Centrex, Inc., (13)
10.4	Share transfer and purchase agreement between Centrex, Ltd., Centrex, Inc. and Finvest GmbH i.G., Dennis Wenz, and Laura Wenz., dated August 15, 2019 (15)
10.5	Amendment of the Term Loan Agreement between Vicon and NIL Funding, dated March 4, 2020.(17)
10.6	Consulting Agreement, dated April 22, 2020 between Centrex, Inc. and Adtron, Inc. (5)
10.7	Securities Purchase Agreement dated June 1, 2020 (18)
10.8	Securities Purchase Agreement dated June 9, 2020 (19)
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.
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 S-8 filed on May 1, 20120

6 Incorporated by reference from Form 8-K filed on June 12, 2019.

7 Incorporated by reference from Form 8-K/A filed on November 24, 2017.

8 Incorporated by reference from Form 8-K filed on November 21, 2018.

9 Incorporated by reference from Form 8-K filed on January 28, 2019.

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 8-K filed on January 24, 2017.

12 Incorporated by reference from Form 8-K filed on September 8, 2017.

13 Incorporated by reference from Form 10-K filed on July 2, 2019.

14 Incorporated by reference from Form 8-K filed on March 22, 2019.

- 15 Incorporated by reference from Form 8-K filed on August 21, 2019.
- 16 Incorporated by reference from Form 8-K filed on April 1, 2020.
- 17 Incorporated by reference from Form 8-K filed on March 9, 2020.
- 18 Incorporated by reference from Form 8-K filed on June 4, 2020.
- 19 Incorporated by reference from Form 8-K filed on June 12, 2020.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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.

January 5, 2021

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

January 5, 2021

By: /s/ Priscilla Popov
Priscilla Popov
CFO (Principal Financial and Accounting 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.

January 5, 2021

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

January 5, 2021

By: /s/ Priscilla Popov
Priscilla Popov
CFO (Principal Financial and Accounting Officer)

January 5, 2021

By: /s/ Raju Panjwani
Raju Panjwani,
Director

January 5, 2021

By: /s/ Sunny Verma
Sunny Verma,
Director

January 5, 2021

By: /s/ Metodi Filipov
Metodi Filipov,
Director

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Cemtrex, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cemtrex, Inc. (the Company) as of September 30, 2020 and 2019, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the years ended September 30, 2020 and 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the years ended September 30, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Haynie & Company

Haynie & Company
Salt Lake City, Utah
January 4, 2021

We have served as the Company's auditor since 2018

CONSOLIDATED BALANCE SHEETS

Assets	September 30, 2020	September 30, 2019
Current assets		
Cash and equivalents	\$ 19,490,061	\$ 1,769,994
Restricted cash	1,582,798	1,088,091
Short-term investments	887,746	412,730
Accounts receivables, net	6,686,797	6,458,984
Accounts receivables - related party	1,432,209	771,519
Notes receivable - short-term	-	1,713,371
Inventory –net of allowance for inventory obsolescence	6,793,806	5,207,155
Prepaid expenses and other assets	1,188,317	1,455,765
Total current assets	<u>38,061,734</u>	<u>18,877,609</u>
Property and equipment, net	9,558,936	16,776,552
Right-of-use assets	2,728,380	-
Assets held for sale	8,323,321	-
Goodwill	4,370,894	4,370,894
Notes receivable - long-term	-	1,586,918
Deferred tax asset	-	2,282,867
Other	744,207	497,857
Total Assets	<u>\$ 63,787,472</u>	<u>\$ 44,392,697</u>
Liabilities & Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 2,857,817	\$ 4,236,945
Current portion of long-term liabilities	7,034,510	6,817,534
Lease liabilities - short-term	721,036	22,718
Deposits from customers	29,660	33,074
Accrued expenses	2,392,487	2,673,646
Deferred revenue	1,651,784	1,433,803
Accrued income taxes	89,318	419,541
Total current liabilities	<u>14,776,612</u>	<u>15,637,261</u>
Long-term liabilities		
Loans payable to bank, net of current portion	1,871,201	2,240,526
Long-term lease liabilities, net of current portion	2,027,406	20,061
Notes payable, net of current portion	6,029,999	2,817,661
Mortgage payable, net of current portion	2,355,542	-
Other long-term liabilities	1,063,733	1,221,549
Series 1 preferred stock dividends payable	1,081,690	-
Paycheck Protection Program Loans	2,169,437	-
Deferred revenue - long-term	467,329	489,535
Total long-term liabilities	<u>17,066,337</u>	<u>6,789,332</u>
Total liabilities	<u>31,842,949</u>	<u>22,426,593</u>
Commitments and contingencies	-	-
Stockholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, Series 1, 3,000,000 shares authorized, 2,156,784 shares issued and outstanding as of September 30, 2020 and 2,110,718 shares issued and outstanding as of September 30, 2019 (liquidation value of \$10 per share)	2,157	2,111
Series A, 1,000,000 shares authorized, issued and outstanding at September 30, 2020 and September 30, 2019	1,000	1,000
Series C, 100,000 shares authorized, issued and outstanding at September 30, 2020	100	-
Common stock, \$0.001 par value, 40,000,000 shares authorized, 17,622,539 shares issued and outstanding at September 30, 2020 and 3,962,790 shares issued and outstanding at September 30, 2019	17,623	3,963
Additional paid-in capital	63,313,336	40,344,837
Accumulated deficit	(33,172,690)	(20,067,685)
Treasury stock at cost	(148,291)	-
Accumulated other comprehensive income	853,643	796,004
Cemtrex stockholders' equity	<u>30,866,878</u>	<u>21,080,230</u>
Non-controlling interest	<u>1,077,645</u>	<u>885,874</u>
Total liabilities and stockholders' equity	<u>\$ 63,787,472</u>	<u>\$ 44,392,697</u>

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	For the year ended	
	September 30, 2020	September 30, 2019
Revenues	\$ 43,518,384	\$ 39,265,041
Cost of revenues	24,153,937	23,702,367
Gross profit	<u>19,364,447</u>	<u>15,562,674</u>
Operating expenses		
General and administrative	21,570,666	21,528,145
Research and development	1,827,286	1,481,879
Total operating expenses	<u>23,397,952</u>	<u>23,010,024</u>
Operating loss	<u>(4,033,505)</u>	<u>(7,447,350)</u>
Other income (expense)		
Other Income	1,821,029	(62,705)
Loss on equity interests	-	(342,776)
Interest expense	(4,607,453)	(4,785,506)
Total other expense, net	<u>(2,786,424)</u>	<u>(5,190,987)</u>
Net loss before income taxes	<u>(6,819,929)</u>	<u>(12,638,337)</u>
Income tax benefit/(expense)	<u>(2,073,835)</u>	<u>1,335,584</u>
Loss from continuing operations	<u>(8,893,764)</u>	<u>(11,302,753)</u>
Loss from discontinued operations, net of tax	<u>(812,895)</u>	<u>(10,559,963)</u>
Net loss	(9,706,659)	(21,862,716)
Less income in noncontrolling interest	227,116	502,225
Net loss	<u>\$ (9,933,775)</u>	<u>\$ (22,364,941)</u>
Preferred dividends	<u>(3,171,230)</u>	<u>(1,965,500)</u>
Net loss available to Cemtrex, Inc. shareholders	<u>\$ (13,105,005)</u>	<u>\$ (24,330,441)</u>
Other comprehensive income		
Foreign currency translation gain	57,639	1,624,253
Other comprehensive income attributable to noncontrolling interest	(35,345)	(344,952)
Comprehensive income	<u>22,294</u>	<u>1,279,301</u>
Comprehensive loss	<u>\$ (13,082,711)</u>	<u>\$ (23,051,140)</u>
Loss Per Share-Basic		
Continuing Operations	<u>\$ (1.28)</u>	<u>\$ (6.07)</u>
Discontinued Operations	<u>\$ (0.08)</u>	<u>\$ (4.66)</u>
Loss Per Share-Diluted		
Continuing Operations	<u>\$ (1.28)</u>	<u>\$ (6.07)</u>
Discontinued Operations	<u>\$ (0.08)</u>	<u>\$ (4.66)</u>
Weighted Average Number of Shares-Basic	<u>9,611,516</u>	<u>2,267,501</u>
Weighted Average Number of Shares-Diluted	<u>9,611,516</u>	<u>2,267,501</u>

