



WENDT MIDDLE EAST FZE

DIRECTORS REPORT

The Directors are pleased to present the Fourth Annual Report and Audited Accounts for the year ended 31st March'2012.

Key Financial Summary: -

	(Rs. Lacs)	
	31.03.2012	31.03.2011
Sales	283	113
Profit /(Loss)	(27)	(90)

Business Operations: -

During the current financial year, your Company's sales are at Rs 283 lacs, a growth of 150% over last year sales. This growth in sales was due to the higher sales made to Iran during the year in review.

The Continued Political instability in entire Middle East and also in major manufacturing economies like Egypt, Syria, and Bahrain has hampered our growth in sales compared to our expectations. As new projects and new investments are put on hold by Investors, Public and Government spending is at all time low.

UAE while being a trading economy is primarily driven by oil and construction.. The continued fluctuation in the oil prices has taken up inflation up by 2% on an average. The construction activities are still at an all time low and many projects are yet to be completed. With low demands and excess availability, the real estate market is reported to be at less than half of 2009 level.

Due to continued slowdown in construction activities there has been squeeze in Turnover and profitability leading to most of the companies reporting sluggish growth and erosion in profits. Reprofiling services of the Company did not take up as anticipated because of the major slowdown in the Middle East which has impacted the operations of the Company.

The continued slowdown has affected your subsidiary on the Company's sale and profitability. Market development is taking longer than expected time and also customers are looking at cheaper alternatives or suppliers with longer credit period and the revenue generation from servicing activity for glass grinding and tile plant wheels did not happen as expected.

Trading activity did give us the expected revenue with our focus and continued efforts despite of slowdown; our servicing related activities are yet to yield desired results.

Iran being one of our focused country yielded good results, but with US and Europe applying stiff sanctions and also Central Bank of Iran has been included in sanctions and with SWIFT facility is closed in Europe for making payments to Iran. Your subsidiary is assessing risks and has taken appropriate measures to retain and grow business.

However, the Company has embarked on below strategies to consolidate and grow business:

1. Include Power Tools from Carborundum Universal Ltd and products from Industrial ceramics in the Wendt Middle East product portfolio.
2. Focus on countries Kuwait, Qatar, Oman and Saudi Arabia for oil and gas related applications and other connected tools/components.
3. Focus on GRP related industries in Abu Dhabi and extrapolate success to similar customers in MENA region.
4. The Company also is focused on growing business through technical support and product development in Turkey and Egypt apart from Iran.
5. Focus on structural Glass reprofiling business and similar related activities as automotive is abysmally low.

Human Resource: -

The Company has continued with its lean employee strength to be efficient. Flexibility and multi-tasking are developed to enhance individual and organizational value apart from keeping employee costs at the minimum. With revenues not growing as targeted, during the year Mr K Satya Prasad Rao, Head of Operations has been transferred to the parent Company to take charge of the new business opportunity as Head of CUMI Branded products. The Board wishes to thank him for the valuable and outstanding contribution made by him during his tenure and initiating putting the processes and systems in place. In order to have stringent control over cost, further relocation would be reviewed depending on how the business shapes up in the first quarter of the coming year.

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 Fourth Annual General Meeting Mr. Rajesh Khanna retires by rotation and being eligible, offer himself for reappointment.

Auditors: -

Fuller International, Certified Public Accountants, appointed as the Auditors of the Company are due for retirement at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment for the ensuing year.

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, the Bankers to your Company, Customers, Suppliers and employees for their support and cooperation.

SHARJAH
23rd APRIL '2012


RAJESH KHANNA
AUTHORIZED DIRECTOR



Since 1975

Fuller International
Certified Public Accountants

فلر إنترناشيونال
محاسبون قانونيون

Our Ref: JV-100/12

Independent Auditor's Report

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, 2012, 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 accompanying 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, 2012, 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.

Without qualifying our report we wish to highlight the contents of (Note 14) with regard to insolvency, going concern status and the undertaking of the owner (Messrs. Wendt (India) Limited) to finance the Establishment in order that the Establishment shall continue its normal activities as a going concern. We therefore emphasize that the ability of Establishment to continue as a going concern is dependent on the ability and willingness of the owner to fund the Establishment until such time the Establishment's operation turns profitable.




