



WENDT MIDDLE EAST FZE

DIRECTORS REPORT

The Directors are pleased to present the Ninth Annual Report and Audited Accounts for the year ended 31st March'2017.

Key Financials Summary: -

Particulars	(AED in Lakhs)		
	31.03.2017	31.03.2016	% change
Sales	24.64	31.52	-22%
Other Income	0.98	4.06	-76%
Profit /(Loss)	2.87	7.43	-61%
Profit % on sales	12%	24%	

Dividend:-

Despite the difficult economic scenario in the Middle East, your Directors have during the year ended 31st Mar'2017, recommended confirmation of the interim dividend of 22,500 AED per share (15% on the Shares) absorbing 1,80,000 AED paid in July 2016 and 15,000 AED per share (10% on the Shares) absorbing 1,20,000 AED paid in March 2017 as the final dividend. The total dividend paid for the current financial year 2016-17 is 3,00,000 AED (25% of the paid up share capital).

Business Operations: -

During the current financial year, your Company's sales are at 24.64 lacs AED, a decline of 22% over last year sales. Due to excess Crude oil production and Shale oil from USA has huge supply of crude oil in market leading to a buyer's market leading to lowest cost per barrel. This has led to Middle East countries tighten their spending on Infrastructure and social projects. Major economies like Saudi Arabia are running record deficits in their budget. This difficult economic scenario has impacted the topline of your Company during the current Financial year. Also, your Company has been cautious in growing topline due to worsening credit situation in the Middle East.

During the year, your Company continued its focus on cost control measures coupled with focus on high contribution product sales. Accordingly, your Company has reported profit of 2.87 lakhs AED which is 39% of last year's profit figures. However, profitability has decreased from 24% of sales last year to 12% of sales current year.

The effect of low oil prices along with countries getting involved in proxy war has effect on projects spending and many major construction projects are stalled. Continued effects of Arab spring in many countries in Middle East have continued to take their toll taken their toll on socio economic and political aspects.

Due to excess capacity in Europe for Super abrasives and the shifting of production to China has made many European companies to look aggressively for opportunities in Iran, as the sanctions have been partially lifted on Iran. Predatory Pricing and high quality of toolings offered by them have considerable effect on our business.

China has continued aggressively dumping steel and cement in Middle east countries. This has affected local industry to a great extent as most companies are either operating at 50% of their capacities and this has also led to huge manpower retrenchment across companies.

UAE, Saudi Arabia and Qatar are primarily driven by oil and construction. The continued downward spiral in the crude oil prices has made these countries to continually look at alternate sources of revenue, which is expected to bring socio economic turmoil in near future.

Major currencies are going through corrections. Euro has taken a major hit. Euro now almost equivalent to American Dollar.

Your company's increased focus on receivables and initiative on spread of customers or markets is expected to deliver results in next financial year.

For Financial year 2016-17, the Company has embarked on below strategies to consolidate and grow business:

1. Focus on Industrial ceramics Products and non-standard abrasive and super-abrasive products.
2. Focus on Machines selling
3. Focus on South Africa for glass grinding

Human Resource: -

During the current year, your Company has continued its lean employee strength to be efficient and profitable. To enhance individual and organizational value your Company lays great emphasis on Flexibility and multi-tasking skills apart from keeping employee costs at the minimum.

Directors: -

As per law and Company's Articles of Association one third of the Directors will retire by rotation at its Annual General Meeting. During the Ninth Annual General Meeting Mr. M S Venkatesh, Director, retires by rotation and being eligible, offers himself for reappointment.

Auditors: -

During the year, the company has received a request from M/s Stuart & Hamlyn to be appointed as the statutory auditor of Wendt Middle East, Sharjah for the financial year 2017-18. Your Directors recommend their appointment as statutory auditors of the Company for the financial year 2017-18.

Acknowledgement: -

The Board of Directors will like to place on record their appreciation for the support, co-operation and guidance extended to the Company by Wendt India Ltd, the Company's parent Company and its Associates and Group Companies. The Directors will like to convey their sincere appreciation to the Hamriyah Free Zone Authorities (HFZA), Government Departments, the auditors, the Bankers, Customers, Suppliers and employees for their continued support and cooperation.

SHARJAH
17thAPRIL'2017


RAJESH KHANNA
AUTHORIZED DIRECTOR



Our Ref: 185/17

INDEPENDENT AUDITOR'S REPORT

To the Shareholder
Messrs Wendt Middle East FZE
P.O. Box 50732
Hamriyah Free Zone, Sharjah, United Arab Emirates

Opinion

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 March 31st, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Basis for Opinion

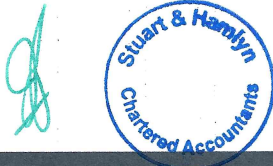
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Establishment within the meaning of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control that the management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Establishment's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Establishment's financial reporting process.





Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Establishment's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Establishment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our auditor's report. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may affect the Establishment's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





Report on other legal and regulatory requirements

Also in our opinion:

1. We have obtained all the information we considered necessary for the purposes of our audit; the Establishment has maintained proper books of account;
2. Note 5 to the financial statements of the Company discloses material related party transactions and the terms under which they were conducted;
3. Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Establishment has contravened during the financial year ended 31 March 2017 any of the applicable provisions of Hamriyah Free Zone - Sharjah which would materially affect its activities or its financial position as at 31st March 2017.



Joseph Philip
Registration No. 749
STUART & HAMLYN
CHARTERED ACCOUNTANTS

ISSUED IN DUBAI ON 17TH APRIL, 2017

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2017

Assets	Note	2017 AED	2016 AED
Current assets			
Inventory		185,621	226,106
Goods in transit		54,060	136,055
Accounts receivable	4	344,356	681,846
Related parties - Due from	5	433,478	961,940
Prepayments and deposits refundable	6	116,436	98,304
Bank current account balances		658,243	444,286
Total		<u>1,792,194</u>	<u>2,548,537</u>
Non-current assets			
Property, plant and equipment - net carrying amount	7	7,124	5,669
Intangible assets - computer software	8	200	699
Total		<u>7,324</u>	<u>6,368</u>
Total assets		<u>1,799,518</u>	<u>2,554,905</u>
Liabilities and equity			
Current liabilities			
Accounts payable	9	121,437	953,642
Provision for employees leave and passage	10	3,695	3,695
Related parties - Due to	5	45,175	75,845
Dividend payable		120,000	-
Total		<u>290,307</u>	<u>1,033,182</u>
Non-current liabilities			
Provision for employees end of service benefits	10	<u>20,127</u>	<u>20,127</u>
Total liabilities		<u>310,434</u>	<u>1,053,309</u>
Equity			
Capital	11	1,200,000	1,200,000
Statutory reserve	12	252,053	223,304
Accumulated profit		37,031	78,292
Total equity		<u>1,489,084</u>	<u>1,501,596</u>
Total liabilities and equity		<u>1,799,518</u>	<u>2,554,905</u>

The notes attached herewith form part of these financial statements.

DIRECTOR

APPROVED ON 17TH APRIL, 2017

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2017**

	Note	2017 AED	2016 AED
Revenue		2,464,206	3,152,269
Direct Cost		(1,353,693)	(1,863,363)
Gross profit		1,110,513	1,288,906
Operating, administrative and general expenses	13	(913,424)	(946,810)
(Loss) on foreign currency exchange		(7,616)	(6,262)
Other income	14	98,015	406,959
Net profit before statutory reserve		287,488	742,793
Statutory reserve		(28,749)	(74,279)
Net profit for the year		258,739	668,514

The notes attached herewith form part of these financial statements.

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2017

	Capital AED	Statutory reserve AED	Accumulated profit AED	Total AED
Balance at 31st March, 2015	1,200,000	149,025	15,128	1,364,153
Net profit for the financial year 2015/2016	-	-	742,793	742,793
Transfer to statutory reserve	-	74,279	(74,279)	-
Interim dividend declared and distributed during the year	-	-	(605,350)	(605,350)
Balance at 31st March, 2016	1,200,000	223,304	78,292	1,501,596
Net profit for the financial year 2016/2017	-	-	287,488	287,488
Transfer to statutory reserve	-	28,749	(28,749)	-
Interim dividend declared during the year	-	-	(300,000)	(300,000)
Balance at 31st March, 2017	1,200,000	252,053	37,031	1,489,084

The notes attached herewith form part of these financial statements.

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2017

	Note	2017 AED	2016 AED
Operating activities			
Net profit for the year		258,739	668,514
Adjustments for:			
Statutory reserve		28,749	74,279
Depreciation and amortisation		4,745	4,878
Provision for employees end of service benefits		-	(51,185)
		<u>292,233</u>	<u>696,486</u>
Changes in operating assets and liabilities:			
Inventory		40,485	(189,040)
Goods in transit		81,995	17,175
Prepayments and deposits refundable		(18,132)	(1,674)
Accounts receivable		337,490	(107,964)
Accounts payable		(832,205)	346,310
Related party - Commercial transactions		497,792	(760,144)
Provision for employees leave and passage		-	(48,018)
		<u>399,658</u>	<u>(46,869)</u>
Investing activities			
Payment for purchase of property, plant and equipment		(5,701)	-
		<u>(5,701)</u>	<u>-</u>
Financing activities			
Interim dividend distributed		(180,000)	(605,350)
		<u>213,957</u>	<u>(652,219)</u>
Increase/(decrease) in cash and cash equivalents		213,957	(652,219)
Cash and cash equivalents at the beginning of the year		444,286	1,096,505
Cash and cash equivalents at the end of the year	7	<u><u>658,243</u></u>	<u><u>444,286</u></u>

The notes attached herewith form part of these financial statements.