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock Series 1 Par Value \$0.001		Preferred Stock Series A Par Value \$0.001		Preferred Stock Series C Par Value \$0.001		Common Stock Par Value \$0.01		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock, At cost	Accumulated other Comprehensive Income(loss)	Cemtrex Stockholders' Equity	Non- controlling interest
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount						
Balance at September 30, 2019	2,110,718	\$ 2,111	1,000,000	\$ 1,000	-	\$ -	3,962,790	\$ 3,963	\$40,344,837	\$ (20,067,685)	\$ -	\$ 796,004	\$ 21,080,230	\$ 885,874
Foreign currency translation gain												22,294	22,294	
Share-based compensation					100,000	100			191,316				191,416	
Shares issued for goods and services							513,358	513	532,275				532,788	
Shares sold in Securities Purchase Agreements, net of offering costs							6,643,872	6,644	11,615,276				11,621,920	
Shares issued to pay notes payable							6,530,473	6,531	8,730,594				8,737,125	
Dividends paid in Series 1 preferred shares	217,099	217							2,089,323	(2,089,540)			-	
Income in noncontrolling interest												35,345	35,345	191,771
Purchase of treasury stock											(338,775)		(338,775)	
Accrued dividends										(1,081,690)			(1,081,690)	
Cancellation of Shares not issued in 2019 ATM offering							(27,954)	(28)	28				-	
Retirement of treasury stock	(171,033)	(171)							(190,313)		190,484		-	
Net loss										(9,933,775)			(9,933,775)	
Balance at September 30, 2020	2,156,784	\$ 2,157	1,000,000	\$ 1,000	100,000	\$ 100	17,622,539	\$17,623	\$63,313,336	\$ (33,172,690)	\$ (148,291)	\$ 853,643	\$ 30,866,878	\$1,077,645

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock Series 1 Par Value \$0.001		Preferred Stock Series A Par Value \$0.001		Common Stock Par Value \$0.01		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated other Comprehensive Income(loss)	Total Stockholders' Equity	Non- controlling interest of Vicon
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount					
Balance at September 30, 2018	1,914,168	\$ 1,914	1,000,000	\$ 1,000	1,621,719	\$ 1,622	\$ 31,496,671	\$ 4,262,756	\$ (483,297)	\$ 35,280,666	\$ -
Foreign currency translation gain									1,624,253	1,624,253	
Share-based compensation							622,231			622,231	
Shares issued in Subscription Rights Offering					25,126	25	138,669			138,694	
Shares issued to pay notes payable					1,847,830	1,847	5,022,607			5,024,454	
Dividends paid in Series 1 preferred shares	196,550	197					1,965,303	(1,965,500)		-	
Shares issued in trust for ATM Offering					27,953	28	(28)			-	
Shares sold in ATM Offering					34,547	35	203,644			203,679	
Series B Conversion					175,562	176	356,270			356,446	
Reverse split rounding shares					3,338	3	-			3	
Discount on Series B (deemed dividend)							(154,512)			(154,512)	
Increase in noncontrolling interest through consolidation accounting							97,149			97,149	
Shares sold in Securities Purchase Agreement					226,715	227	596,833			597,060	
Income in noncontrolling interest									(344,952)	(344,952)	885,874
Net loss								(22,364,941)		(22,364,941)	
Balance at September 30, 2019	2,110,718	\$ 2,111	1,000,000	\$ 1,000	3,962,790	\$ 3,963	\$ 40,344,837	\$ (20,067,685)	\$ 796,004	\$ 21,080,230	\$ 885,874

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash Flows from Operating Activities	For the year ended September 30,	
	2020	2019
Net loss	\$ (9,706,659)	\$ (21,862,716)
Net loss from discontinued operations	(812,895)	(10,559,963)
Net loss from continuing operations	(8,893,764)	(11,302,753)
Adjustments to reconcile net loss to net cash provided/(used) by operating activities:		
Depreciation and amortization	2,898,399	3,013,986
Gain/(loss) on disposal of property & equipment	37,910	471,019
Amortization of right-of-use assets	816,550	-
Change in allowance for inventory obsolescence	636,981	-
Change in allowance for doubtful accounts	(265,203)	-
Amortization of original issue discounts on notes payable	944,778	108,222
Share-based compensation	191,416	622,232
Interest expense paid in equity shares	2,859,125	1,590,374
Income tax expense/(benefit)	2,073,835	(1,335,584)
Loss on equity interests	-	342,776
Changes in operating assets and liabilities net of effects from acquisition of subsidiaries:		
Accounts receivable	37,390	3,082,635
Accounts receivable - related party	(660,690)	(61,799)
Inventory	(2,223,632)	1,341,569
Prepaid expenses and other current assets	267,448	(240,732)
Other assets	(246,350)	(27,418)
Other liabilities	(157,816)	1,221,549
Accounts payable	(846,340)	(2,114,250)
Operating lease liabilities	(816,549)	-
Deposits from customers	(3,414)	(17,545)
Accrued expenses	(4,820)	(493,921)
Deferred revenue	195,775	228,024
Income taxes payable	(121,191)	-
Net cash used by operating activities - continuing operations	(3,280,162)	(3,571,616)
Net cash provided/(used) by operating activities - discontinued operations	(812,895)	7,507,090
Net cash provided/(used) by operating activities	(4,093,057)	3,935,474
Cash Flows from Investing Activities		
Net change in self-insured benefit deposits	(494,707)	(1,659,480)
Purchase of property and equipment	(1,566,014)	14,000
Purchase of marketable securities	(475,016)	(398,291)
Payments received on notes receivable	3,300,289	-
Net cash provided/(used) by investing activities - continuing operations	764,552	(2,043,771)
Net cash provided by investing activities - discontinued operations	-	8,883,541
Net cash provided/(used) by investing activities	764,552	6,839,770
Cash Flows from Financing Activities		
Proceeds from notes payable	8,485,000	2,595,000
Payments on notes payable	(851,640)	(414,859)
Issuance of notes receivable	-	(3,300,289)
Proceeds on bank loans	3,831,100	-
Payments on bank loans	(778,090)	(1,440,535)
Proceeds from securities purchase agreements	12,462,648	-
Expenses on securities purchase agreements	(840,728)	-
Proceeds from at-the-market offerings	-	957,784
Expenses on at-the-market offerings	-	(41,438)
Proceeds from the issuance of Series B Preferred Stock	-	500,000
Expenses from the issuance of Series B Preferred Stock	-	(25,000)
Settlement of Series B Preferred Stock in cash	-	(273,092)
Revolving line of credit	(425,812)	(925,124)
Purchases of treasury stock	(338,775)	-
Payments on capital lease liabilities	(22,718)	(24,286)
Net cash provided/used by financing activities - continuing operations	21,520,985	(2,391,839)
Net cash used by financing activities - discontinued operations	-	(9,465,508)
Net cash provided/(used) by financing activities	21,520,985	(11,857,347)
Effect of currency translation	22,294	1,624,253
Net increase in cash, cash equivalents, and restricted cash	18,192,480	(1,082,103)
Cash, cash equivalents, and restricted cash at beginning of period	2,858,085	2,315,935
Cash, cash equivalents, and restricted cash at end of period	\$ 21,072,859	\$ 2,858,085

Balance Sheet Accounts Included in Cash, Cash Equivalents, and Restricted Cash		
Cash and equivalents	\$ 19,490,061	\$ 1,769,994
Restricted cash	1,582,798	1,088,091
Total cash, cash equivalents, and restricted cash	\$ 21,072,859	\$ 2,858,085

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

CONSOLIDATED STATEMENTS OF CASH FLOWS**Supplemental Disclosure of Cash Flow Information:**

Cash paid during the period for interest	\$	1,590,541	\$	672,637
Cash paid during the period for income taxes	\$	32,345	\$	162,871

Supplemental Schedule of Non-Cash Investing and Financing Activities

Investment in Vicon Technologies	\$	500,000	\$	300,000
Stock issued to pay for products and/or services	\$	532,788	\$	-
Stock issued to pay notes payable	\$	8,737,125	\$	5,047,569
Dividends paid in equity shares	\$	2,170,990	\$	1,965,500

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Cemtrex was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth into a leading multi-industry technology company. The Company has expanded in a wide range of sectors, including smart technologies, virtual and augmented realities, industrial solutions, and intelligent security systems. Unless the context requires otherwise, all references to “we”, “our”, “us”, “Company”, “registrant”, “Cemtrex” or “management” refer to Cemtrex, Inc. and its subsidiaries.

