

WENDT MIDDLE EAST FZE

HAMRIYAH FREE ZONE

SHARJAH - UNITED ARAB EMIRATES

FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR

FOR THE YEAR ENDED

31 MARCH, 2018



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'2018.

Key Financials Summary: -

(AED in Lakhs)			
Particulars	31.03.2017	31.03.2018	% change
Sales	24.64	23.48	(5%)
Other Income	0.98	1.70	73%
Profit /(Loss)	2.87	0.44	(85%)
Profit % on sales	12%	2%	

Dividend:-

Despite the difficult economic scenario in the Middle East, your Directors have during the year ended 31st Mar'2018, recommended confirmation of the interim dividend of 30,000 AED per share (20% on the Shares) absorbing 2,40,000 AED paid in July 2017 as the final dividend.

Business Operations: -

During the current financial year, your Company's sales are at 23.48 lacs AED, a decline of 5% 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.

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 2017-18, 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. Rajesh Khanna, 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 2018-19. Your Directors recommend their appointment as statutory auditors of the Company for the financial year 2018-19.

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
19th APRIL'2018**



**RAJESH KHANNA
AUTHORIZED DIRECTOR**



Our Ref: 211/18

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 31, 2018, 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 Establishment 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;
2. The Establishment has maintained proper books of account;
3. Note 5 to the financial statements of the Establishment discloses material related party transactions and the terms under which they were conducted;
4. 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, 2018 any of the applicable provisions of Hamriyah Free Zone - Sharjah which would materially affect its activities or its financial position as at 31 March, 2018.



Joseph Philip
Registration No. 749
STUART & HAMLYN
CHARTERED ACCOUNTANTS

ISSUED IN DUBAI ON 19 APRIL, 2018

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH, 2018

<u>Assets</u>	Note	2018 AED	2017 AED
Current assets			
Inventory		15,701	185,621
Goods in transit		6,822	54,060
Accounts receivable	4	413,325	344,356
Related parties - Due from	5	429,622	433,478
Prepayments, deposits and advance	6	183,972	116,436
Bank current account balances		416,245	658,243
Total		<u>1,465,687</u>	<u>1,792,194</u>
Non-current assets			
Property, plant and equipment - net carrying amount	7	5,280	7,124
Intangible assets - computer software	8	-	200
Total		<u>5,280</u>	<u>7,324</u>
Total assets		<u>1,470,967</u>	<u>1,799,518</u>
<u>Liabilities and equity</u>			
Current liabilities			
Accounts payable	9	118,393	121,437
Provision for employees leave and passage	10	-	3,695
Related parties - Due to	5	59,333	45,175
Dividend payable		-	120,000
Total		<u>177,726</u>	<u>290,307</u>
Non-current liabilities			
Provision for employees end of service benefits	10	-	20,127
Total liabilities		<u>177,726</u>	<u>310,434</u>
Equity			
Capital	11	1,200,000	1,200,000
Statutory reserve	12	256,469	252,053
Accumulated (loss)/profit		(163,228)	37,031
Total equity		<u>1,293,241</u>	<u>1,489,084</u>
Total liabilities and equity		<u>1,470,967</u>	<u>1,799,518</u>

The accounting policies and notes attached herewith form part of these financial statements.

The independent auditor's report is set forth on page 3-5

DIRECTOR

APPROVED ON 19 APRIL, 2018

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH, 2018

	Note	2018 AED	2017 AED
Revenue		2,348,428	2,464,206
Direct Cost		(1,558,442)	(1,353,693)
Gross profit		<u>789,986</u>	<u>1,110,513</u>
Operating, administrative and general expenses	13	(930,493)	(913,424)
Gain /(loss) on foreign currency exchange		9,345	(7,616)
Gain of sale of assets		5,150	-
Other income	14	170,169	98,015
Net profit before statutory reserve		<u>44,157</u>	<u>287,488</u>
Statutory reserve		(4,416)	(28,749)
Net profit for the year		<u>39,741</u>	<u>258,739</u>

The accounting policies and notes attached herewith form part of these financial statements.

The independent auditor's report is set forth on page 3-5

DIRECTOR

APPROVED ON 19 APRIL, 2018

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH, 2018

	Capital AED	Statutory reserve AED	Accumulated (losses) AED	Total AED
Balance at 31 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 and distributed during the year	-	-	(300,000)	(300,000)
Balance at 31 March, 2017	1,200,000	252,053	37,031	1,489,084
Net profit for the financial year 2017-18	-	-	44,157	44,157
Transfer to statutory reserve	-	4,416	(4,416)	-
Interim dividend declared and distributed during the year	-	-	(240,000)	(240,000)
Balance at 31 March, 2018	1,200,000	256,469	(163,228)	1,293,241

The accounting policies and notes attached herewith form part of these financial statements.

The independent auditor's report is set forth on page 3-5

DIRECTOR

APPROVED ON 19 APRIL, 2018

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH, 2018

	Note	2018 AED	2017 AED
Operating activities			
Net profit for the year		39,741	258,739
Adjustments for:			
Statutory reserve		4,416	28,749
Depreciation and amortisation		4,239	4,745
Gain on disposal of fixed assets		(5,150)	-
Net cash flow before changes in operating assets and liabilities		43,246	292,233
Changes in operating assets and liabilities:			
Inventory		169,920	40,485
Goods in transit		47,238	81,995
Prepayments, deposits and advance		(67,536)	(18,132)
Accounts receivable		(68,969)	337,490
Accounts payable		(3,044)	(832,205)
Related party - Commercial transactions		18,014	497,792
Provision for employees leave and passage		(3,695)	-
Total		135,174	399,658
Gratuity settled during the year		(20,127)	-
Net cash generated from operating activities		115,047	399,658
Investing activities			
Proceeds from disposal of asset		5,150	-
Payment for purchase of property, plant and equipment		(2,195)	(5,701)
Net cash generated/(used in) investing activities		2,955	(5,701)
Financing activities			
Interim dividend distributed		(360,000)	(180,000)
(Decrease)/increase in cash and cash equivalents		(241,998)	213,957
Cash and cash equivalents at the beginning of the year		658,243	444,286
Cash and cash equivalents at the end of the year		416,245	658,243

The accounting policies and notes attached herewith form part of these financial statements.

The independent auditor's report is set forth on page 3-5

DIRECTOR

APPROVED ON 19 APRIL, 2018