WENDT MIDDLE EAST FZE

DIRECTORS REPORT

The Directors are pleased to present the Second Annual Report and Audited Accounts for the year ended 31st March'2010.

Key Financial Summary: -

('000 AED)

	31.03.2010	31.03.2009
Sales	179	0
Other Income	0.5	0
Profit Before Tax	(642)	(66)
Provision for current tax	-	-
Profit after Tax	(642)	(66)

Business Operations: -

The Company started its billing in August 2009 and during the year the sales was AED 179 (000's). The loss before tax for the year was AED 642 (000's). The total accumulated loss is AED 708 (000's). The global meltdown severely affected the sales. The Middle East in general and the UAE in particular are reported to have been going through the most severe economic crisis in their history. The Middle East while a trading economy is primarily driven by oil and construction.

While oil prices have stabilized at a low of 65 USD per barrel the construction has seen a massive decline with over 60% projects either shelved or stopped halfway. The slow down compounded with a steep increase in operation costs have resulted in many businesses closing down and many migrants forced to return back to their countries.

Even though your subsidiary started the business midway during the year, the crisis has impacted on the company's sale and profitability. Accordingly, the market development and the revenue generation from servicing activity for glass grinding and tile plant wheels did not happen as expected.

However, the company has adopted new strategies to counter the slowdown by focusing more on trading. The focus on un-explored opportunities in Glass Reinforced Plastic Industry and oil industry is expected to help the company to counter the recession and recover from the present crisis. The company also focused on growing business through technical support and product development in Iran.

Human Resource: -

The Company has restricted its employee strength to just 3 employees to be lean and efficient. Flexibility and multi- tasking are developed and encouraged to enhance individual and organizational value 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 Second Annual General Meeting Mr. M. Nachiappan retires by rotation and being eligible for appointment, offers himself for reappointment.

Auditors: -

Fuller International, Certified Public Accountants were appointed as the Auditor of the company and shall retire at the conclusion of the forthcoming Annual General Meeting. Since they are eligible for reappointment, offers themselves for reappointment.

Acknowledgement: -

The Board of Directors record their appreciation for the support, co-operation and guidance extended by Wendt India Ltd, the Company's parent Company and its Associates and Group Companies. The Board thanks the Hamriyah Free Zone Authorities, Government Departments, Standard Chartered Bank, Customers, Suppliers and employees for their support and cooperation.

SHARJAH
11th APRIL'2010

RAJESH KHANNA
AUTHORIZED DIRECTOR

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فاكس: ٢٧١٩٨٢٥ ٤ ٩٧١ +
ص.ب: ٥٤٢٨ دبي
الإمارات العربية المتحدة

Our Ref: JV-83/10

<u>Independent Auditor's Report</u>

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, 2010, 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 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, 2010, 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.

We highlight the content of the Note (13) with regard to going concern status of the Establishment. The Establishment's ability to continue its operation is dependent on the ability and willingness of the Owner to finance the Establishment as and when the requirements arise.

