

**WENDT MIDDLE EAST FZE**

**HAMRIYAH FREE ZONE**

**SHARJAH - UNITED ARAB EMIRATES**

**FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR**

**FOR THE YEAR ENDED**

**31 MARCH, 2020**

**WENDT MIDDLE EAST FZE**  
**HAMRIYAH FREE ZONE**  
**SHARJAH - UNITED ARAB EMIRATES**  
**31 MARCH, 2020**

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**DIRECTORS REPORT**

The Directors are pleased to present the Eleventh Annual Report and Audited Accounts for the year ended 31<sup>st</sup> March 2020.

**Key Financials Summary: -**

(AED in Lakhs)

<b>Particulars</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>% change</b>
Sales	24.05	7.82	33
Other Income	1.17	0.45	38
Profit /(Loss)	0.20	(1.32)	(660)
Profit % on sales	<b>1%</b>	<b>(17)</b>	NA

**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 7.82 lacs AED, On account of very tight liquidity condition owing to unstable downward oil prices and serious geopolitical concerns due to heightened tensions between 2 major powers of Middle East, Saudi Arabia and Iran.

Infrastructure and Tourism Industry contributes significantly to Middle East economies. On account of negative sentiments, the said industries have suffered badly leading to stoppage of high profile projects and investments leading to fall in GDP growth rates to almost flat or maximum 2% with most countries in Middle East. In fact EXPO 2020 one of the prestigious event has also been cancelled and postponed to 2020 on account of COVID 19 Pandemic

Steel and Cement Industries have been hit due to dumping by China on one hand and very low demand on the other hand leading to operating at just 40-50% capacity levels. MSMEs are hit hard due to low demand, tight liquidity and Inflationary Pressures.

While H1 showed strong to medium demand in Crude Oil off take owing to lower oil prices but with weaker OPEC and emergence of COVID -19 pandemic towards end of financial year have really added to further woes of oil and gas industry. Oil Price drop prompts severe spending cuts across spectrum of industry and socio welfare schemes of Governments in Middle East. In 2019, Oil Industry grew at (3%) and is forecast for 2020 by 2-3% and Non-oil sector at 0.8% (Source: ICEAW Economic Update).

Your Company's focus has been mostly on steel, Oil and Gas, GRP and allied engineering Industries. Most companies in Middle East are operating between 40-60% of their capacity due to low demand and very tight liquidity position. As most companies are trying to sustain and survive, this has led to severe job losses leading to scarce of right talent. With most companies adopting policy of payment terms of 90--210 days this has impacted top line and bottom line severely and hence as a part of business strategy we have pruned our exposure to customers having credit worthiness issues.

Our Competitors as a strategy offered longer credit terms and predatory pricing but due to unpredictable hard economic scenario, many Chinese and European suppliers shut or pruned their operations in Middle East and operating from their origin country

In last few years as a strategy, many Middle East countries invested heavily in non-oil related industries and Corona Pandemic arrival has hit and affected the GDP of each countries adversely leading to Forecasts of negative or stable GDP for next 2 years.

As Emirati Dirham is pegged against American dollar, we can expect less fluctuations in Exchange markets and slowly Chinese Yuan is gaining popularity in Middle East. Your company's increased focus on receivables and focus on credit worthy customers or Industries is expected to business sustenance in long run.

For Financial year 2020-21, the Company has embarked on below strategies to consolidate and grow business:

1. Focus on Steel Industry
2. Focus on Textile business

**Human Resource: -**

During the current year, your Company has continued its lean employee strength to be prudent and efficient. 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 Eleventh 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 2020-21. Your Directors recommend their appointment as statutory auditors of the Company for the financial year 2020-21.

**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**  
**11 May 2020**

  
**RAJESH KHANNA**  
**AUTHORIZED DIRECTOR**



Our Ref: 186/2020

## 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, 2020, 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, 2020, 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.

### Other Information/Matter

#### Other Matter:

Due to the global travel restrictions, subsequent to the COVID – 19 the authorised representative could not be able to arrange the bank statements and bank balance confirmations. Management given an undertaking that the entity holds a balance of AED 798,955 as of 31 March 2020, but we couldn't verify the same.

### 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.

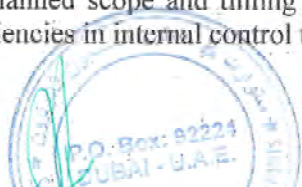
### **Auditor's Responsibilities for the Audit of the Financial Statements**

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, 2020 any of the applicable provisions of Hamriyah Free Zone - Sharjah which would materially affect its activities or its financial position as at 31 March, 2020.



