



Fuller International
Certified Public Accountants

فلر إنترناشيونال
محاسبون قانونيون

Our Ref: JV-86/13

Independent Auditor's Report

To the Shareholder

Messrs. Wendt Middle East FZE

P.O. Box 50732

Hamriyah Free Zone, Sharjah, United Arab Emirates

Report on the financial statements

We have audited the accompanying financial statements of Messrs. Wendt Middle East FZE - Sharjah, U.A.E. (The Establishment), which comprise the statement of financial position as at 31st March, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of 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 opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Messrs. Wendt Middle East FZE - Sharjah, U.A.E as of 31st March, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, the Establishment has maintained proper books of account and the physical inventory was properly conducted. We obtained all information and explanations which we considered necessary for our audit. According to the information available to us there were no contraventions during the year of UAE Federal Commercial Companies Law No. 8 of 1984 as amended or regulations of Hamriyah Free Zone - Sharjah which might have materially affected the financial position of the Establishment or the results of its operation for the year.

Without qualifying our report we wish to highlight the contents of (Note 14) with regard to insolvency, going concern status and the undertaking of the owner (Messrs. Wendt (India) Limited) to finance the Establishment in order that the Establishment shall continue its normal activities as a going concern. We therefore emphasize that the ability of Establishment to continue as a going concern is dependent on the ability and willingness of the owner to fund the Establishment until such time the Establishment's operation turns profitable.



FULLER INTERNATIONAL
CERTIFIED PUBLIC ACCOUNTANTS

ISSUED IN DUBAI ON 14TH APRIL, 2013

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2013

<u>Assets</u>	Note	2013 AED	2012 AED	2013 INR	2012 INR
Current assets					
Inventory		18,235	33,388	269,696	493,809
Accounts receivable	4	347,234	313,198	5,135,591	4,632,198
Related party - Wendt (India) Limited - India	5	55,687	-	823,611	-
Prepayments and deposits refundable	6	98,897	104,077	1,462,687	1,539,299
Cash and cash equivalents	7	242,587	94,642	3,587,862	1,399,755
Total		<u>762,640</u>	<u>545,305</u>	<u>11,279,446</u>	<u>8,065,061</u>
Non-current assets					
Property, plant and equipment - net carrying amount	8	11,072	193,515	163,755	2,862,087
Intangible assets - Computer software	9	-	258	-	3,816
Total		<u>11,072</u>	<u>193,773</u>	<u>204,845</u>	<u>398,618</u>
Total assets		<u>773,712</u>	<u>739,078</u>	<u>11,484,291</u>	<u>8,463,679</u>
Liabilities and equity					
Current liabilities					
Trade and other payables	10	250,093	170,538	3,698,875	2,522,257
Provision for employees leave and passage		49,666	48,413	734,560	716,028
Related party - Wendt (India) Limited - India	5	377,492	771,445	5,583,107	11,409,672
Short term bank loan	11	164,246	-	2,429,198	-
Total		<u>841,497</u>	<u>990,396</u>	<u>12,445,741</u>	<u>14,647,957</u>
Non-current liabilities					
Provision for employees end of service benefits		58,311	51,852	862,420	766,891
Loan from related party	12	-	194,765	-	2,880,574
Total		<u>58,311</u>	<u>246,617</u>	<u>862,420</u>	<u>1,109,037</u>
Total liabilities		<u>899,808</u>	<u>1,237,013</u>	<u>13,308,160</u>	<u>15,756,994</u>
Equity					
Capital	13	1,200,000	1,200,000	17,748,000	17,748,000
Accumulated losses		(1,326,096)	(1,697,935)	(1,961,296)	(2,511,245)
Total equity	14	<u>(126,096)</u>	<u>(497,935)</u>	<u>(1,864,960)</u>	<u>(7,364,459)</u>
Total liabilities and equity		<u>773,712</u>	<u>739,078</u>	<u>11,443,200</u>	<u>8,392,535</u>

The notes attached herewith form part of these financial statements.