FULLER INTERNATIONAL
CERTIFIED PUBLIC ACCOUNTANTS

ISSUED IN DUBAI ON 11TH APRIL, 2010

WENDT MIDDLE EAST FZE

HAMRIYAH FREE ZONE

SHARJAH - UNITED ARAB EMIRATES

FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR

FOR THE YEAR ENDED

31ST MARCH, 2010

FULLER INTERNATIONAL

CERTIFIED PUBLIC ACCOUNTANTS

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2010

ASSETS	NOTE	31.03.2010 AED	31.03.2009 AED	31.03.2010 Rs	31.03.2009 Rs
Current Assets					
Inventory		151,550	-	1,859,973	0
Goods in transit		12,955	-	158,997	0
Prepayments and deposits refundable	5	51,083	40,576	626,942	497,989
Accounts receivable		-	8,113	0	99,571
Cash and cash equivalents	6	61,605	114,513	756,078	1,405,418
Total Current Assets		277,193	163,202	3,401,990	2,002,978
Non-Current Assets					
Property, plant and equipment - Net Carrying Amount	7	516,294	536,356	6,336,476	6,582,697
Intangible assets - Computer Software	8	2,158	-	26,485	0
Total Non-Current Assets		518,452	536,356	6,362,961	6,582,697
TOTAL ASSETS		795,645	699,558	9,764,951	8,585,675
LIABILITIES AND OWNER'S EQUITY					
Current Liabilities					
Accounts payable	9	59,503	4,000	730,280	49,092
Provision for employees leave and passage		18,158	-	222,853	0
Related party - Wendt (India) Limited - India	10	319,944	611,417	3,926,673	7,503,921
Total Current Liabilities		397,605	615,417	4,879,806	7,553,013
Non-Current Liabilities					
Provision for employees end of service benefits		10,974	-	134,684	0
Loan from related party	11	194,590	-	2,388,203	0
Total Non-Current Liabilities		205,564	-	2,522,887	-
Total Liabilities		603,169	615,417	7,402,693	7,553,013
Owner's Equtiy					
Capital	12	900,000	150,000	11,045,700	1,840,950
Accumulated loss for the year/period (Page 4)		(707,524)	(65,859)	(8,683,442)	(808,288)
Total Owners' Equity (Page 4)	13	192,476	84,141	2,362,258	1,032,662
TOTAL LIABILITIES AND EQUITY		795,645	699,558	9,764,951	8,585,675

THE NOTES ATTACHED HEREWITH FORM PART OF THESE FINANCIAL STATEMENTS.
The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1AED = INR 12.273

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2010

	NOTE	(For 1 Year) 31.03.2010 AED	(For 7 Months) 31.03.2009 AED	(For 1 Year) 31.03.2010 Rs	(For 7 Months) 31.03.2009 Rs
Sales		178,853	-	2,195,063	0
Cost of sales		(170,687)	-	(2,094,842)	0
Gross Profit		8,166	-	100,221	-
Operating, Administrative and General Expenses	14	(626,517)	(65,859)	(7,689,243)	(808,288)
Loss on foreign currency exchange		(23,814)	-	(292,269)	0
Other income		500	-	6,137	0
Net Loss For The Year/Period (Page 4)		(641,665)	(65,859)	(7,875,155)	(808,288)

THE NOTES ATTACHED HEREWITH FORM PART OF THESE FINANCIAL STATEMENTS.
The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1AED = INR 12.273

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2010

	Capital AED	Retained loss AED	Total AED	Capital Rs	Retained loss Rs	Total Rs
Capital Introduced	150,000	-	150,000	1,840,950	0	1,840,950
Net loss for the period 2009 (Page 3)	-	(65,859)	(65,859)	0	(808,288)	(808,288)
Balance at 31st March, 2009	150,000	(65,859)	84,141	1,840,950	(808,288)	1032662
Additional capital introduced	750,000	-	750,000	9,204,750	0	9,204,750
Net loss for the year 2010 (Page 3)	-	(641,665)	(641,665)	0	(7,875,155)	(7,875,155)
Balance at 31st March, 2010 (Page 2)	900,000	(707,524)	192,476	11,045,700	(8,683,442)	2,362,258

THE NOTES ATTACHED HEREWITH FORM PART OF THESE FINANCIAL STATEMENTS.
The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1AED = INR 12.273