**Joseph Philip**  
**Registration No. 749**  
**STUART & HAMLYN**  
**CHARTERED ACCOUNTANTS**

**ISSUED IN DUBAI ON 11 MAY, 2020**

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH, 2020**

<b>Assets</b>	<b>Note</b>	<b>2020 AED</b>	<b>2019 AED</b>
<b>Non-current assets</b>			
Property, plant and equipment - net carrying amount	4	243	2,653
Total		<u>243</u>	<u>2,653</u>
<b>Current assets</b>			
Inventory		15,159	9,757
Goods in transit		-	11,793
Accounts receivable	5	258,508	468,654
Prepayments, deposits and advance	6	62,057	84,637
Related parties - Due from	7	77,262	496,553
Bank current account balances		798,955	398,227
Total		<u>1,211,941</u>	<u>1,469,621</u>
<b>Total assets</b>		<b><u>1,212,184</u></b>	<b><u>1,472,274</u></b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Capital	8	1,200,000	1,200,000
Legal reserve	9	258,499	258,499
Accumulated losses		(277,334)	(144,963)
Total equity		<u>1,181,165</u>	<u>1,313,536</u>
<b>Non-current liabilities</b>			
Provision for employees end of service benefits	10	<u>8,342</u>	<u>1,323</u>
<b>Current liabilities</b>			
Accounts payable	11	22,677	157,415
Total		<u>22,677</u>	<u>157,415</u>
Total liabilities		<u>31,019</u>	<u>158,738</u>
<b>Total equity and liabilities</b>		<b><u>1,212,184</u></b>	<b><u>1,472,274</u></b>

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 11 MAY, 2020**



**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, 2020**

	Note	2020 AED	2019 AED
<b>Revenue</b>		781,938	2,405,428
<b>Direct cost</b>		(401,943)	(1,399,457)
<b>Gross profit</b>		379,995	1,005,971
<b>Operating, administrative and general expenses</b>	12	(557,027)	(1,093,029)
(Loss) on foreign currency exchange		(421)	(9,987)
Other income	13	45,082	117,340
<b>Net (loss)/profit before legal reserve</b>		(132,371)	20,295
Legal reserve		-	(2,030)
<b>Net (loss)/profit for the year</b>		<b>(132,371)</b>	<b>18,265</b>

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

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**DIRECTOR**

**APPROVED ON 11 MAY, 2020**

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH, 2020**

	<b>Capital AED</b>	<b>Statutory reserve AED</b>	<b>Accumulated (losses) AED</b>	<b>Total AED</b>
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 legal reserve	-	2,030	(2,030)	-
Balance at 31 March, 2019	1,200,000	258,499	(144,963)	1,313,536
Net (loss) for the financial year 2019-2020	-	-	(132,371)	(132,371)
<b>Balance at 31 March, 2020</b>	<b>1,200,000</b>	<b>258,499</b>	<b>(277,334)</b>	<b>1,181,165</b>

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

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**DIRECTOR**

**APPROVED ON 11 MAY, 2020**

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH, 2020**

	<b>2020</b>	<b>2019</b>
	<b>AED</b>	<b>AED</b>
<b>Operating activities</b>		
Net (loss)/profit for the year	(132,371)	18,265
Adjustments for:		
Legal reserve	-	2,030
Depreciation and amortisation	2,410	2,627
Provision for employees end of service benefits	7,019	1,323
Net cash flow before changes in operating assets and liabilities	(122,942)	24,245
<b>Changes in operating assets and liabilities:</b>		
Inventory	(5,402)	5,944
Goods in transit	11,793	(4,971)
Prepayments, deposits and advance	22,580	94,790
Accounts receivable	210,146	(50,784)
Accounts payable	(134,738)	39,022
Related party - Commercial transactions	419,291	(126,264)
<b>Net cash generated from/(used in) operating activities</b>	<b>400,728</b>	<b>(18,018)</b>
Increase/(decrease) in cash and cash equivalents	400,728	(18,018)
Cash and cash equivalents at the beginning of the year	398,227	416,245
<b>Cash and cash equivalents at the end of the year</b>	<b>798,955</b>	<b>398,227</b>

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**DIRECTOR**

**APPROVED ON 11 MAY, 2020**