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2013**

	Note	2013 AED	2012 AED	2013 INR	2012 INR
Revenue		1,981,097	2,135,208	29,300,425	31,579,726
Direct Cost		(982,131)	(1,388,933)	(14,525,717)	(20,542,319)
Gross profit		998,966	746,275	14,774,707	11,037,407
Operating, administrative and general expenses	15	(738,641)	(1,028,461)	(10,924,500)	(15,210,938)
Gain/(loss) on foreign currency exchange		799	(26,341)	11,817	(389,583)
Other income	16	89,193	49,456	1,319,164	731,454
Gain on disposal of property, plant and equipment		21,522	17,005	318,310	251,504
Net profit/(loss) for the year		371,839	(242,066)	5,499,499	(3,580,156)

The notes attached herewith form part of these financial statements.

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2013

	Capital AED	Accumulated losses AED	Total AED	Capital INR	Accumulated losses INR	Total INR
Balance at 31st March, 2011	1,200,000	(1,455,869)	(255,869)	17,748,000	(21,532,303)	(3,784,303)
Net loss for the financial year 2011/2012	-	(242,066)	(242,066)	-	(3,580,156)	(3,580,156)
Balance at 31st March, 2012	1,200,000	(1,697,935)	(497,935)	17,748,000	(25,112,459)	(7,364,459)
Net profit for the financial year 2012/2013	-	371,839	371,839		5,499,499	5,499,499
Balance at 31st March, 2013	1,200,000	(1,326,096)	(126,096)	17,748,000	(19,612,960)	(1,864,960)

The notes attached herewith form part of these financial statements.

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2013

	Capital AED	Accumulated losses AED	Total AED	Capital INR	Accumulated losses INR	Total INR
Balance at 31st March, 2011	1,200,000	(1,455,869)	(255,869)	17,748,000	(21,532,303)	(3,784,303)
Net loss for the financial year 2011/2012	-	(242,066)	(242,066)	-	(3,580,156)	(3,580,156)
Balance at 31st March, 2012	1,200,000	(1,697,935)	(497,935)	17,748,000	(25,112,459)	(7,364,459)
Net profit for the financial year 2012/2013	-	371,839	371,839		5,499,499	5,499,499
Balance at 31st March, 2013	1,200,000	(1,326,096)	(126,096)	17,748,000	(19,612,960)	(1,864,960)

The notes attached herewith form part of these financial statements.

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2013

	Note	2013 AED	2012 AED	2013 INR	2012 INR
Operating activities					
Net profit/(loss) for the year		371,839	(242,066)	5,499,499	(3,580,156)
Adjustments for:					
Depreciation and amortisation		149,635	161,319	2,213,102	2,385,908
Provision for employees end of service benefits		6,459	18,835	95,529	278,570
Gain on disposal of property plant and equipment		(21,522)	(17,005)	(318,310)	(251,504)
Net cash flow before changes in operating assets and liabilities		506,411	(78,917)	7,489,819	(1,167,182)
Changes in operating assets and liabilities:					
Inventory		15,153	5,253	224,113	77,692
Prepayments and deposits refundable		5,180	(37,023)	76,612	(547,570)
Accounts receivable		(34,036)	(73,045)	(503,392)	(1,080,336)
Accounts payable		79,555	74,509	1,176,618	1,101,988
Related party - Commercial transactions		(393,953)	472,428	(5,826,565)	6,987,210
Provision for employees leave and passage		1,253	3,627	18,532	53,643
Net cash generated from operating activities		179,563	366,832	2,655,737	5,425,445
Investing activities					
Payment for purchase of property, plant and equipment		(1,099)	(500)	(16,254)	(7,395)
Proceeds from sale of property, plant and equipment		55,687	37,025	823,611	547,600
Net cash generated from investing activities		54,588	36,525	807,357	540,205
Financing activities					
Net movement in related party - Non-commercial transactions		(250,452)	97,226	(3,704,185)	1,437,973
Movement in bank loan		164,246	(551,250)	2,429,198	(8,152,988)
Net cash (used in) financing activities		(86,206)	(454,024)	(1,274,987)	(6,715,015)
Increase/(decrease) in cash and cash equivalents		147,945	(50,667)	2,188,107	(749,365)
Cash and cash equivalents at the beginning of the year		94,642	145,309	1,399,755	2,149,120
Cash and cash equivalents at the end of the year	7	242,587	94,642	3,587,862	1,399,755

The notes attached herewith form part of these financial statements.