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2010

	(For 1 Year) 31.03.2010 AED	(For 7 Months) 31.03.2009 AED	(For 1 Year) 31.03.2010 Rs	(For 7 Months) 31.03.2009 Rs
Cash Flow From Operating Activities				
Net loss for the year/period	(641,665)	(65,859)	(7,875,155)	(808,288)
Adjustments for:				
Depreciation and amortisation	121,143	-	1,486,788	0
Provision for employees end of service benefits	10,974	-	134,684	0
Net Cash Flow Before Changes in Operating Assets and Liabilities	(509,548)	(65,859)	(6,253,683)	(808,288)
Inventory	(151,550)	-	(1,859,973)	0
Goods in transit	(12,955)	-	(158,997)	0
Prepayments and deposits refundable	(10,507)	(40,576)	(128,952)	(497,989)
Accounts receivable	8,113	(8,113)	99,571	(99,571)
Accounts payable	55,503	4,000	681,188	49,092
Provision for employees leave and passage	18,158	-	222,853	0
Cash Used In Operating Activities	(602,786)	(110,548)	(7,397,993)	(1,356,756)
Cash Flow From Investing Activities				
Payment for purchase of property, plant and equipment	(100,389)	(536,356)	(1,232,074)	(6,582,697)
Payment for purchase of intangible assets	(2,850)	-	(34,978)	0
Cash Used In Investing Activities	(103,239)	(536,356)	(1,267,052)	(6,582,697)
Cash Flow From Financing Activities				
Additional capital introduced	750,000	150,000	9,204,750	1,840,950
(Settlement of)/From related party	(96,883)	611,417	(1,189,045)	7,503,921
Cash Flow From Financing Activities	653,117	761,417	8,015,705	9,344,871
(Decrease)/Increase in cash and cash equivalents	(52,908)	114,513	(649,340)	1,405,418
Cash and cash equivalents at the beginning of the year	114,513	-	1,405,418	0
Cash and cash equivalents at the end of the year/period (Page 2)	61,605	114,513	756,078	1,405,418

THE NOTES ATTACHED HEREWITH FORM PART OF THESE FINANCIAL STATEMENTS.
The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1AED = INR 12.273

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2010

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 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.

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.

1.2. Activities

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

NOTE 2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current year in these financial statements and have affected the presentation and disclosures in these financial statements. Details of other Standards and Interpretations adopted but that have had no effect on these financial statements are set out in section 2.2.

IAS 1 (as revised in 2007) Presentation of Financial Statements.	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
Amendments to IFR 7 Financial Instruments: Disclosures, Improving disclosures about Financial Instruments.	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may effect the accounting for the future transactions or arrangements.

Amendments to IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of "non-vesting" conditions, and clarify the accounting treatment for cancellation.
IFRS 8 Operating Segments	IFRS 8 is a disclosure Standard that require redesignation of Entity's reportable segments based on the segment used by Chief Operating Decision Maker to allocate resources and assess performance.

NOTE 2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

IAS 23 (as revised in 2007) Borrowing Costs	The principal change to the standard was to eliminate the option to expense all borrowing costs when incurred.
Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligation Arising on Liquidation.	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of net assets of the entity only on liquidation, to be classified as equity, subject to
IFRIC 13 Customer Loyalty Programmes	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
Improvements to IFRSs (2008)	Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from May and October 2008 Annual Improvement to IFRSs effective for annual periods beginning on or after January 1, 2009.

2.3 Standards and Interpretations in issue not yet effective and not early adopted.

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not effective and not early adopted:

New Standards and amendments to Standards	Effective for annual periods beginning on or after
IFRS 1 (revised) First Time Adoption of IFRS and IAS 27 (revised) Consolidated and Separate Financial Statements - Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	July 1, 2009
IFRS 1 (revised) First Time Adoption of IFRS - Amendment on additional exemptions for First-time Adopters	January 1, 2010
IFRS 2 (revised) Share-based Payment - Amendment relating to Group cash-settled Share-based payments.	January 1, 2010
IFRS 3 (revised) Business Combinations - Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) Consolidated and Separate Financial Statements, IAS 28 (revised) Investment in Associates and IAS 31 (revised) Interests in Joint Ventures	July 1, 2009

NOTE 2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.3 Standards and Interpretations in issue not yet effective and not early adopted.

