



WENDT MIDDLE EAST FZE

DIRECTORS REPORT

The Directors are pleased to present the Eighth Annual Report and Audited Accounts for the year ended 31st March'2016.

Key Financials Summary: -

Particulars	(AED in Lacs)		
	31.03.2016	31.03.2015	% change
Sales	31.52	37.73	-16%
Other Income	4.06	1.71	137%
Profit /(Loss)	7.43	8.30	-10%
Profit % on sales	24%	22%	

Business Operations: -

During the current financial year, your Company's sales are at 31.52 lacs AED, a decline of 16% over last year sales. This has been due to Crude oil price hitting lowest per barrel. Sales in the majority of countries in the middle east are going through' huge budget deficits leading to virtual halt of investments across all major industries. During the year, your Company continued its focus on cost control measures coupled with focus on high contribution product sales. Accordingly, your Company has reported profit of 7.43 lacs AED which is 90% of last year's profit figures. However, profitability has increased from 22% of sales last year to 24% of sales current year.

The effect of low oil prices was visible in third and fourth quarter, major economies in Middle East cut back on projects spending and many major construction projects are either going slow or stalled. Continued effects of Arab spring in many countries in Middle East have continued to take their toll taken their toll on socio economic and political aspects. Emergence of ISIS as a political alternative has taken toll on economies of middle- east.

Due to low oil prices China is dumping steel and cement in Middle East markets which has severely affected local industry. Major economies of middle- east Saudi Arabia and Iran are either involved in Proxy or in direct warfare on ground.

UAE, Saudi Arabia and Qatar are primarily driven by oil and construction. The continued downward spiral in the crude oil prices has made these countries to look at alternate sources of revenue, which is expected to bring socio economic turmoil in short term.

Major currencies are going through corrections. Euro has taken a major hit. Euro almost got devalued by 10% minimum against UAE Dirham.

Your company's increased focus on Trading and Private Labeling activity has translated into good profits during the year by mix of high contribution products. This has been possible due to new products and customers developed in OEM and Auto Markets.

For Financial year 2016-17, the Company has embarked on below strategies to consolidate and grow business:

1. Focus on Industrial ceramics Products and non-standard abrasive and super-abrasive products.
2. Focus on countries like Egypt, Oman and Saudi Arabia for oil and gas, steel related applications.
3. Focus on South Africa for glass grinding
4. Focus on Private labelling for cutting tool applications in Taiwan and USA

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 Eighth 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 2016-17. Your Directors recommend their appointment as statutory auditors of the Company for the financial year 2016-17.

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 Bankers, Customers, Suppliers and employees for their continued support and cooperation.

SHARJAH
19th APRIL '2016


RAJESH KHANNA
AUTHORIZED DIRECTOR



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, 2016, 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, 2016, 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. 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 the 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.

Joseph Philip
Reg. No: 749
STUART & HAMLIN
CHARTERED ACCOUNTANTS



ISSUED IN DUBAI ON 19TH APRIL, 2016

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2016

<u>Assets</u>	Note	2016 AED	2015 AED
Current assets			
Inventory		226,106	37,066
Goods in transit		136,055	153,230
Accounts receivable	4	681,846	573,882
Related parties - Due from	5	961,940	125,951
Prepayments and deposits refundable	6	98,304	96,630
Cash and cash equivalents	7	444,286	1,096,505
Total		<u>2,548,537</u>	<u>2,083,264</u>
Non-current assets			
Property, plant and equipment - net carrying amount	8	5,669	10,047
Intangible assets - computer software	9	699	1,199
Total		<u>6,368</u>	<u>11,246</u>
Total assets		<u>2,554,905</u>	<u>2,094,510</u>
<u>Liabilities and equity</u>			
Current liabilities			
Accounts payable	10	953,642	607,332
Provision for employees leave and passage	11	3,695	51,713
Related parties - Due to	5	75,845	-
Total		<u>1,033,182</u>	<u>659,045</u>
Non-current liabilities			
Provision for employees end of service benefits	11	20,127	71,312
Total liabilities		<u>1,053,309</u>	<u>730,357</u>
Equity			
Capital	12	1,200,000	1,200,000
Statutory reserve	13	223,304	149,025
Accumulated profit		78,292	15,128
Total equity		<u>1,501,596</u>	<u>1,364,153</u>
Total liabilities and equity		<u>2,554,905</u>	<u>2,094,510</u>

The notes attached herewith form part of these financial statements.

DIRECTOR

APPROVED ON 19TH APRIL, 2016

WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2016

	Note	2016 AED	2015 AED
Revenue		3,152,269	3,772,117
Direct Cost		(1,863,363)	(2,120,043)
Gross profit		<u>1,288,906</u>	<u>1,652,074</u>
Operating, administrative and general expenses	14	(946,810)	(988,525)
(Loss) on foreign currency exchange		(6,262)	(5,252)
Other income	15	406,959	171,435
Net profit before statutory reserve		<u>742,793</u>	<u>829,732</u>
Statutory reserve		(74,279)	(82,973)
Net profit for the year		<u><u>668,514</u></u>	<u><u>746,759</u></u>

The notes attached herewith form part of these financial statements.