The Company continuously assesses the composition of its portfolio businesses to ensure it is aligned with its strategic objectives and positioned to maximize growth and return in the coming years. During fiscal 2018, the Company made a strategic decision to exit its Electronics Manufacturing group by selling all companies in that business segment on August 15, 2019. Accordingly, the Company has reported the results of the Electronics Manufacturing business as discontinued operations in the Consolidated Statements of Operations and in the Consolidated Balance Sheets. These changes have been applied for all periods presented. During fiscal 2019, the Company also reached a strategic decision to exit the environmental products business, which was part of the Industrial Services Segment. Accordingly, the Company has reported the results of the environmental control products business as discontinued operations in the Consolidated Statements of Operations and in the Consolidated Balance Sheets.

Now the Company has two business segments, consisting of (i) Advanced Technologies (AT) and (ii) Industrial Services (IS).

Advanced Technologies (AT)

Cemtrex’s Advanced Technologies segment delivers cutting-edge technologies in the Internet of Things (IoT) and Smart Devices, such as the SmartDesk. Through the Company’s advanced engineering and product design, the Company delivers Virtual Reality (VR) and Augmented Reality (AR) solutions that provide higher productivity, progressive design and impactful experiences for consumer products, and various commercial and industrial applications. The Company is in the process of developing virtual reality applications for commercialization over the next couple years.

The AT business segment also includes the Company’s majority owned subsidiary, Vicon Industries, which provides end-to-end security solutions to meet the toughest corporate, industrial and governmental security challenges. Vicon’s products include browser-based video monitoring systems and analytics-based recognition systems, cameras, servers, and access control systems for every aspect of security and surveillance in industrial and commercial facilities, federal prisons, hospitals, universities, schools, and federal and state government offices. Vicon provides cutting edge, mission critical security and video surveillance solutions utilizing Artificial Intelligence (AI) based data algorithms.

Industrial Services (IS)

Cemtrex’s IS segment, offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers. 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.

Going Concern Considerations

The Company has incurred substantial losses over the past two fiscal years and has debt obligations over the next fiscal year that raise going concern considerations. The Company has raised capital and will continue to reduce expenses through the use of (i) issuance of notes and subsequent settlement of such notes with equity, (ii) equity offering to qualified investors and at-the-market offerings, (iii) review and improve our business processes for more efficiency, (iv) sale or reallocation of fixed assets held from exited business segments to raise capital or increase revenue in continuing business segments, (v) development of additional products for the Advanced Technologies segment to increase revenues, (vi) cost reductions to improve overall profitability in all segments. The Company believes that these going concern considerations have been alleviated by management's plans.

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT 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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, provisions for doubtful accounts receivable, net realizable value of inventory, warranty obligations, income tax accruals, deferred tax valuation and assessments of the recoverability of the Company's long-lived assets. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Cemtrex Advanced Technologies Inc., Cemtrex Ltd., Cemtrex Technologies Pvt. Ltd., and Advanced Industrial Services, Inc. and the Company's majority-owned subsidiary Vicon Industries, Inc. and its subsidiaries, Telesite USA, Vicon Industries Ltd., Vicon Deutschland GmbH, and Vicon Systems, Ltd. All inter-company balances and transactions have been eliminated in consolidation.

Carrying Value, Recoverability and Impairment of 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 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.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, net of an 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.

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 determines when receivables are past due or delinquent based on how recently payments have been received.

The Company has \$340,848 and \$606,051 allowance for doubtful accounts at September 30, 2020 and 2019, respectively.

The Company does not have any off-balance-sheet credit exposure to its customers at September 30, 2020 or 2019.

Inventory and Cost of Goods Sold

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.

The Company classifies inventory markdowns in the income statement as a component of cost of goods sold. These markdowns are estimates, which could vary significantly from actual requirements if future economic conditions, customer demand or competition differ from expectations.

There was \$4,575,193 and \$3,938,212 in inventory obsolescence at September 30, 2020 and 2019, respectively. The increase in inventory obsolescence is due to the addition of slow moving and out of date products.

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 over the estimated useful lives of the respective assets, shown in the table below;

	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.

For the years ended September 30, 2020, and 2019, there was no impairment of the Company's goodwill.

Leases

On October 1, 2019, the Company adopted ASU 2016-02 (Topic 842), "Leases". ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors may use the effective date method and elected certain practical expedients allowing the Company not to reassess:

- whether expired or existing contracts contain leases under the new definition of a lease;
- lease classification for expired or existing leases; and
- whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

The Company also made the accounting policy decision not to recognize lease assets and liabilities for leases with a term of 12 months or less.

Related Parties

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

On October 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), using the modified retrospective transition method. Management determined that there was no cumulative effect adjustment to the consolidated financial statements and the adoption of the standard did not require any adjustments to the consolidated financial statements for prior periods. Under the guidance of the standard, revenue represents the amount received or receivable for goods and services supplied by the Company to its customers. Company recognizes revenue at the time a good or service is transferred to a customer and the customer obtains control of that good or receives the service performed. Most of the Company's sales arrangements with customers are short-term in nature involving single performance obligations related to the delivery of goods or repair of equipment and generally provide for transfer of control at the time of shipment to the customer. The Company generally permits returns of product or repaired equipment due to defects; however, returns are historically insignificant.

In accordance with the authoritative guidance issued by the FASB on revenue recognition, the Company recognizes revenue from cost reimbursable contracts based on the services provided, typically represented by man-hours worked, and is measured by reference to agreed charge-out rates or to the estimated total contract revenue. Revenue from long-term fixed price contracts is recognized using the percentage-of-completion method, measured by reference to physical completion or the ratio of costs incurred to total estimated contract costs. If the outcome of a contract cannot be estimated reliably, as may be the case in the initial stages of completion of the contract, revenue is recognized only to the extent of the costs incurred that are expected to be recoverable. If a contract is expected to be loss-making, the expected amount of the loss is recognized immediately in the income statement. Revenue from short-term contracts is recognized when delivery has occurred, and collection of the resulting receivable is deemed probable. Timing of revenue recognition may differ from the timing of invoicing to customers.

The Company records a liability when receiving cash in advance of delivering goods or services to the customer. This liability is reversed against the receivable recognized when those goods or services are delivered

Warranties

The Company provides for the estimated cost of product warranties at the time revenue is recognized. While the Company engages in product quality programs and processes, including monitoring and evaluating the quality of its component suppliers, its warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from its estimates, revisions to the estimated warranty liability may be required.

Shipping and Handling Costs

The Company accounts for shipping and handling fees in accordance with paragraph 605-45 of the FASB Accounting Standards Codification. 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 ASC 740-10, 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 Operations and Comprehensive Income in the period that includes the enactment date.

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. The Company will accrue for interest and penalties on income taxes when there is a likelihood that they will occur and can be reasonably estimated.

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 carrybacks 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 including the United States, India, and The United Kingdom, 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

For the years ended September 30, 2020 and 2019, the Company did not take any uncertain tax positions and had no adjustments to its income tax liabilities or benefits. The Company will record any interest and/or penalties arising from uncertain tax provisions when they are likely to occur and reasonably estimable.

Accounting for Share-Based Compensation

The Company follows ASC 718 ("Share-Based Payment"), which requires that all share-based payments to employees, including stock options, stock appreciation rights (SARs) and common stock share awards, be recognized as compensation expense in the consolidated financial statements based on their fair values and over the requisite service period.

The fair value for options granted was determined at the date of grant using a Black-Scholes valuation model and the straight-line attribution approach using the following weighted average assumptions: The risk-free interest rate used in the Black-Scholes valuation method is based on the implied yield currently available in U.S. Treasury securities at maturity with an equivalent term. Other than a one-time dividend paid in fiscal year 2017, the Company never declared or paid any cash dividends and does not currently expect to do so in the future. Expected volatility is based on the annualized daily historical volatility of the Company's stock over a representative period. The weighted-average expected life represents the period over which stock-based awards are expected to be outstanding and was determined based on a number of factors, including historical weighted average and projected holding periods for the remaining unexercised shares, the contractual terms of the Company's stock-based awards, vesting schedules and expectations of future employee behavior.

