

Sudhir Pai, CPA PLLC
Certified Public Accountant

Report of Independent Registered Public Accounting Firm

To,

The Board of Directors
Zen Technologies
1650 Westmoor Road
Burlingame, CA 94010, USA

We have audited the accompanying statement of financial position of Zen Technologies., U.S.A as of March 31, 2021 and 2020, and the related statements of activities and change in net assets, cash flows and the related notes to financial statements for the year then ended.

Management's responsibility for the financial statements

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

Auditor's responsibility

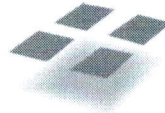
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Sudhir Pai, CPA PLLC
Certified Public Accountant

Opinion

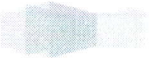
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zen Technologies., U.S.A as of March 31, 2021 and 2020 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DocuSigned by:
Sudhir Pai
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Sudhir Pai

Date: April 30, 2021

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ZEN TECHNOLOGIES USA, INC.
FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2021 AND MARCH 31, 2020



Zen Technologies USA, Inc.**Balance Sheet***All amounts in US\$*

Particulars	Note	As of March 31, 2021	As of March 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	3	854,945	858,186
Prepaid expenses		-	50,000
Total of Current assets		854,945	908,186
Long-term assets			
Property, plant and equipment, net	4	12,566	20,730
Total of long-term assets		12,566	20,730
TOTAL OF ASSETS		867,511	928,916
LIABILITES			
Current liabilities			
Accounts payable		-	10,147
Short term borrowings		8,727	-
Other current liabilities	5	3,122	142
Total of current liabilities		11,849	10,289
TOTAL OF LIABILITIES		11,849	10,289
SHAREHOLDERS' EQUITY			
Common stock		1,980,001	950,001
Share application money pending allotment		-	1,030,000
Retained earnings		(1,124,339)	(1,061,374)
Total of Shareholders' equity		855,662	918,627
TOTAL OF LIABILITIES AND SHAREHOLDERS' EQUITY		867,511	928,916

The accompanying notes form an integral part of these financial statements

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Zen Technologies USA, Inc.

Statement of operations

Particulars	Note	All amounts in US\$	
		For the year ended March 31, 2021	For the year ended March 31, 2020
REVENUE			
Service Income		-	-
Other Income		10,232	-
		<u>10,232</u>	<u>-</u>
OPERATING EXPENSES			
Cost of goods sold		1,509	-
Employee costs		-	109,921
Sales and marketing expenses	6	50,000	39,574
Depreciation	4	8,164	8,164
Other administrative spends	7	13,525	61,597
TOTAL OF OPERATING EXPENSES		<u>73,198</u>	<u>219,256</u>
OPERATING LOSS		(62,966)	(219,256)
Finance cost, net		-	-
LOSS BEFORE TAXES		<u>(62,966)</u>	<u>(219,256)</u>
Current and deferred tax	8	-	-
LOSS AFTER TAX		<u>(62,966)</u>	<u>(219,256)</u>
EARNINGS PER SHARE			
	9		
Basic earnings per share		(0.32)	(0.21)
Diluted earnings per share		(0.32)	(0.21)

The accompanying notes form an integral part of these financial statements

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

Particulars	Common stock	Share application money pending allotment	Retained earnings	Total
Balance as of April 01, 2019	800,001	-	(842,118)	(42,117)
Capital contribution during the year	150,000	1,030,000	-	1,180,000
Profit/(Loss) for the period	-	-	(219,256)	(219,256)
Balance as of March 31, 2020	950,001	1,030,000	(1,061,374)	918,627
Capital contribution during the year	-	-	-	-
Shares allotted against application money	1,030,000	(1,030,000)	-	-
Profit/(Loss) for the period	-	-	(62,966)	(62,966)
Balance as of March 31, 2021	1,980,001	-	(1,124,340)	855,661

Shareholders' equity comprises of common stock and retained earnings. Common stocks are subordinate to all other class of stock. Each holder of shares of common stock shall be entitled to vote for each share thereof held. Total authorized capital of the Company as at end of the year March 31, 2021 includes 3,000,001 (previous year: 950,001) common stock of face value of US\$ 1.00 per common stock. The issued, subscribed and paid-up capital comprises of 1,980,001 (previous year: 950,001) common stock of face value of US\$ 1.00 per common stock issued to Zen Technologies Limited, India.

The accompanying notes form an integral part of these financial statements

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

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Cash flow from operating activities		
Profit/(Loss) before tax	(62,966)	(219,256)
<i>Adjustment for non-cash and other items</i>		
- Depreciation expense	8,164	8,164
<i>Adjustment for changes in working capital</i>		
- (decrease) / increase in accounts payable	(10,148)	(78,530)
- (decrease) / increase in other liabilities and provisions	11,707	(33,948)
- decrease in other current assets	50,000	-
Net cash flow from operating activities	(3,243)	(323,570)
Cash flow from investing activities		
Purchase of property, plant and equipment	-	(720)
Net cash flow from investing activities	-	(720)
Cash flow from financing activities		
Share application money pending allotment	-	1,030,000
Issue of common stock	-	150,000
Net cash flow from financing activities	-	1,180,000
Net change in cash and cash equivalents	(3,243)	855,710
Cash and cash equivalents at the beginning of the year	858,186	2,476
Cash and cash equivalents at the end of the year	854,945	858,186

The accompanying notes form an integral part of these financial statements

The logo consists of a square box with 'DS' in the top right corner, 'SP' in the bottom left corner, and a stylized signature 'SA' in blue ink to the right of the box.