IFRS 9 Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013
IAS 24 Related Party Disclosures - Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	January 1, 2011
IAS 32 (revised) Financial Instruments: Presentation - Amendments relating to classification of Right Issue	February 1, 2010
IAS 39 (revised) Financial Instruments: Recognition and Measurement - Amendments relating to Eligible Hedged Items (such as hedging Inflation risk and Hedging with options)	July 1, 2009
Improvements to IFRSs (2009): Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IA 7, IAS 17, IAS 18, IAS 36, IAS 38, and IAS 39 resulting from April 2009 Annual Improvements to IFRSs.	Majority effective for annual periods beginning on or after January 1,
IFRIC 17: Distribution of Non-cash Assets to Owners	July 1, 2009
IFRIC 18: Transfers of Assets from Customers	July 1, 2009
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
Amendment to IFRIC 14: IAS 19: The limit on a defined Benefit Assets, Minimum Funding Requirement and their interaction	January 1, 2011
Amendment to IFRIC 9 (revised): Reassessment of Embedded Derivatives relating to assessment of embedded derivatives in case of reclassification of a financial asset out of 'FVTPL'	July 1, 2009
Amendment to IFRIC 16: Hedges of a Net Investment in a Foreign Operation	July 1, 2009

Management anticipates that these amendments will be adopted in the Company's financial statements for the period beginning March, 2011 or as and when they are applicable. Management has not yet had an opportunity to consider the potential impact of the adoption of these amendments and revised standards.

NOTE 3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied all the years presented unless otherwise stated.

The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1AED = INR 12.273

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2010

NOTE 3. Summary of Significant Accounting Policies

3.1 Basis of Preparation and Presentation

The financial statements of the Establishment have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

3.2 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.

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

3.3 Cash and cash equivalents

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

3.4 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the average costing 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.

3.5 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 Establishment 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 Establishment. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2010

NOTE 3. Summary of Significant Accounting Policies

3.5 Property, plant and equipment (Continuation)

Depreciation on the assets is charged so as to allocate cost of assets less their residual value over their estimated useful lives, using the straight line method. The estimated useful lives 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

The assets' residual values useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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.

3.6 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.

3.7 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.

3.8 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.

3.9 Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method wherever applicable.

The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1AED = INR 12.273

NOTE 3. Summary of Significant Accounting Policies

3.10 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.

Provisions are measured at the present value of the amount expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.11 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.

3.12 Share capital

Ordinary shares are classified as equity.

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Establishment's activities. Revenue is shown net of sales/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 4. Financial Risk Management

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

Credit risk
Liquidity risk
Market risk

Financial Risk Management

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 Indian Rupee equivalent to the figures given in foreign currency have been converted at 1AED = INR 12.273

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2010

NOTE 4. Financial Risk Management

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. The Establishment, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees

4.1 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 wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assess 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 the financial assets comprising of cash and cash equivalents, accounts receivable and deposit refundable amounting to AED 69,105 (Rs 848,126) (Year 2009 AED 136,528 (Rs 1,675,608). The management continuously review all financial assets portfolios in order to assess reliability and risks associated therewith.

4.2 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.

4.3 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 $.

The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1AED = INR 12.273

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NOTE 4. Financial Risk Management

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 therefore is related to borrowing from the Related Party (See Note 11).

NOTE 5. Prepayments and Deposits Refundable

	31.03.2010 AED	31.03.2009 AED	31.03.2010 Rs	31.03.2009 Rs
Prepayments	43,583	26,674	534,894	327,370
Deposits refundable	7,500	13,902	92,048	170,619
TOTAL	51,083	40,576	626,942	497,989

NOTE 6. Cash and Cash Equivalents

	31.03.2010 AED	31.03.2009 AED	31.03.2010 Rs	31.03.2009 Rs
Cash on hand	200	2,725	2,455	33,444
Bank current account balance	61,405	111,788	753,624	1,371,974
TOTAL	61,605	114,513	756,078	1,405,418

NOTE 7. Property, Plant and Equipment

Cost	Plant and machinery AED	Leasehold nprovemen AED	Furniture & fixtures AED	Computers AED	TOTAL AED	Plant and machinery Rs	Leasehold improvements Rs	Furniture & fixtures Rs	Computers Rs	TOTAL Rs
At 31st March, 2009	536,356	-	-	-	536,356	6,582,697	0	0	0	6,582,697
Additions during the year	54,768	27,380	13,841	4,400	100,389	672,168	336,035	169,871	54,001	1,232,074
At 31st March, 2010	591,124	27,380	13,841	4,400	636,745	7,254,865	336,035	169,871	54,001	7,814,771
Depreciation	**25%**	**25%**	**33.33%**	**33.33%**		**25%**	**25%**	**33.33%**	**33.33%**	
At 31st March, 2009	-	-	-	-	-					
Charge for the year	110,826	5,138	3,547	940	120,451	1,360,167	63,059	43,532	11,537	1,478,295
At 31st March, 2010	110,826	5,138	3,547	940	120,451	1,360,167	63,059	43,532	11,537	1,478,295
Net Carrying Amount										
At 31st March, 2010	480,298	22,242	10,294	3,460	516,294	5,894,697	272,976	126,338	42,465	6,336,476
At 31st March, 2009	536,356	-	-	-	536,356	6,582,697	-	-	-	6,582,697