Net Income (Loss) per Common Share

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 per common share is computed by dividing net income 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. As of September 30, 2020, and 2019, the following items were excluded from the computation of diluted net loss per common share as their effect is anti-dilutive:

	For the years ended September 30,	
	2020	2019
Warrants to purchase shares	945,833	1,050,000
Options	433,965	433,965

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, 2020 and September 30, 2019, comprehensive loss includes a gain of \$22,295 and a gain of \$1,279,301, respectively, which were entirely from foreign currency translation.

As of and for the year ended September 30, 2020 the Company used the following exchange rates.

Currency	Exchange rate at December 31, 2019	Approximate weighted average exchange rate For the three months ended December 31, 2019	Exchange rate at September 30, 2020	Approximate weighted average exchange rate For the year ended September 30, 2020
Indian Rupee	0.001	0.014	0.014	0.014
Great Britain Pound	1.320	1.290	1.287	1.248

Cash Flows Reporting

The Company adopted uses the indirect or reconciliation method (“Indirect method”) as 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.

Subsequent Events

The Company will evaluate subsequent events through the date when the financial statements were issued. It is the Company’s policy to disclose subsequent information that it feels is important to the context of the financial statements.

Reclassifications

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

Recently Issued Accounting Pronouncements Not Yet Effective

Intangibles – Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued No. ASU 2018-15, which addresses a customer’s accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. Under the new standard, customers will apply the same criteria for capitalizing implementation costs as they would for an arrangement that has a software license. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those annual reporting periods, with early adoption permitted. As of September 30, 2020, the Company does not have significant implementation costs incurred in a cloud computing arrangement that is a service contract and therefore upon adoption the impact of the new standard on its consolidated financial statements and related disclosures is not expected to be material. All future implementation costs in such arrangements will be capitalized and amortized over the life of the arrangement, which may have a material impact in those future periods if such costs are material.

Fair Value

In August 2018, the FASB issued ASU No. 2018-13, which changes the fair value measurement disclosure requirements of ASC 820. ASU 2018-13 will be effective for annual reporting periods beginning after December 15, 2019, including interim periods within those annual reporting periods, with early adoption permitted for any eliminated or modified disclosures upon issuance of this ASU. Upon adoption, the new standard will eliminate certain disclosure requirements in the Company’s consolidated financial statements.

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)*, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 is effective for smaller reporting companies for annual reporting periods beginning after December 15, 2022, including interim periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements and related disclosures.

All other Accounting Standards Updates issued but not yet effective are not expected to have a material effect on the Company’s future consolidated financial statements or related disclosures.

NOTE 3 PURCHASED ASSETS AND INVESTMENTS

On March 23, 2018, in a private resale transaction, Cemtrex purchased 3,643 (7,284,824 prior to a 2,000-1 reverse stock split) shares of common stock and a warrant to purchase an additional 750 (1,500,000 prior to a 2,000-1 reverse stock split) shares of common stock of Vicon Industries, Inc. (OTCMKTS: VCON), (“Vicon”), from a former Vicon shareholder NIL Funding Corporation, pursuant to the terms of a Securities Purchase Agreement. Cemtrex’s purchase of the Vicon Industries common stock and warrant resulted in its beneficial ownership of approximately 46% of the outstanding shares of common stock of Vicon. Cemtrex purchased the shares of common stock and warrant of Vicon Industries in exchange for 126,579 shares of Cemtrex common stock. Following the closing of the transaction, Saagar Govil, Cemtrex’s Chairman and Chief Executive Officer, and Aron Govil, Cemtrex’s Executive Director, joined the Vicon Industries Board of Directors and Saagar Govil assumed the position of Chief Executive Officer of Vicon Industries. Following the resignation of all other Board members by January 2019, the Company gained the ability to exercise significant management control over the operations of Vicon. Because of this increased management ability, and pursuant to GAAP, the Company has consolidated the accounts of Vicon into its financial statements beginning as of January 14, 2019. Prior to January 14, 2019, the Company reported its 48% ownership of Vicon as an asset with a balance of \$1,356,495 and was using the equity method of accounting for this asset. At January 14, 2019, the fair market value of the Company’s investment in Vicon was determined to be \$527,089 and the Company reported as other expense a loss of \$829,406, to adjust the carrying value to fair value under ASC 805. Upon recording the fair value of the assets and liabilities of Vicon, \$1,893,075 was recorded as Goodwill. On May 13, 2019, the Company acquired 7,500 (15,000,000 prior to a 2,000-1 reverse stock split) shares of Vicon common stock in exchange for \$300,000 owed by Vicon to the Company for services provided. On February 21, 2020, the Company purchased 71,429 shares for \$500,000. The Company now owns approximately 95% of Vicon’s outstanding shares of common stock.

NOTE 4 – DISCONTINUED OPERATIONS**EXIT FROM ENVIRONMENTAL BUSINESS**

During fiscal 2019, the Company also reached a strategic decision to exit the environmental products business, which was part of Industrial Services group. Accordingly, the Company has reported the results of the environmental control products business as discontinued operations in the Consolidated Statements of Operations and in the Consolidated Balance Sheets.

Assets and liabilities included within discontinued operations on the Company’s Consolidated Balance Sheets at September 30, 2020 and 2019 are as follows;

Assets	September 30, 2020	September 30, 2019
Current assets		
Trade receivables - related party	544,500	555,600
Total current assets	544,500	555,600
Property and equipment, net		8,761,677
Assetss held for sale	8,323,321	-
Total Assets	\$ 8,867,821	\$ 9,317,277
Liabilities		
Current liabilities		
Accounts payable	\$ -	\$ 263,832
Total liabilities	\$ -	\$ 263,832

Loss from discontinued operations, net of tax and the loss on sale of discontinued operations, net of tax, of the ROB Cemtrex Companies and Griffin Filters business, sold during fiscal year 2019, which are presented in total as discontinued operations, net of tax in the Company's Consolidated Statements of Operations for the years ended September 30, are as follows:

	Year ended September 30,	
	2020	2019
Total net sales	\$ -	\$ 42,614,107
Cost of sales	-	25,788,268
Operating, selling, general and administrative expenses	812,895	20,374,141
Other expenses	-	264,505
Income (loss) from discontinued operations	(812,895)	(3,812,807)
Loss on sale of discontinued operations	-	(6,374,563)
Income tax provision	-	372,593
Discontinued operations, net of tax	<u>\$ (812,895)</u>	<u>\$ (10,559,963)</u>

NOTE 5 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company reports and evaluates financial information for two segments: Advanced Technologies (AT) segment, and the Industrial Services (IS) segment. The AT segment develops smart devices and provides progressive design and development solutions to create impactful experiences for mobile, web, virtual and augmented reality, wearables and television as well as providing cutting edge, mission critical security and video surveillance. The IS segment offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA in industries such as: chemical, steel, printing, construction, & petrochemical.

The following tables summarize the Company's segment information:

	For the years ended	
	September 30,	
	2020	2019
Revenues from external customers		
Advanced Technologies	\$ 25,750,684	\$ 19,268,687
Industrial Services	17,767,700	19,996,354
Total revenues	<u>\$ 43,518,384</u>	<u>\$ 39,265,041</u>
Gross profit		
Advanced Technologies	\$ 12,924,371	\$ 8,296,186
Industrial Services	6,440,076	7,266,488
Total gross profit	<u>\$ 19,364,447</u>	<u>\$ 15,562,674</u>
Operating loss		
Advanced Technologies	\$ (2,700,997)	\$ (5,633,572)
Industrial Services	(1,332,508)	(1,813,778)
Total operating loss	<u>\$ (4,033,505)</u>	<u>\$ (7,447,350)</u>
Other expense		
Advanced Technologies	\$ (2,588,609)	\$ (4,441,385)
Industrial Services	(197,815)	(406,826)
Total other expense	<u>\$ (2,786,424)</u>	<u>\$ (4,848,211)</u>
Depreciation and Amortization		
Advanced Technologies	\$ 1,519,022	\$ 1,350,079
Industrial Services	1,379,377	1,663,907
Total depreciation and amortization	<u>\$ 2,898,399</u>	<u>\$ 3,013,986</u>
	September 30,	September 30,
	<u>2020</u>	<u>2019</u>
Identifiable Assets		
Advanced Technologies	\$ 39,953,522	\$ 19,365,582
Industrial Services	15,510,629	16,209,838
Discontinued operations	8,867,821	9,317,277
Total Assets	<u>\$ 64,331,972</u>	<u>\$ 44,892,697</u>

The Company generates revenue from product sales and services from its subsidiaries located in the United States, The United Kingdom, and India. Revenue and long-lived asset information for the Company is as follows:

Revenues	September 30, 2020	September 30, 2019
U.S. Operations	\$ 40,211,773	\$ 35,320,625
Non-U.S. Operations	3,306,611	3,944,416
	\$ 43,518,384	\$ 39,265,041

Long-lived Assets	September 30, 2020	September 30, 2019
U.S. Operations	\$ 6,793,597	\$ 5,395,353
Non-U.S. Operations	2,765,339	11,381,199
	\$ 9,558,936	\$ 16,776,552

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy is applied to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the guidance for fair value measurements are described below:

Level 1 — Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Our Level 1 assets include cash equivalents, banker's acceptances, trading securities investments and investment funds. We measure trading securities investments and investment funds at quoted market prices as they are traded in an active market with sufficient volume and frequency of transactions.