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2013

Note 1 General information

1.1 Formation

WENDT MIDDLE EAST FZE (FREE ZONE ESTABLISHMENT) - (The Establishment) was formed as a Free Zone Establishment at Hamriyah Free Zone, Sharjah, U.A.E. on 24th September, 2008 in accordance with the provisions of United Arab Emirates Federal Law No. (8) of 1984 concerning commercial companies as amended and the Free Zone Regulations of the Emirate of Sharjah. The Establishment was registered in the trade registry on 24th September, 2008 in accordance with the trade licence No. 4426.

1.2 Activities

The Establishment is licensed to carry on the business of refining/servicing of diamond and CBN grinding wheels and tools.

1.3 Address

The registered address of the Company is P.O. Box 50732, Sharjah, United Arab Emirates.

1.4 Shareholders

In accordance with the share certificate issued by the Hamriyah Free Zone Authority, the Establishment is owned by Messrs. Wendt (India) Limited, an entity incorporated under the law of Republic of India.

Note 2 Summary of significant accounting policies

2.1 Statement of compliance

The financial statements of the Establishment have been prepared in accordance with "International Financial Reporting Standard for Small and Medium-sized Entities" (IFRS for SMEs). The principal accounting policies applied in the preparation of these financial statements are set out below.

The preparation of financial statements in conformity with IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in process of applying the Establishment's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note (3).

2.2 Basis of preparation and presentation

These financial statements have been prepared prudently and consistently on the assumption that the Establishment as an entity shall continue in business for the foreseeable future and taking into account expenses and income related to the financial year irrespective whether they have been paid and received and in accordance with historical cost convention under which assets are shown at or below its original cost to the Establishment and no allowance has been made to cover its replacement cost.

2.3 Foreign currency translation

a - Functional and presentation currency

Items included in the financial statements of the Establishment are measured using the currency of the primary economic environment in which the Entity operates - United Arab Emirates Dirhams (AED).

b - Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance income or costs". All other foreign exchange gains and losses are presented in profit or loss within other (losses)/gains - net.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short term highly liquid investments and instruments with original maturities of three months or less. Bank overdrafts are shown within borrowings in the current liabilities on the statement of financial position.

2.5 Trade receivables

Trade receivables are recognised initially at the transaction price and subsequently stated net of any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Establishment will not be able to collect all amounts due according to the original terms of the receivables.

2.6 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average cost method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical costs less accumulated depreciation and any accumulated impairment losses. Historical costs includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefit to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The assets' residual values useful lives and depreciation methods are reviewed, and adjusted, if there is an indication of significant change since the last reporting date.

The assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than the estimated recoverable amount.

Gain and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the other gain/losses - net in the statement of comprehensive income.

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2013

Depreciation:

Items of property, plant and equipment are depreciated on a straight - line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that the Company will obtain ownership by the end of the lease term. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the assets is completed and ready for use. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Expected useful life (years)	Annual rate (%)
Plant and machinery	4	25
Leasehold improvements	4	25
Furniture and fixtures	3	33.33
Computers	3	33.33

2.8 Intangible assets

Computer Software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

2.9 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2.10 Impairment of non financial asset other than inventories

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that an asset may be impaired, the carrying value of the asset (or Cash-Generating Unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Trade payables

Trade payables are recognised initially at the transaction price and stated at the date of financial position at their nominal value.

2.12 Provisions

Provision for restructuring costs and legal claims are recognised when the Establishment has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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2.13 Employees benefit obligations

The liability has been recognised in the statement of financial position in respect of Employees leave, passage and end of service benefits on time basis in full for every employee in the service of the Establishment at the end of the reporting period in accordance with the provisions of the Labour Law of the United Arab Emirates.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services rendered in the ordinary course of the Establishment's activities. Revenue is shown net of sale returns, rebates and discounts.