NOTE 8. Intangibe Assets - Computer Software

	Amortisatior period	Cost AED	Amortisation AED	Net Book Amount AED	Cost Rs	Amortisation Rs	Net Book Amount Rs
Computer software	3 Years	2,850	(692)	2,158	34,978	(8,493)	26,485

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NOTE 9. Accounts Payable

	31.03.2010 AED	31.03.2009 AED	31.03.2010 Rs	31.03.2009 Rs
Bills payable	17,750	-	217,846	0
Salaries payable	30,686	-	376,609	0
Accrued expenses	7,500	4,000	92,048	49,092
Advance from customers	3,567	-	43,778	0
Total	59,503	4,000	730,280	49,092

NOTE 10. 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 (Note 3.7). 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 (3.7). Related party transactions and balance outstanding at 31st March, 2010 are as

Transactions:	31.03.2010 AED	31.03.2009 AED	31.03.2010 Rs	31.03.2009 Rs
Commercial Transactions				
Purchase of merchandise during the year/period	305,721	-	3,752,114	0
Funding from Related Party:				
Supply of capital equipment and expenses incurred by Related Party on behalf of the Establishment	127,502	611,417	1,564,832	7,503,921
Temporary loan availed from the related party (Note 11)	194,590	-	2,388,203	0
Payments to Related Party:				
Payment to Related party towards purchase account	(89,546)	-	(1098998)	0
Payments to Related party towards settlement of fundings	(635,150)	-	(7795196)	0
Related Party Balance:				
Balance on purchase account	216,175	-	2,653,116	0
Balance of funding account	103,769	611,417	1,273,557	7,503,921
Total Balance - Due to	319,944	611,417	3,926,673	7,503,921
Balance of loan account - Due to	194,590	-	2,388,203	0

NOTE 11. Loan From Related Party

The Establishment obtained temporary cash loan from Messrs. Wendt (India) Limited - India to support its working capital requirements. The loan is payable with in two years period from the date of availing the fund and bear interest at the rate of 0.5% more than State Bank of India Cash Credit Interest rate per annum charged quarterly. Accordingly the current interest rate is 12.25%, (11.75%+ 0.5%).

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NOTE 12. Capital

The capital of the Establishment AED 900,000 (Rs 11045700) is made up of 6 fully paid up shares of AED 150,000 (Rs 1840950) each. (See Note 1)

NOTE 13. Going Concern Basis

Notwithstanding the fact that the Establishment sustained losses during the year which drained over two third of the Capital, the 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 Establishment for the foreseeable future.

NOTE 14. Operating, Administrative and General Expenses

	(For 1 Year) 31.03.2010 AED	(For 7 Months) 31.03.2009 AED	31.03.2010 Rs	31.03.2009 Rs
Payroll and related costs	240,385	-	2,950,245	0
Rent and lease	86,186	23,774	1,057,761	291,778
Trade license	8,973	1,375	110,126	16,875
Travelling and conveyance	76,091	1,628	933,865	19,980
Communication	14,090	3,300	172,927	40,501
Other general expenses	67,086	35,567	823,346	436,514
Bank interest and charges	12,563	215	154,186	2,639
Depreciation and amortisation	121,143	-	1,486,788	0
Total	626,517	65,859	7,689,243	808,288

NOTE 15. Employees

	31.03.2010 No.	31.03.2009 No.
Number of employees in the service of the Establishment at 31st March,	3	-

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