Level 2 — Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified contractual term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include cost method investments, goodwill, intangible assets, and property, plant and equipment, which are measured at fair value using a discounted cash flow approach when they are impaired. Quantitative information for Level 3 assets and liabilities reviewed at each reporting period includes indicators of significant deterioration in the earnings performance, credit rating, asset quality, business prospects of the investee, and financial indicators of the investee's ability to continue as a going concern.

The Company's fair value assets for the years ended September 30, 2020 and 2019 are as follows;

	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, 2020
Assets				
Investment in marketable securities (included in short-term investments)	\$ 887,746	\$ -	\$ -	\$ 887,746
	<u>\$ 887,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 887,746</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, 2019
Assets				
Investment in marketable securities (included in short-term investments)	\$ 412,730	\$ -	\$ -	\$ 412,730
	<u>\$ 412,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,730</u>

The Company's investments are actively traded in the stock and bond markets. Therefore, there is either a realized gain or loss that is recorded when a sale happens. For the fiscal year ended September 30, 2020 the Company had sales of equity securities which yielded gross realized gains of \$1,663,311 and gross realized losses of \$28,229.

NOTE 7 – 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 \$1,582,798 and \$1,088,091 as of September 30, 2020 and 2019, respectively. 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 \$98,056 and \$118,889 as of September 30, 2020 and 2019, respectively.

NOTE 8 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

	September 30, 2020	September 30, 2019
Accounts receivable	\$ 7,027,645	\$ 7,065,035
Allowance for doubtful accounts	(340,848)	(606,051)
	<u>\$ 6,686,797</u>	<u>\$ 6,458,984</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 9 – INVENTORY, NET

Inventory, net of reserves, consist of the following:

	September 30, 2020	September 30, 2019
Raw materials	\$ 3,959,888	\$ 4,917,700
Work in progress	995,184	543,857
Finished goods	6,413,927	3,683,810
	<u>11,368,999</u>	<u>9,145,367</u>
Less: Allowance for inventory obsolescence	(4,575,193)	(3,938,212)
Inventory –net of allowance for inventory obsolescence	<u>\$ 6,793,806</u>	<u>\$ 5,207,155</u>

NOTE 10 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	September 30, 2020	September 30, 2019
Land	\$ 790,373	\$ -
Building and leasehold improvements	3,875,796	1,233,733
Furniture and office equipment	621,790	614,569
Computers and software	4,985,749	5,166,922
Trade show display	89,330	89,330
Machinery and equipment	13,668,263	23,463,953
	<u>24,031,301</u>	<u>30,568,507</u>
Less: Accumulated depreciation	(14,472,365)	(13,791,955)
Property and equipment, net	<u>\$ 9,558,936</u>	<u>\$ 16,776,552</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, 2019. Depreciation and amortization of property and equipment totaled approximately \$2,898,399 and \$3,013,986 for fiscal years ended September 30, 2020 and 2019, respectively.

At September 30, 2020, the Company has \$8,323,321 net value of property and equipment reported on the Consolidated Balance Sheet as Assets held for sale.

NOTE 11 – LEASES

ASC 842, “Leases”, requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at either the effective date (the “effective date method”) or the beginning of the earliest period presented (the “comparative method”) using a modified retrospective approach. Under the effective date method, the Company’s comparative period reporting is unchanged. In contrast, under the comparative method, the Company’s date of initial application is the beginning of the earliest comparative period presented, and the Topic 842 transition guidance is then applied to all comparative periods presented. Further, under either transition method, the standard includes certain practical expedients intended to ease the burden of adoption. The Company adopted ASC 842 October 1, 2019 using the effective date method and elected certain practical expedients allowing the Company not to reassess:

- whether expired or existing contracts contain leases under the new definition of a lease;
- lease classification for expired or existing leases; and
- whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

The Company also made the accounting policy decision not to recognize lease assets and liabilities for leases with a term of 12 months or less.

The Company entered into a financing lease for a single vehicle in the Industrial services segment with a term of 3 years. The Company enters into operating leases for its facilities in New York, United Kingdom, and India, as well as for vehicles for use in our Industrial Services segment. The operating lease terms range from 2 to 7 years. The Company excluded the renewal option on its applicable facility leases from the calculation of its right-of-use assets and lease liabilities.

Finance and operating lease liabilities consist of the following:

	September 30, 2020	September 30, 2019
Lease liabilities - current		
Finance leases	\$ 20,061	\$ 22,452
Operating leases	700,975	-
	<u>721,036</u>	<u>22,452</u>
Lease liabilities - net of current portion		
Finance leases	\$ -	\$ 20,061
Operating leases	2,027,406	-
	<u>\$ 2,027,406</u>	<u>\$ 20,061</u>

A reconciliation of undiscounted cash flows to finance and operating lease liabilities recognized in the condensed consolidated balance sheet at September 30, 2020 is set forth below:

Years ending September 30,	Finance leases	Operating Leases	Total
2021	20,862	838,028	858,890
2022	-	659,505	659,505
2023	-	505,550	505,550
2024	-	387,998	387,998
2025	-	364,974	364,974
2026	-	375,923	375,923
Undiscounted lease payments	20,862	3,131,978	3,152,840
Amount representing interest	(801)	(403,597)	(404,398)
Discounted lease payments	<u>\$ 20,061</u>	<u>\$ 2,728,381</u>	<u>\$ 2,748,442</u>

Additional disclosures of lease data are set forth below:

	For the year ended September 30, 2020
Lease costs:	
Finance lease costs:	
Depreciation of finance lease assets	\$ 22,912
Interest on lease liabilities	832
Operating lease costs:	
Amortization of right-of-use assets	816,550
Interest on lease liabilities	59,122
Total lease cost	\$ 899,416
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating leases	\$ 816,549
Finance leases	22,718
	\$ 839,267
Weighted-average remaining lease term - finance leases (months)	10
Weighted-average remaining lease term - operating leases (months)	51
Weighted-average discount rate - finance leases	3.63%
Weighted-average discount rate - operating leases	6.64%

The Company used the rate implicit in the lease, where known, or its incremental borrowing rate as the rate used to discount the future lease payments.

NOTE 12 – PREPAID AND OTHER CURRENT ASSETS

On September 30, 2020, the Company had prepaid and other current assets consisting of prepayments on inventory purchases of \$101,308, and other current assets of \$1,087,009. On September 30, 2019, the Company had prepaid and other current assets consisting of prepayments on inventory purchases of \$530,447, and other current assets of \$925,318.

NOTE 13 - OTHER ASSETS

As of September 30, 2020, the Company had other assets of \$744,207 which was comprised of rent security deposits of \$294,553, other assets of \$449,654. As of September 30, 2019, the Company had other assets of \$497,857 which was comprised of rent security deposits of \$127,246, other assets of \$370,611.

NOTE 14 – LINES OF CREDIT AND LONG-TERM LIABILITIES*Lines of credit*

The Company currently has a line of credit with Fulton Bank for \$3,500,000. The line carries an interest of LIBOR plus 2.00% per annum (3.98% as of September 30, 2020). At September 30, 2020 there was no outstanding balance on this line of credit.

Loans payable to bank

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 (4.23% as of September 30, 2020) and is payable on December 15, 2022. This loan carries loan covenants which the Company was in compliance with as of September 30, 2020.

On December 15, 2015, the Company acquired a loan from Fulton Bank in the amount of \$620,000 in order to fund the operations of Advanced Industrial Services, Inc. This loan carries interest of LIBOR plus 2.00% per annum (3.98% as of September 30, 2020) and is payable on December 15, 2020. This loan carries loan covenants which the Company was in compliance with as of September 30, 2020.