The Establishment recognises revenue when; the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria of recognition of revenue have been met for each of the Establishment's activities detailed under Note (1.2).

Note 3 Judgement and key sources of estimation

No significant judgments have had to be made by management in preparing these financial statements. Management has, however, had to make key assumptions regarding the recoverable amount of impaired trade receivables.

Note 4	Accounts receivable	2013 AED	2012 AED	2013 INR	2012 INR
	Trade debtors	352,283	313,198	5,210,266	4,632,198
	Allowance for doubtful debts	(5,049)	-	(74,675)	
	Total	<u>347,234</u>	<u>313,198</u>	<u>5,135,591</u>	<u>4,632,198</u>

4.1 Trade debtors

The average credit period on sales is 60 days. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade debtors include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Establishment has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing analysis of trade debtors are as follows:	2013 AED	2012 AED	2013 INR	2012 INR
Up to 3 months	307,966	240,380	4,554,817	3,555,220
3 months and above	44,317	72,818	655,448	1,076,978
Total	<u>352,283</u>	<u>313,198</u>	<u>5,210,266</u>	<u>4,632,198</u>
Average age (days)	<u>65</u>	<u>54</u>	<u>65</u>	<u>54</u>

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79

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31ST MARCH, 2013

Note 5 Related party - Wendt (India) Limited - India

The Establishment enters into transactions with other parties that fall within the definition of a related party contained in International Financial Reporting Standards (IAS 24). Such transactions are carried out with such parties in the normal course of business and at terms that correspond to those on normal arm's length transactions with other parties.

Messrs Wendt (India) Ltd - India is a Related Party in the manner described under Note (2.9). Related party transactions and balance outstanding at 31st March, 2013 are as follows:

Transactions:	2013 AED	2012 AED	2013 INR	2012 INR
Commercial Transactions				
Purchase of merchandise during the year	1,013,390	1,377,420	14,988,038	20,372,042
Non-Commercial Transactions				
Supply of capital equipment and expenses incurred by Related Party on behalf of the Establishment	-	54,768		810,019
Capital equipment returned - Charged at value ascertained as net realizable value at the date of transfer of equipment	55,687	-	823,611	
Temporary loan balance availed from the related party (Note 1)	-	194,765		2,880,574
Payments to Related Party:				
Payment to Related party towards purchase account	1,300,578	959,327	19,235,549	14,188,446
Payments to Related party towards settlement of fundings	129,175	387,539	1,910,498	5,731,702
Related Party Balance:				
Balance on purchase account - Due to	293,993	581,181	4,348,156	8,595,667
Balance of funding account - Due to	83,499	190,264	1,234,950	2,814,005
Total balance - due to	377,492	771,445	5,583,107	11,409,672
Balance of other transactions - Due from	55,687	-	823,611	
Balance of loan account - due to (Note 12)	-	194,765		2,880,574
Note 6 Prepayments and deposits refundable	2013 AED	2012 AED	2013 INR	2012 INR
Prepayments	48,847	54,027	722,447	799,059
Deposits refundable	50,050	50,050	740,240	740,240
Total	98,897	104,077	1,462,687	1,539,299
Note 7 Cash and cash equivalents	2013 AED	2012 AED	2013 INR	2012 INR
Cash on hand	1,141	13,689	16,875	202,460
Bank current account balances	241,446	80,953	3,570,986	1,197,295
Total	242,587	94,642	3,587,862	1,399,755