FULLER INTERNATIONAL
CERTIFIED PUBLIC ACCOUNTANTS

ISSUED IN DUBAI ON 19TH APRIL, 2012

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2012

Assets	Note	2012 AED	2011 AED
Current assets			
Inventory		33,388	38,641
Accounts receivable	4	313,198	240,153
Prepayments and deposits refundable	5	104,077	67,054
Cash and cash equivalents	6	94,642	145,309
Total		<u>545,305</u>	<u>491,157</u>
Non-current assets			
Property, plant and equipment - net carrying amount	7	193,515	363,821
Property, plant and equipment - in transit		-	9,583
Intangible assets - Computer software	8	258	1,208
Total		<u>193,773</u>	<u>374,612</u>
Total assets		<u>739,078</u>	<u>865,769</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	9	170,538	96,029
Provision for employees leave and passage		48,413	44,786
Related party - Wendt (India) Limited - India	10	771,445	299,017
Short term bank loan	11	-	551,250
Total		<u>990,396</u>	<u>991,082</u>
Non-current liabilities			
Provision for employees end of service benefits		51,852	33,017
Loan from related party	12	194,765	97,539
Total		<u>246,617</u>	<u>130,556</u>
Total liabilities		<u>1,237,013</u>	<u>1,121,638</u>
Equity			
Capital	13	1,200,000	1,200,000
Accumulated losses		(1,697,935)	(1,455,869)
Total equity	14	<u>(497,935)</u>	<u>(255,869)</u>
Total liabilities and equity		<u>739,078</u>	<u>865,769</u>

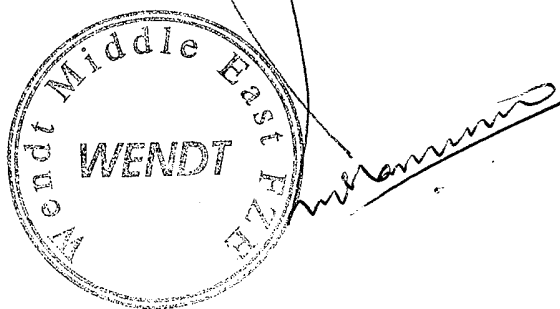
The notes attached herewith form part of these financial statements.

DIRECTOR

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2012

	Note	2012 AED	2011 AED
Sales		2,182,711	916,248
Cost of sales		(1,388,933)	(649,857)
Gross profit		<u>793,778</u>	<u>266,391</u>
Operating, administrative and general expenses	15	(1,028,461)	(1,014,666)
Loss on foreign currency exchange		(26,341)	(70)
Other income		1,953	-
Gain on disposal of property, plant and equipment		17,005	-
Net loss for the year		<u><u>(242,066)</u></u>	<u><u>(748,345)</u></u>

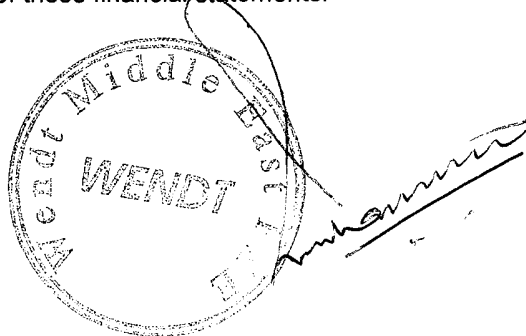
The notes attached herewith form part of these financial statements.



WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2012

	Capital AED	Accumulated losses AED	Total AED
Balance at 31st March, 2010	900,000	(707,524)	192,476
Additional capital introduced	300,000	-	300,000
Net loss for the year 2011	-	(748,345)	(748,345)
Balance at 31st March, 2011	1,200,000	(1,455,869)	(255,869)
Net loss for the year 2012	-	(242,066)	(242,066)
Balance at 31st March, 2012	1,200,000	(1,697,935)	(497,935)

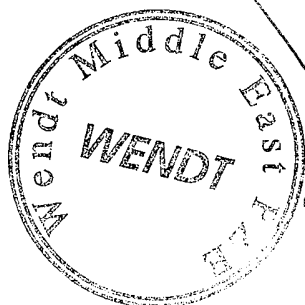
The notes attached herewith form part of these financial statements.



WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2012

	Note	2012 AED	2011 AED
Operating activities			
Net loss for the year		(242,066)	(748,345)
Adjustments for:			
Depreciation and amortisation		161,319	163,877
Provision for employees end of service benefits		18,835	22,043
Gain on disposal of property plant and equipment		(17,005)	-
Net cash flow before changes in operating assets and liabilities		(78,917)	(562,425)
Inventory		5,253	112,909
Goods in transit		-	12,955
Prepayments and deposits refundable		(37,023)	(15,971)
Accounts receivable		(73,045)	(240,153)
Accounts payable		74,509	36,526
Related party		472,428	-
Provision for employees leave and passage		3,627	26,628
Cash generated from/(used in) operating activities		366,832	(629,531)
Investing activities			
Payment for purchase of property, plant and equipment		(500)	(10,454)
Proceeds from sale of property, plant and equipment		37,025	-
Property, plant and equipment - in transit		-	(9,583)
Cash generated from/(used in) investing activities		36,525	(20,037)
Financing activities			
Additional capital introduced		-	300,000
Net movement in related party		97,226	(117,978)
(Settlement of)/from bank loan	12	(551,250)	551,250
Cash (used in)/generated from financing activities		(454,024)	733,272
(Decrease)/increase in cash and cash equivalents		(50,667)	83,704
Cash and cash equivalents at the beginning of the year		145,309	61,605
Cash and cash equivalents at the end of the year	6	94,642	145,309

The notes attached herewith form part of these financial statements.



WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2012

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, U.A.E. 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.

1.2 Activities

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

1.3 Address

The registered address of the Company is P.O. Box 50732, Sharjah, United Arab Emirates.

1.4 Shareholders

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.

Note 2 Summary of significant accounting policies

2.1 Statement of compliance

The financial statements of the Establishment have been prepared in accordance with "International Financial Reporting Standard for Small and Medium-sized Entities" (IFRS for SMEs). The principal accounting policies applied in the preparation of these financial statements are set out below.

The preparation of financial statements in conformity with IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in process of applying the Establishment's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note (3).

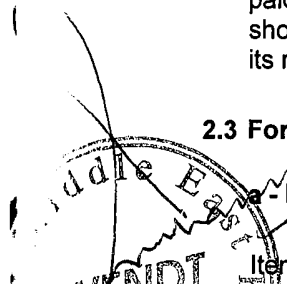
2.2 Basis of preparation and presentation

These financial statements have been prepared prudently and consistently on the assumption that the Establishment as an entity shall continue in business for the foreseeable future and taking into account expenses and income related to the financial year irrespective whether they have been paid and received and in accordance with historical cost convention under which assets are shown at or below its original cost to the Establishment and no allowance has been made to cover its replacement cost.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Establishment are measured using the currency



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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2012

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 gains and losses are presented in profit or loss within other (losses)/gains - net.

2.4 Cash and cash equivalents

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

2.5 Trade receivables

Trade receivables are recognised initially at the transaction price and subsequently stated net of any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Establishment will not be able to collect all amounts due according to the original terms of the receivables.

2.6 Inventories

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

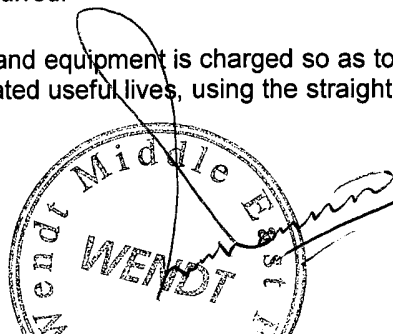
2.7 Property, plant and equipment

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.

Depreciation on the property, plant and equipment 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



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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
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2.7 Property, plant and equipment (continuation)

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.

2.8 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.

2.9 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.

2.10 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.

2.11 Trade payables

Trade payables are recognised initially at the transaction price and stated at the date of financial position at their nominal value.

2.12 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.

Wendt Middle East FZE

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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2012

2.13 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.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services rendered in the ordinary course of the Establishment's activities. Revenue is shown net of sale 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 3 Judgement and key sources of estimation

No significant judgments have had to be made by management in preparing these financial statements. Management has, however, had to make key assumptions regarding the recoverable amount of impaired trade receivables.