On May 1, 2018, the Company acquired a loan from Fulton Bank in the amount of \$400,000 in order to fund new equipment for Advanced Industrial Services, Inc. This loan carries interest of LIBOR plus 2.00% per annum (3.98% as of September 30, 2020) and is payable on May 1, 2023. This loan carries loan covenants which the Company was in compliance with as of September 30, 2020.

On January 28, 2020, the Company acquired a loan from Fulton Bank in the amount of \$360,000 in order to fund new equipment for Advanced Industrial Services, Inc. This loan carries interest of LIBOR plus 2.25% per annum (4.23% as of September 30, 2019) and is payable on May 1, 2023. This loan carries loan covenants which the Company was in compliance with as of September 30, 2020.

Notes payable

On December 23, 2019, the Company, issued a note payable to an independent private lender in the amount of \$1,725,000. This note carries interest of 8% and matures on June 23, 2021. After deduction of an original issue discount of \$225,000 and legal fees of \$5,000, the Company received \$1,495,000 in cash.

On April 24, 2020, the Company, issued a note payable to an independent private lender in the amount of \$1,725,000. This note carries interest of 8% and matures on October 24, 2021. After deduction of an original issue discount of \$225,000 and legal fees of \$5,000, the Company received \$1,495,000 in cash.

On September 30, 2020, the Company, issued a note payable to an independent private lender in the amount of \$4,605,000. This note carries interest of 8% and matures on March 30, 2022. After deduction of an original issue discount of 600,000 and legal fees of \$5,000, the Company received \$4,000,000 in cash.

On March 3, 2020, Vicon, a subsidiary of the Company amended the \$5,600,000 Term Loan Agreement with NIL Funding Corporation (“NIL”). Upon closing, \$500,000 of outstanding borrowings were repaid to NIL, additionally, another \$500,000 is to be paid in one year. The Agreement requires monthly payments of accrued interest that began on October 1, 2018. This note carries interest of 8.85% and matures on March 30, 2022. This note carries loan covenants which the Company is in compliance with as of September 30, 2020.

Mortgage Payable

On January 28, 2020, the Company’s subsidiary, Advanced Industrial Services, Inc., completed the purchase of two buildings for a total purchase price of \$3,381,433. The Company paid \$905,433 in cash and acquired a mortgage from Fulton Bank in the amount of \$2,476,000. This mortgage carries interest of LIBOR plus 2.50% per annum and is payable on January 28, 2040. This loan carries loan covenants similar to covenants on The Company’s other loans from Fulton Bank. As of September 30, 2020, the Company was in compliance with these covenants.

Paycheck Protection Program Loans

In April and May of 2020, the Company and its subsidiaries applied for and were granted \$3,471,100 in Paycheck Protection Program loans under the CARES Act. These loans bear interest of 2% and mature in two years. The Company will apply for and fully expects these loans to be forgiven under the provisions of the CARES Act and any subsequent legislation that may be applicable. These loans are recorded under Paycheck Protection Program Loans on our Condensed Consolidated Balance Sheet as of September 30, 2020, net of the short-term portion of \$1,301,663.

Estimated maturities of our long-term debt over the next 5 years are as follows;

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>	<u>Total</u>
Fulton Bank - \$5,250,000	\$ 713,548	782,269	668,767	-	-	-	\$ 2,164,584
Fulton Bank - \$620,000	\$ 58,897	-	-	-	-	-	\$ 58,897
Fulton Bank - \$400,000	\$ 78,995	85,792	81,886	-	-	-	\$ 246,673
Fulton Bank - \$360,000	\$ 67,291	69,024	72,243	75,111	47,866	-	\$ 331,535
Fulton Bank - Mortgage payable	\$ 81,329	84,574	88,266	92,120	96,142	1,913,111	\$ 2,355,542
NIL Funding	\$ 800,000	3,825,000	-	-	-	-	\$ 4,625,000
PPP Loans	\$ 1,301,663	2,169,437	-	-	-	-	\$ 3,471,100
Notes Payable ⁽¹⁾	\$ 3,932,787	2,205,000	-	-	-	-	\$ 6,137,787
TOTAL	<u>\$ 7,034,510</u>	<u>\$ 9,221,096</u>	<u>\$ 911,162</u>	<u>\$ 167,231</u>	<u>\$ 144,008</u>	<u>\$ 1,913,111</u>	<u>\$ 19,391,118</u>

(1) Net of unamortized original issue discounts of \$875,000

NOTE 15 – RELATED PARTY TRANSACTIONS

On August 31, 2019, the Company entered into an Asset Purchase Agreement for the sale of Griffin Filters, LLC to Ducon Technologies, Inc., which Aron Govil, the Company's CFO, is President, for total consideration of \$550,000. As of September 30, 2020, and 2019, there was \$1,432,209 and \$771,519 in receivables due from Ducon Technologies, Inc., respectively. At September 30, 2020, \$500,000 of the balance due is for the sale of Griffin, due in February 2021, and the remaining balance are various receivables with various due dates within the next fiscal year.

On May 1, 2020, Company invested \$500,000 in a registered S-1 stock offering of Telidyne Inc., an OTC listed company, by purchasing 166,667 shares of common stock at \$3.00 per share. Telidyne Inc. is controlled by the Company's former CFO and Executive Director, Aron Govil. On September 30, 2020, the Company decided to withdraw its investment, the transaction was cancelled, and all proceeds were returned.

NOTE 16 – SHAREHOLDERS' EQUITY

On July 27, 2020, the Company amended the Company's Certificate of Incorporation (the "Amended Certificate of Incorporation") which was duly approved by the Company's Board of Directors and duly adopted by the Company's shareholders increasing the number of authorized shares of all classes of stock from 30,000,000 shares to 50,000,000 shares with 40,000,000 designated as Common Stock and 10,000,000 designated as Preferred Stock.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of Preferred Stock, \$0.001 par value. As of September 30, 2020, and September 30, 2019, there were 3,256,784 and 3,110,718 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 per share 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.

The Series A Preferred Stock has no liquidation value or preference.

During the twelve-month periods ended September 30, 2020 and 2019, the Company did not issue any Series A Preferred Stock.

As of September 30, 2020, and September 30, 2019, there were 1,000,000 shares of Series A Preferred Stock issued and outstanding, respectively.

Series C Preferred Stock

On October 3, 2019, pursuant to Article IV of our Articles of Incorporation, our Board of Directors voted to designate a class of preferred stock entitled Series C Preferred Stock, consisting of up to one hundred thousand (100,000) shares, par value \$0.001. Under the Certificate of Designation, holders of Series C Preferred Stock are entitled to the number of votes per share equal to the result of (i) the total number of shares of Common Stock outstanding at the time of such vote multiplied by 10.01, and divided by (ii) the total number of shares of Series C Preferred Stock outstanding at the time of such vote, at each meeting of our shareholders with respect to any and all matters presented to our shareholders for their action or consideration, including the election of directors.

For the year ended September 30, 2020, 100,000 shares of Series C Preferred Stock were issued to Aron Govil, Executive former Director and CFO of the Company as part of his employment agreement. In order to determine the fair market value of these shares the Company used the closing price of its Series 1 preferred stock of \$0.95 on October 3, 2019. On July 10, 2020, Aron Govil transferred 50,000 shares of the Series C Preferred Stock to Saagar Govil.

As of September 30, 2020, there were 100,000 shares of Series C Preferred Stock issued and outstanding.

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 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.

On March 30, 2020, the Company amended the Certificate of Designation (the “Amended Certificate of Designation”) for our Series 1 Preferred Stock (the “Series 1 Stock”). The Amended Certificate of Designation increased the number of authorized preferred shares under the designation for our Series 1 Preferred Stock from 3,000,000 shares to 4,000,000 shares.

As of September 30, 2020, and 2019 there were 2,156,784 and 2,110,718 shares of Series 1 Preferred Stock issued and outstanding, respectively.

For the fiscal years ended September 30, 2020 and 2019, 217,099 and 196,550 shares of Series 1 Preferred Stock were issued to pay \$2,089,540 and \$1,965,500 worth of dividends to holders of Series 1 Preferred Stock, respectively.

For the fiscal years ended September 30, 2020, the Company purchased 235,133 shares of its Series 1 Preferred Stock on the open market at an average price per share of \$1.92, for an aggregate cost of approximately \$338,775, as part of its ongoing share repurchase program announced earlier. The Company retired 171,033 shares worth \$190,484 during fiscal 2020.