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79

Note 8 Property, plant and equipment

Cost	Plant and machinery AED	Furniture & fixtures AED	Computers AED	Total AED	Plant and machinery INR	Furniture & fixtures INR	Computers INR	Total INR
At 31st March, 2011	600,578	14,841	4,400	647,199	8,882,549	219,498	65,076	9,572,073
Additions during the year	9,583	-	500	10,083	141,733	-	7,395	149,128
Disposals during the year	(46,500)	-	-	(46,500)	(687,735)	-	-	(687,735)
At 31st March, 2012	563,661	14,841	4,900	610,782	8,336,546	219,498	72,471	9,033,466
Additions during the year	-	-	1,099	1,099	-	-	16,254	16,254
Equipment returned to related party - The supplier	(536,356)	-	-	(536,356)	(7,932,705)	-	-	(7,932,705)
At 31st March, 2013	27,305	14,841	5,999	75,525	403,841	219,498	88,725	1,117,015
Depreciation	25%	33.33%	33.33%		4	5	5	
At 31st March, 2011	260,782	8,206	2,407	283,378	3,856,966	121,367	35,600	4,191,161
Charge for the year	147,043	4,946	1,516	160,369	2,174,766	73,151	22,422	2,371,858
Related to disposals	(26,480)	-	-	(26,480)	(391,639)	-	-	(391,639)
At 31st March, 2012	381,345	13,152	3,923	417,267	5,640,093	194,518	58,021	6,171,379
Charge for the year	140,162	1,400	989	149,377	2,072,996	20,706	14,627	2,209,286
Related to items returned to related party	(502,191)	-	-	(502,191)	(7,427,405)	-	-	(7,427,405)
At 31st March, 2013	19,316	14,552	4,912	64,453	285,684	215,224	72,648	953,260
Net carrying amount								
At 31st March, 2013	7,989	289	1,087	11,072	118,157	4,274	16,077	163,755
At 31st March, 2012	182,316	1,689	977	193,515	2,696,454	24,980	14,450	2,862,087

Note:-

Certain units of equipments which were considered no longer required for the operations of the Establishment were returned during the year to Messrs Wendt (India) Ltd - India, the original supplier of those equipments at a price ascertained to be the net realizable value of those equipments.

Note 9 Intangible assets - computer software

	2013 AED	2012 AED	2013 INR	2012 INR
At 31st March,	2,850	2,850	42,152	42,152
Amortisation (3 years - 33.33%)				
At 1st April	(2,592)	(1,642)	(38,336)	(24,285)
Amortisation for the year	(258)	(950)	(3,816)	(14,051)
Total	(2,850)	(2,592)	(42,152)	(38,336)
Net carrying amount	-	258		3,816

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79

Note 10	Trade and other payables	2013	2012	2013	2012
		AED	AED	INR	INR
	Trade payable	-	1,430	-	21,150
	Bills payable	24,700	29,167	365,313	431,380
	Salaries payable	9,213	15,158	136,260	224,187
	Agency fee payable	46,550	-	688,475	-
	Accrued expenses	14,130	7,500	208,983	110,925
	Advance from customers	155,500	117,283	2,299,845	1,734,616
	Total	250,093	170,538	3,698,875	2,522,257

Note 11 Short term bank loan

During the financial year 2013, the Establishment obtained short term loan of USD 150,000 (Equivalent to AED 551,250) (INR 8,152,988) to support the working capital requirement from one of the bankers of the Establishment. The loan is repayable within a period of one year from the date of availing the loan. The loan balance reported in these financial statements settled in full on 1st April, 2013, subsequent to the balance sheet date.

Note 12 Loan from related party

This loan represents funding from Messrs. Wendt (India) Limited - India to support its working capital requirements of the Establishment. The loan was fully settled during the financial year ended 31st March, 2013.

The movement in the loan account is as follows:

	2013	2012	2013	2012
	AED	AED	INR	INR
Balance at 1st April,	194,765	97,539	2,880,574	1,442,602
Additional loan availed during the year	-	484,765	-	7,169,674
Loan repayment during the year	(194,765)	(387,539)	(2,880,574)	(5,731,702)
Balance at 31st March,	-	194,765	-	2,880,574

Note 13 Capital

The capital of the Establishment AED 1,200,000 (INR 17,748,000) is made up of 8 fully paid up shares of AED 150,000 (INR 2,218,500) each (See Note 1.4).

Note 14 Going concern basis

Notwithstanding the fact that the Establishment sustained losses since its inception which drained the entire Capital and reports deficit in the working capital and in the equity which at the reporting date amounted to AED 78,857 (INR 1,166,295) and AED 126,096 (1,864,960) respectively, Establishment shall continue to carry on its business activities for the foreseeable future as going concern as the owner (Messrs. Wendt (India) Limited), India is willing and able to finance the activities of the Establishment. The owner is committed to support the funding requirements of the Establishment for the foreseeable future.