Note 4 Accounts receivable

	2012 AED	2011 AED
Trade debtors	313,198	242,106
Allowance for doubtful debts	-	(1,953)
Total	313,198	240,153

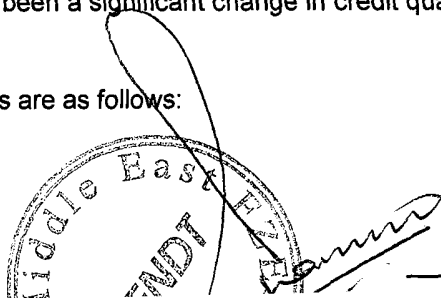
4.1 Trade debtors

The average credit period on sales is 60 days. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade debtors include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Establishment has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing analysis of trade debtors are as follows:

	2012 AED	2011 AED
Up to 3 months	240,380	212,665
3 months and above	72,818	29,441
Total	313,198	242,106



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Note 5	Prepayments and deposits refundable	2012 AED	2011 AED
	Prepayments	54,027	42,704
	Deposits refundable	50,050	24,350
	Total	104,077	67,054

Note 6	Cash and cash equivalents	2012 AED	2011 AED
	Cash on hand	13,689	1,960
	Bank current account balances	80,953	143,349
	Total	94,642	145,309

Note 7	Property, plant and equipment	Plant and machinery AED	Leasehold improvements AED	Furniture & fixtures AED	Computers AED	Total AED
	Cost					
	At 31st March, 2010	591,124	27,380	13,841	4,400	636,745
	Additions during the year	9,454	-	1,000	-	10,454
	At 31st March, 2011	600,578	27,380	14,841	4,400	647,199
	Additions during the year	9,583	-	-	500	10,083
	Disposals during the year	(46,500)	-	-	-	(46,500)
	At 31st March, 2012	563,661	27,380	14,841	4,900	610,782
	Depreciation	25%	25%	33.33%	33.33%	
	At 31st March, 2010	110,826	5,138	3,547	940	120,451
	Charge for the year	149,956	6,845	4,659	1,467	162,927
	At 31st March, 2011	260,782	11,983	8,206	2,407	283,378
	Charge for the year	147,043	6,864	4,946	1,516	160,369
	Related to disposals	(26,480)	-	-	-	(26,480)
	At 31st March, 2012	381,345	18,847	13,152	3,923	417,267
	Net carrying amount					
	At 31st March, 2012	182,316	8,533	1,689	977	193,515
	At 31st March, 2011	339,796	15,397	6,635	1,993	363,821



WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2012

Note 8	Intangible assets - computer software	2012 AED	2011 AED
	At 31st December,	<u>2,850</u>	<u>2,850</u>
	Amortisation (3 years - 33.33%)		
	At 1st April	(1,642)	(692)
	Amortisation for the year	(950)	(950)
	Total	<u>(2,592)</u>	<u>(1,642)</u>
	Net carrying amount	<u>258</u>	<u>1,208</u>

Note 9	Trade and other payables	2012 AED	2011 AED
	Trade payable	1,430	-
	Bills payable	29,167	18,350
	Salaries payable	15,158	27,661
	Accrued expenses	7,500	14,344
	Advance from customers	117,283	35,674
	Total	<u>170,538</u>	<u>96,029</u>

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 2.9). 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 (2.9). Related party transactions and balance outstanding at 31st March, 2012 are as follows:

Transactions:	2012 AED	2011 AED
Commercial Transactions		
Purchase of merchandise during the year	<u>1,377,420</u>	<u>691,256</u>
Funding from Related Party:		
Supply of capital equipment and expenses incurred by Related Party on behalf of the Establishment	<u>54,768</u>	<u>238,826</u>
Temporary loan balance availed from the related party (Note 12)	<u>194,765</u>	<u>97,539</u>
Payments to Related Party:		
Payment to Related party towards purchase account	<u>959,327</u>	<u>854,777</u>
Payments to Related party towards settlement of fundings	<u>387,539</u>	<u>103,330</u>
Related Party Balance:		
Balance on purchase account	581,181	163,521
Balance of funding account	190,264	135,496
Total balance - due to	<u>771,445</u>	<u>299,017</u>

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH, 2012

Note 11 Short term bank loan

During the financial year 2011, the Establishment obtained short term loan of USD 150,000 (Equivalent to AED 551,250) to support the working capital requirement from one of the bankers of the Establishment. The loan is repayable within a period of one year from the date of availing the loan. The loan is fully settled during the financial year ended 31st March, 2012.