Common Stock

The Company is authorized to issue 40,000,000 shares of common stock, \$0.001 par value. As of September 30, 2020, there were 17,622,539 shares issued and outstanding and at September 30, 2019, there were 3,962,790 shares issued and outstanding.

During the fiscal years ended September 30, 2020 and 2019, 6,530,473 and 1,847,832 shares of the Company’s common stock have been issued to satisfy \$8,737,125 and \$5,047,569 of notes payable and accumulated interest, respectively.

During fiscal year 2020, the Company issued 6,643,872 shares of the Company’s common stock for \$12,462,648 in gross proceeds in various subscription rights offerings. After deducting offering expenses of \$840,728 the Company received \$11,621,920 in net proceeds (see below).

During fiscal year 2020, the Company issued 513,358 shares in exchange for \$532,788 worth of goods and services.

During fiscal year 2020, the Company cancelled 27,954 shares that were issued in trust for an ATM offering in the prior fiscal year that were not sold.

Series 1 Warrants

There are currently 433,965 shares of our common stock issuable upon the exercise of our publicly traded Series 1 warrants that have an exercise price of \$50.48 per share.

During the years ended September 30, 2020 and 2019, none of our outstanding Series 1 Warrants have been exercised.

Subscription Rights Offering

On December 4, 2019, the “Company entered into a Subscription Agreement relating to the public offering of 338,393 shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share, all of which were sold by the Company (the “Offering”) to an accredited investor. The Offering price of the Shares was \$1.12 per share for gross proceeds of \$379,000. After deducting offering expenses of \$18,950 the Company received \$360,050 in net proceeds.

On January 24, 2020, the “Company entered into a Subscription Agreement relating to the public offering of 500,000 shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share, all of which were sold by the Company (the “Offering”) to an accredited investor. The Offering price of the Shares was \$1.50 per share for gross proceeds of \$750,000. After deducting offering expenses of \$37,500 the Company received \$712,500 in net proceeds.

On February 26, 2020, the “Company entered into a Subscription Agreement relating to the public offering of 347,000 shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share, all of which were sold by the Company (the “Offering”) to an accredited investor. The Offering price of the Shares was \$1.30 per share for gross proceeds of \$451,100. After deducting offering expenses of \$2,500 the Company received \$448,600 in net proceeds.

On June 1, 2020, the “Company entered into a Subscription Agreement relating to the public offering of 3,055,556 shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share, all of which were sold by the Company (the “Offering”) to accredited investors. The Offering price of the Shares was \$1.80 per share for gross proceeds of \$5,500,000. After deducting offering expenses of \$395,000 the Company received \$5,105,000 in net proceeds.

On June 9, 2020, the “Company entered into a Subscription Agreement relating to the public offering of 2,402,923 shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share, all of which were sold by the Company (the “Offering”) to accredited investors. The Offering price of the Shares was \$2.24 per share for gross proceeds of \$5,382,548. After deducting offering expenses of \$386,778 the Company received \$4,995,769 in net proceeds.

NOTE 19 – SHARE-BASED COMPENSATION

On September 25, 2019, the Company cancelled all outstanding options granted to Saagar Govil, the Company’s Chairman and CEO and granted a stock option for 400,000 shares. These options have an exercise price of \$1.90 per share, which vested upon grant and they expire after seven years. Additionally, Mr. Govil was granted additional future options;

- (i) 100,000 shares of the Corporation’s common stock, CETX at an exercise price of \$1.92 per share on September 25, 2021;
- (ii) 100,000 shares of the Corporation’s common stock, CETX at an exercise price of \$2.30 per share on September 25, 2023; and
- (iii) 100,000 shares of the Corporation’s common stock, CETX at an exercise price of \$2.76 per share on September 25, 2025.

On September 25, 2019, the Company granted to Aron Govil, the Company's former Executive Director and CFO, a stock option for 200,000 shares. These options have an exercise price of \$1.90 per share, which vested upon grant and they expire after seven years. Upon Mr. Govil's retirement his outstanding options that were vested remain available to him until they expire. Mr. Govil's remaining options are;

- (i) 25,000 shares of the Corporation's common stock, CETX at an exercise price of \$1.92 per share on September 25, 2021;
- (ii) 12,500 shares of the Corporation's common stock, CETX at an exercise price of \$2.30 per share on September 25, 2023; and
- (iii) 8,333 shares of the Corporation's common stock, CETX at an exercise price of \$2.76 per share on September 25, 2025.

The following weighted-average assumptions were used to estimate the fair value of the common stock option liability at September 30, 2019;

	September 30, 2019
Expected term	5 Years
Risk-free interest rate	1.56%
Expected volatility	94.74%
Expected dividend yield	0%

During the years ended September 30, 2020 and 2019 the Company recognized \$191,416 and \$622,232 of share-based compensation expense on its outstanding options, respectively.

As of September 30, 2020, there was \$64,278 of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted-average period of 4 years.

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at September 30, 2018	79,111	\$ 22.40	4.09	\$ -
Options granted	1,050,000			
Options exercised	-			
Options forfeited	(4,111)			
Options cancelled	(75,000)			
Outstanding at September 30, 2019	1,050,000			\$ -
Options granted	-			
Options exercised	-			
Options forfeited	-			
Options cancelled	(104,167)			
Outstanding at September 30, 2020	945,833			
Exercisable at September 30, 2020	737,500	\$ 1.71	3.00	\$ -

NOTE 20 – COMMITMENTS AND CONTINGENCIES

The Company has moved its corporate activities to New York City with a month to month lease of 2,500 square feet of office space at a rate of \$13,000 per month. The Company has recognized \$143,000 of lease expense for this lease, for the year ended September 30, 2020.

The Company's IS segment owns approximately 25,000 square feet of warehouse space in Manchester, PA and approximately 43,000 square feet of office and warehouse space in York, PA. The IS segment also leases approximately 15,500 square feet of warehouse space in Emigsville, PA from a third party in a three-year lease at a monthly rent of \$4,555 expiring on August 31, 2022. The Company has recognized \$54,660 of lease expense for this lease, for the year ended September 30, 2020.

The Company's AT segment leases (i) approximately 6,700 square feet of office and warehouse space in Pune, India from a third party in an five year lease at a monthly rent of \$6,453 (INR456,972) expiring on February 28, 2024, the Company has recognized \$77,436 of lease expense for this lease, for the year ended September 30, 2020, (ii) approximately 27,000 square feet of office and warehouse space in Hauppauge, New York from a third party in a seven-year lease at a monthly rent of \$28,719 expiring on March 31, 2027, the Company recognized \$152,880 of lease expense for prior lease on this property, in the six months ended March 31, 2020, and has recognized \$139,721 of lease expense for the current lease during the six months ended September 30, 2020 and (iii) approximately 9,400 square feet of office and warehouse space in Hampshire, England in a fifteen-year lease with at a monthly rent of \$7,329 (£5,771) which expires on March 24, 2031 and contains provisions to terminate in 2021 and 2026, the Company has recognized \$87,948 of lease expense for this lease for the year ended September 30, 2020.

NOTE 21 – INCOME TAXES

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act reduces the maximum U.S. federal corporate tax rate from 35% to 21%, allows net operating losses incurred in 2018 and beyond to be carried forward indefinitely, allows alternative minimum tax carryforwards to be partially refunded, beginning in 2018, and fully refunded by 2021, and creates new taxes on certain foreign sourced earnings.