Note 15	Operating, administrative and general expenses	2013	2012	2013	2012
		AED	AED	INR	INR
	Payroll and related costs	163,198	383,749	2,413,698	5,675,648
	Rent and leases	105,010	99,831	1,553,098	1,476,500
	Trade license and related expenses	4,152	14,340	61,408	212,089
	Travelling and conveyance	36,078	83,427	533,594	1,233,885
	Communication	19,662	30,371	290,801	449,187
	Business promotions	173,767	131,654	2,570,014	1,947,163
	Allowance for doubtful debts	5,049	-	74,675	-
	Other general expenses	43,054	68,071	636,769	1,006,770
	Finance and related costs	39,036	55,699	577,342	823,788
	Depreciation and amortisation	149,635	161,319	2,213,102	2,385,908
	Total	738,641	1,028,461	10,924,500	15,210,938

Note 16	Other income	2013	2012	2013	2012
		AED	AED	INR	INR
	Freight charges reimbursement - Surplus	89,193	47,503	1,319,164	702,569
	Other miscellaneous income	-	1,953	-	28,885
	Total	89,193	49,456	1,319,164	731,454

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79

Note 17 Financial risk management

The Establishment has exposure to the following risks from use of its financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the Establishment's exposure to each of the above risks, the Establishment's objectives, policies and processes for measuring and managing risk, and the Establishment's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Management has overall responsibility for the establishment and oversight of the Establishment's risk management framework. The Management is responsible for developing and monitoring the Establishment's risk management policies.

The Establishment's risk management policies are established to identify and analyse the risks faced by the Establishment, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Establishment's activities.

17.1 Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of (A) are accepted. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Credit risk is limited to the carrying amount of financial assets comprising of cash and cash equivalents, trade debtors and deposit refundable. The management continuously review all financial assets portfolios in order to assess reliability and risks associated therewith.

The maximum exposure to credit risk at the reporting

	2013 AED	2012 AED	2013 INR	2012 INR
Accounts receivable - Net of provision	347,234	313,198	5,135,591	4,632,198
Deposits refundable	50,050	50,050	740,240	740,240
Bank current account balances	241,446	80,953	3,570,986	1,197,295
Total	<u>638,730</u>	<u>444,201</u>	<u>9,446,817</u>	<u>6,569,733</u>

17.2 Liquidity risk

Liquidity risk is the risk that the Establishment will not be able to meet its financial obligations as they fall due. The Establishment's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Establishment's business and reputation.

The following are the contractual maturities of financial liabilities of the Establishment at the reporting date:

	Contractual cash flows AED	Less than 1 year AED	More than 1 year AED	Contractual cash flows INR	Less than 1 year INR	More than 1 year INR
Trade and other payables	250,093	250,093	-	3,698,875	3,698,875	-
Employees leave and passage	49,666	49,666	-	734,560	734,560	-
Employees end of service benefits	58,311	-	58,311	862,420	-	862,420
Related party - Wendt (India) Limited	377,492	377,492	-	5,583,107	5,583,107	-
Short term bank loan	164,246	164,246	-	2,429,198	2,429,198	-
Total	<u>899,808</u>	<u>841,497</u>	<u>58,311</u>	<u>13,308,160</u>	<u>12,445,741</u>	<u>862,420</u>

17.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Establishment's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Establishment's exposure to market risk arises from:

Currency risk

The Establishment is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of Establishment. The Establishment is not exposed to exchange rate risk on transactions relating to US \$ as AED is currently pegged to US \$. At the reporting date all the transactions in financial assets and financial liabilities are denominated in the functional currency of the Establishment and therefore the Establishment is not exposed to currency risk.

Interest rate risk

The Establishment is exposed to interest rate risk when it borrows funds on floating interest rate. The Establishment's exposure to interest rate risk at the reporting date is limited to:

	AED	INR
Short term bank loan	<u>164,246</u>	<u>2,429,198</u>

Note 18 Approval of financial statements

These financial statements were approved by the board of directors and authorised for issue on 13th April, 2013.

The India Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 14.79