

WENDT MIDDLE EAST FZE
HAMRIYAH FREE ZONE
SHARJAH - UNITED ARAB EMIRATES
FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR
FOR THE YEAR ENDED
31 MARCH, 2019



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'2019.

Key Financials Summary: -

(AED in Lakhs)			
Particulars	31.03.2018	31.03.2019	% change
Sales	23.48	24.05	2.43%
Other Income	1.70	1.17	-31%
Profit /(Loss)	0.44	0.20	-54%
Profit % on sales	2%	1%	-

Dividend:-

Due to prevailing challenging economic scenario in the Middle East, the Directors have not recommended any interim dividend during the year.

Business Operations: -

During the current financial year, your Company's sales are at Rs. 24.05 lacs AED, a growth of 2.43% over last year sales. On account of unstable geo political situation coupled with tight liquidity scenario in Middle East fresh investments are on hold.

With the Emerging/ new sunrise technologies of battery operated and Hybrid automobiles investors are holding back new investments in Oil and Gas industry and are taking decisions considering long horizon hitting short-term business sentiments.

Middle East country wise Growth rates are below 4% coupled with Inflationary pressures Small and Medium businesses are hit very hard leading to pruning of business operations on account of Flat or negative demand .

Your company focus has been mostly on steel, Oil and Gas , GRP and allied engineering Industries most companies in Middle East are operating between 50-70% of their capacity due to low demand and predatory pricing adopted by Chinese companies. This challenging scenario has impacted the company , while top line was not impacted but bottom line has taken a hit on account of streamlining of business and look out for new business opportunities.

Chinese suppliers both commodity and Abrasive tool manufacturers have adopted predatory pricing to silence local competition.

European and American suppliers also have joined the fray of predatory pricing and through their excess capacities globally, adopting attractive pricing and longer credit period policies and this has affected your company business.

Most countries in Middle East depending on oil as a revenue source are slowly diversifying looking at long-term perspective but the transition is not looking very easy as per plans.

Infrastructure projects in Middle East have taken backseat on account of low off take of crude oil and unstable prices of oil. On account of this many Infra companies are downsizing leading to lower job prospects for Expats and also lower growth rate of economy for Middle East countries.

Major currencies are going through corrections on a continuous basis while AED is pegged against American dollar and this has ensured stability in Local FOREX markets

Your company's increased focus on receivables and focus on credit worthy customers or Industries is expected to deliver results in next financial year.

For Financial year 2019-2020, the Company has embarked on below strategies to consolidate and grow business:

1. Focus on Textile tools market
2. Focus on Blade Grinding business
3. Focus on glass grinding business

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 Tenth 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 2019-20. 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
17th April 2019


RAJESH KHANNA
AUTHORIZED DIRECTOR



Our Ref: 189/19

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, 2019, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Messrs. Wendt Middle East FZE - Sharjah as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 7 to the financial statements of the Establishment discloses material related party transactions and the terms under which they were conducted;
4. The financial statement have been prepared and comply in all material respects, with the applicable provisions of Hamriyah Free Zone - Sharjah.
5. 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, 2019 any of the applicable provisions of Hamriyah Free Zone - Sharjah which would materially affect its activities or its financial position as at 31 March, 2019.

Joseph Philip
Registration No. 749
STUART & HAMLYN
CHARTERED ACCOUNTANTS

ISSUED IN DUBAI ON 17 APRIL, 2019

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH, 2019**

<u>Assets</u>	Note	2019 AED	2018 AED
Non-current assets			
Property, plant and equipment - net carrying amount	4	2,653	5,280
Total		<u>2,653</u>	<u>5,280</u>
Current assets			
Inventory		9,757	15,701
Goods in transit		11,793	6,822
Accounts receivable	5	464,109	413,325
Prepayments, deposits and advance	6	89,182	183,972
Related parties - Due from	7	496,553	429,622
Bank current account balances		398,227	416,245
Total		<u>1,469,621</u>	<u>1,465,687</u>
Total assets		<u>1,472,274</u>	<u>1,470,967</u>
<u>Equity and liabilities</u>			
Equity			
Capital	8	1,200,000	1,200,000
Statutory reserve	9	258,499	256,469
Accumulated losses		(144,963)	(163,228)
Total equity		<u>1,313,536</u>	<u>1,293,241</u>
Non-current liabilities			
Provision for employees end of service benefits	10	<u>1,323</u>	-
Current liabilities			
Accounts payable	11	157,415	118,393
Related parties - Due to	7	-	59,333
Total		<u>157,415</u>	<u>177,726</u>
Total liabilities		<u>158,738</u>	<u>177,726</u>
Total equity and liabilities		<u>1,472,274</u>	<u>1,470,967</u>

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

The independent auditor's report is set forth on page 5-7

DIRECTOR

APPROVED ON 17 APRIL, 2019

**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, 2019**

	Note	2019 AED	2018 AED
Revenue		2,405,428	2,348,428
Direct cost		(1,399,457)	(1,558,442)
Gross profit		<u>1,005,971</u>	<u>789,986</u>
Operating, administrative and general expenses	12	(1,093,029)	(930,493)
(Loss)/ Gain on foreign currency exchange		(9,987)	9,345
Gain of sale of assets		-	5,150
Other income	13	117,340	170,169
Net profit before statutory reserve		<u>20,295</u>	<u>44,157</u>
Statutory reserve		(2,030)	(4,416)
Net profit for the year		<u><u>18,265</u></u>	<u><u>39,741</u></u>

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

The independent auditor's report is set forth on page 5-7

DIRECTOR

APPROVED ON 17 APRIL, 2019

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH, 2019**

	Capital AED	Statutory reserve AED	Accumulated (losses) AED	Total AED
Balance at 31 March, 2017	1,200,000	252,053	37,031	1,489,084
Net profit for the financial year 2017-2018	-	-	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
Net profit for the financial year 2018-2019	-	-	20,295	20,295
Transfer to statutory reserve	-	2,030	(2,030)	-
Balance at 31 March, 2019	1,200,000	258,499	(144,963)	1,313,536

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

The independent auditor's report is set forth on page 5-7

DIRECTOR

APPROVED ON 17 APRIL, 2019

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH, 2019

	2019 AED	2018 AED
Operating activities		
Net profit for the year	18,265	39,741
Adjustments for:		
Statutory reserve	2,030	4,416
Depreciation and amortisation	2,627	4,239
Gain on disposal of fixed assets	-	(5,150)
Provision for employees end of service benefits	1,323	-
Net cash flow before changes in operating assets and liabilities	24,245	43,246
Changes in operating assets and liabilities:		
Inventory	5,944	169,920
Goods in transit	(4,971)	47,238
Prepayments, deposits and advance	94,790	(67,536)
Accounts receivable	(50,784)	(68,969)
Accounts payable	39,022	(3,044)
Related party - Commercial transactions	(126,264)	18,014
Provision for employees leave and passage	-	(3,695)
Total	(18,018)	135,174
Gratuity settled during the year	-	(20,127)
Net cash generated from operating activities	(18,018)	115,047
Investing activities		
Proceeds from disposal of asset	-	5,150
Payment for purchase of property, plant and equipment	-	(2,195)
Net cash generated/(used in) investing activities	-	2,955
Financing activities		
Interim dividend distributed	-	(360,000)
(Decrease) in cash and cash equivalents	(18,018)	(241,998)
Cash and cash equivalents at the beginning of the year	416,245	658,243
Cash and cash equivalents at the end of the year	398,227	416,245

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

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DIRECTOR

APPROVED ON 17 APRIL, 2019