The following is a geographical breakdown of loss before the provision for income taxes:

	Year ended September 30,	
	2020	2019
Domestic	\$ (5,886,398)	\$ (10,774,136)
Foreign	(933,531)	(1,864,201)
Loss before provision for income taxes	\$ (6,819,929)	\$ (12,638,337)

The provision for income taxes consisted of the following:

	September 30, 2020	September 30, 2019
Current (benefit)/provision		
Federal	\$ -	\$ -
State	(209,032)	7,978
Foreign	-	-
Total current (benefit)/provision	(209,032)	7,978
Deferred provision		
Federal	2,282,867	(1,343,562)
State	-	-
Foreign	-	-
Total deferred provision	\$ 2,282,867	\$ (1,343,562)
Total (benefit)/provision for income taxes	\$ 2,073,835	\$ (1,335,584)
Effective Income tax rate	-30.41%	10.57%

Cemtrex Inc. and Subsidiaries

The following is a reconciliation of the effective income tax rate to the federal and state statutory rates:

	For the Fiscal Year Ended September 30, 2020	For the Fiscal Year Ended September 30, 2019
U.S. statutory rate	21.00%	21.00%
State statutory rate	6.50%	6.50%
Foreign tax rate differential	0.00%	0.00%
Change in valuation allowance	-33.00%	-12.83%
Effect of change in rates	0.00%	-6.23%
Nondeductible expenses	-24.91%	2.13%
Effective rate	<u>-30.41%</u>	<u>10.57%</u>

The components of our deferred tax assets and liabilities are summarized as follows:

	September 30, 2020	September 30, 2019
Deferred Tax Assets:		
Net operating loss carryforwards	\$ 15,136,466	\$ 15,473,774
Inventory	1,475,593	1,121,788
Prepaid expenses	74,149	-
Allowance for bad debt	52,168	121,485
Depreciation	331,924	341,093
Non-qualified stock options	393,191	393,518
Warrants (interest expense)	78,557	78,622
Accrued compensation	623,996	327,487
Warranty Reserve	100,926	101,010
Unearned revenue	109,013	113,111
Other	61	638,022
Total gross deferred taxes	<u>18,376,044</u>	<u>18,709,910</u>
Valuation allowance	(17,168,322)	(15,292,817)
Net deferred tax assets	<u>1,207,722</u>	<u>3,417,093</u>
Deferred Tax Liabilities:		
Accrued vacation	-	(1,804)
Inventory	(41,526)	-
Prepaid expenses	(45,563)	(25,305)
Goodwill amortization	(163,839)	(112,800)
Research and development expenses	(42,274)	(42,216)
Depreciation	(807,096)	(821,440)
Gain/loss on fixed asset disposal	(106,753)	(130,661)
Other	(671)	-
Total deferred tax liabilities	<u>(1,207,722)</u>	<u>(1,134,226)</u>
Total deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ 2,282,867</u>

NOTE 22– SUBSEQUENT EVENTS

Cemtrex has evaluated subsequent events up to the date the consolidated financial statements were issued. Cemtrex concluded that the following subsequent events have occurred and require recognition or disclosure in the consolidated financial statements.

Acquisition of Virtual Driver Interactive

On October 26, 2020, the company acquired Virtual Driver Interactive (“VDI”), a California based provider of innovative driver training simulation solutions for a purchase price of \$1,339,774.

For over 10 years, VDI has been known for its effective and engaging driver training systems, designed for users of all ages and skill levels. The Company offers comprehensive training for new teen and novice drivers, along with advanced training for corporate fleets and truck drivers. VDI’s wide range of training courses and system options provide customers with highly portable, affordable and effective solutions, all while focusing on the dangers of distracted driving.

The Company paid \$900,000 in cash and issued a Note payable in the amount of \$439,774. This note carries interest of 5% and is payable in two installments of \$239,774 plus accumulated interest on October 26, 2021, and \$200,000 plus accumulated interest on October 26, 2022.

Preferred shares issued for dividend

On October 6, 2020, the Company issued 108,169 shares of its Series 1 Preferred Stock to for the dividends that were accrued for the September 30, 2020 dividend payment. The dividend was paid to shareholders of record as of September 30, 2020.

Common shares issued subsequent to financial statements date.

On November 3, 2020, the Company issued 345,648 shares of common stock to satisfy \$323,517 worth of notes payable and accumulated interest.

Strategic Investment in MasterpieceVR

On November 13, 2020, Cemtrex made an equity investment of \$500,000 in MasterpieceVR and the investment represents roughly an 8% stake in MasterpieceVR. MasterpieceVR is a software company that is developing powerful software for content creation using virtual reality. Currently, creative professionals worldwide are challenged in creating 3D visual content because existing software is too complex and slow to use, creating a significant unmet market. Thanks to advances in machine learning and virtual reality, MasterpieceVR’s software platform is the first end to end solution to enable any creative professional to make 3D content fast and easy. Masterpiece Studio has partnered with leading technology companies and its software is used by a host of the world’s major studios.

State of Delaware
 Secretary of State
 Division of Corporations
 Delivered 11:38 AM 07/29/2020
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CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
CEMTREX INC.
(a Delaware corporation)

The undersigned, Saagar Govil, hereby certifies that:

1. He is the Chief Executive Officer of Cemtrex Inc. (the "Corporation"), a Delaware corporation, and is duly authorized by the resolutions adopted and approved at a meeting of the Board of Directors of the Corporation to execute this instrument.

2. This Certificate of Amendment of the Certificate of Incorporation of the Corporation was duly approved by the Corporation's Board of Directors, and duly adopted by stockholders holding a majority of the outstanding shares of common stock and preferred stock of the Corporation, in accordance with the applicable provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

3. Article 4 of the Certificate of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

ARTICLE 4. CAPITAL STOCK. The total number of shares of all classes of stock which the Corporation shall have authority to issue is Fifty Million (50,000,000) shares, consisting of (i) Forty Million (40,000,000) shares of Common Stock, par value \$0.001 per share, and (ii) Ten Million (10,000,000) shares of Preferred Stock, par value of \$0.001 per share. Except as otherwise provided by law, the shares of stock of the Corporation, regardless of class, may be issued by the Corporation from time to time in such amounts, for such consideration and for such corporate purposes as the Board of Directors may from time to time determine.

Effective at 12:01 a.m. on June 13, 2019 (the "Effective Time"), every eight (8) shares of common stock issued and outstanding immediately prior to the Effective Time ("Old Common Stock") shall automatically be combined, without any action on the part of the holder thereof, into one (1) validly issued, fully paid and non-assessable share of common stock ("New Common Stock"), subject to the treatment of fractional share interests as described below (the "Reverse Stock Split"). No fractional shares of common stock shall be issued in connection with the Reverse Stock Split. No stockholder of the Corporation shall transfer any fractional shares of common stock. The Corporation shall not recognize on its stock record books any purported transfer of any fractional share of common stock. No certificates representing fractional shares of New Common Stock will be issued in connection with the Reverse Stock Split. Holders who otherwise would be entitled to receive fractional share interests of New Common Stock because they hold a number of shares not evenly divisible by the Reverse Stock Split ratio will automatically be entitled to receive an additional fraction of a share of New Common Stock to round up to the next whole share of New Common Stock in lieu of any fractional share created as a result of such Reverse Stock Split. Each certificate that immediately prior to the Effective Time represented shares of Old Common Stock ("Old Certificates"), shall thereafter represent that number of shares of New Common Stock into which the shares of Old Common Stock represented by the Old Certificate shall have been combined.

4. This Amendment to the Certificate of Incorporation of the Corporation has been duly executed in accordance with Section 103 of the General Corporation Law of the State of Delaware.

5. This Amendment to the Certificate of Incorporation of the Corporation shall be effective as of July 29, 2020.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment of the Certificate of Incorporation to be executed this 29th day of July 2020.

By: 
Saagar Govil
Chief Executive Officer

SUBSIDIARIES OF THE REGISTRANT

Name of consolidated subsidiary or entity	State or other jurisdiction of incorporation or organization	Date of incorporation or formation (date of acquisition, if applicable)	Attributable interest
Cemtrex Ltd	Hong Kong	September 4, 2013	100%
Advanced Industrial Services, Inc.	Pennsylvania	July 20, 1984 (December 15, 2015)	100%
Cemtrex Advanced Technologies, Inc.	New York	July 11, 2017	100%
Cemtrex Technologies Pvt Ltd.	India	December 21, 2017	100%
Vicon Industries, Inc.	New York	March 23, 2018	95%
Vicon Industries Limited	United Kingdom	March 23, 2018	95%
Vicon Deutschland GmbH)	Germany	March 23, 2018	95%
TeleSite U.S.A., Inc.	New Jersey	March 23, 2018	95%
Vicon Systems Ltd.	Israel	March 23, 2018	95%

**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, 2020;
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: January 5, 2021

/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, Priscilla Popov certify that:

1. I have reviewed this report on Form 10-K of Cemtrex, Inc., for the fiscal year ended September 30, 2020;
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: January 5, 2021

/s/ Priscilla Popov

Priscilla Popov,
Chief Financial Officer (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, 2020, 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: January 5, 2021

/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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Priscilla Popov, chief Financial 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: January 5, 2021

/s/ Priscilla Popov

Priscilla Popov,
Chief Financial Officer (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