Note 12 Loan from related party

This loan represents funding from Messrs. Wendt (India) Limited - India to support its working capital requirements of the Establishment. The loan is payable within 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 15%, (14.5%+ 0.5%).

The balance of the loan as at March 31, 2012 is made up of the following:

	2012 AED	2011 AED
As at 1st April,	97,539	194,590
Additional loan	484,765	202,949
Loan repayment during the year	(387,539)	-
Loan account balance converted to capital	-	(300,000)
Balance as at 31st March,	<u>194,765</u>	<u>97,539</u>

This loan is not payable during the 12 months period from the reporting date and therefore is classified under non-current liabilities.

Note 13 Capital

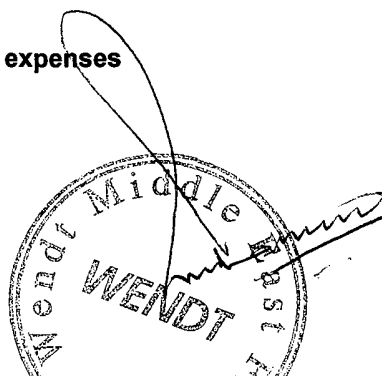
The Establishment's capital AED 1,200,000 is made up of 8 fully paid up shares of AED 150,000 each (See Note 1).

Note 14 Going concern basis

Notwithstanding the fact that the Establishment sustained losses since its inception which drained the entire Capital and reports deficit in the working capital and in the equity which at the reporting date amounted to AED 445,091 and AED 497,935 respectively, 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 funding requirements of the Establishment for the foreseeable future.

Note 15 Operating, administrative and general expenses

	2012 AED	2011 AED
Payroll and related costs	383,749	481,019
Rent and leases	99,831	83,791
Trade license and related expenses	14,340	7,996
Travelling and conveyance	83,427	71,951
Communication	30,371	25,355
Business promotions	131,654	32,965
Other general expenses	68,071	87,786
	<u>55,000</u>	<u>50,000</u>



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Note 16 Financial risk management

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

Credit risk
 Liquidity risk
 Market risk

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 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.

16.1 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 customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses 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.

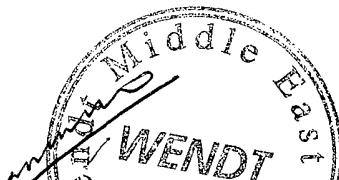
Credit risk is limited to the carrying amount of financial assets comprising of cash and cash equivalents, trade debtors and deposit refundable. The management continuously review all financial assets portfolios in order to assess reliability and risks associated therewith.

The maximum exposure to credit risk at the reporting date was:

	2012 AED	2011 AED
Accounts receivable - Net of provision	313,198	240,153
Deposits refundable	50,050	24,350
Cash and cash equivalents	94,642	145,309
Total	457,890	409,812

The ageing analysis of trade receivables are as follows:

Up to 3 months	240,380	219,815
3 months and above	72,818	22,291
Gross Total	313,198	242,106



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16.2 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.

The following are the contractual maturities of financial liabilities of the Establishment at the reporting date:

	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	More than 1 year AED
Trade and other payables	170,538	170,538	170,538	-
Employees leave and passage	48,413	48,413	48,413	-
Employees end of service benefits	51,852	51,852	-	51,852
Related party - Wendt (India) Limited	771,445	771,445	771,445	-
Loan from related party	194,765	194,765	-	194,765
Total	1,237,013	1,237,013	990,396	246,617

16.3 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 \$. At the reporting date all the transactions in financial assets and financial liabilities are denominated in the functional currency of the Establishment and therefore the Establishment is not exposed to currency risk.

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 at the reporting date is limited to:

	AED
Loan from related party	<u>194,765</u>

Note 17 Approval of financial statements

These financial statements were approved by the board of directors and authorised for issue on 19th April, 2012.