Zen Technologies USA, Inc.

Notes to financial statements

1. Nature of operations

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

2. Significant accounting policies

These financial statements as at and for the year ended March 31, 2021 have been prepared in accordance with the accounting principles generally accepted in Unites States (US GAAP).

a. Basis of preparation

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

b. Use of estimates & judgments

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

c. Cash and cash equivalents

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

d. Accounts payables

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

e. Debt instruments and other financial liabilities

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

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Zen Technologies USA, Inc.

Notes to financial statements

2. Significant Accounting Policies (continued...)

f. Employee benefits

Short-term employee benefits

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

Compensated absences

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

g. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

h. Income taxes

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

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

i. Earnings per share

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

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Zen Technologies USA, Inc.
Notes to financial statements

3. Cash and cash equivalents

Cash and cash equivalents include balances with banks as below:

Particulars	<i>All amounts in US\$</i>	
	As of March 31, 2021	As of March 31, 2020
Cash at bank	854,945	858,186
Total of cash and cash equivalents	854,945	858,186

The above bank balances are free of any restrictions.

4. Property, plant and equipment, net

Particulars	<i>All amounts in US\$</i>		
	Computers	Plant and machinery	Total
Gross block			
As at April 01, 2020	20,754	12,246	33,000
Additions	-	-	-
As at March 31, 2021	20,754	12,246	33,000
Accumulated depreciation			
As at April 01, 2020	5,965	6,305	12,270
Charge for the period	4,105	4,059	8,164
As at March 31, 2021	10,070	10,364	20,434
Net block			
As at March 31, 2021	10,684	1,882	12,566
As at March 31, 2020	14,788	5,942	20,730

Particulars	<i>All amounts in US\$</i>		
	Computers	Plant and machinery	Total
Gross block			
As at April 01, 2019	20,033	12,246	32,280
Additions	721	-	720
As at March 31, 2020	20,754	12,246	33,000
Accumulated depreciation			
As at April 01, 2019	1,860	2,245	4,106
Charge for the period	4,105	4,059	8,164
As at March 31, 2020	5,965	6,304	12,270
Net block			
As at March 31, 2020	14,788	5,942	20,730
As at March 31, 2019	18,173	10,001	28,174

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Zen Technologies USA, Inc.
Notes to financial statements

5. Other current liabilities

Other current liabilities comprise of:

Particulars	<i>All amounts in US\$</i>	
	As of March 31, 2021	As of March 31, 2020
Employee payables	142	142
Audit fees Payable	2,731	-
Credit card Payable	249	-
Total of other current liabilities	3,122	142

6. Sales and marketing expenses

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


7. Other administrative spends

Other administrative spend consists of:

Particulars	<i>All amounts in US\$</i>	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Travel spends	-	20,017
Audit fees	2700	-
Legal and professional charges	7,730	21,646
Insurance	-	3,686
Rent	-	3,784
Bank charges	332	5,937
Office maintenance	-	1,076
Other expenses	2,763	5,452
Total of other administrative spends	13,525	61,598

8. Income taxes

The current tax expense for the year ended March 31, 2021 is Nil (previous year: Nil). Deferred tax has not been recorded in the financial statements for the year ended March 31, 2021 and 2020 due to uncertainty of future profitability.

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Zen Technologies USA, Inc.**Notes to financial statements****9. Earnings per share**

Particulars	For the year ended March 31, 2021	For the year ended March, 31 2020
Profit/(Loss) attributable to shareholders of the compan:	(62,966)	(219,256)
Weighted average number of shares	1,980,001	1,057,645
Earnings per share – Basic	(0.32)	(0.21)
Earnings per share – Diluted	(0.32)	(0.21)

10. Related party disclosures**a) List of related parties:**

Nature of related party relationship	Name of the related party
i) Holding Company	Zen Technologies Limited, India
ii) Key managerial personnel (KMPs)	Ashok Atluri (Director) Satish Atluri (Director)

b) Transactions with related parties

	For the year ended March 31, 2021	For the year ended March 31, 2020
Equity infusion from holding company	-	1,180,000
Remuneration to KMPs	-	109,920
Contract charges to KMPs	-	-

c) Balance outstanding at the end of the year

Particulars	As at March 31, 2021	As at March 31, 2020
Payable to KMPs	-	1,286

11. Fair value measurements of financial instruments

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

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Zen Technologies USA, Inc.

Notes to financial statements

12. Contingencies

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

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

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

13. Impact of COVID-19 (Global pandemic)

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021, however the impact will be minimal based on management evaluation.

14. Subsequent events

Subsequent events have been evaluated by management through April 30, 2021 the date that the statements were available for issuance.

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