



## WENDT MIDDLE EAST FZE

Warehouse No. W3-8  
PO Box No.50732  
Hamriyah Free Zone - Sharjah  
United Arab Emirates  
Telephone :+ 971 50115 3343  
E-mail : wme@wendtindia.com

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## WENDT MIDDLE EAST FZE

### DIRECTORS REPORT

The Directors are pleased to present the Third Annual Report and Audited Accounts for the year ended 31<sup>st</sup> March'2011.

#### Key Financial Summary: -

	(Rs. Lacs)	
	<b>31.03.2011</b>	<b>31.03.2010</b>
Sales	113	23
Profit/ Loss	(90)	(88)

#### Business Operations: -

The Company has completed its first full year of operations. The sales during the year were Rs. 113 Lacs. The loss for the year was 90 lacs.

The continued meltdown and recession in major sectors severely affected the sales. With the political disturbances in many countries in the Middle East adding to the turmoil, the situation is expected to worsen. The Middle East is today seen as the most disturbed and politically un-stable region in the world.

The Middle East, while a trading economy is primarily driven by oil and construction. The continued fluctuation in the oil prices has taken up inflation to over 12%. 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 levels.

Many businesses have closed down due to continued losses and there is a visible decrease of migrants especially in Engineering, Construction and Oil industry segments.

The crisis has severely affected your subsidiary 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.

Trading activity also did not give us the expected revenue due to the slowdown, economic / political unrest and liquidity problems with most customers.

One of our customers producing Vitrified tiles, where our supplies annually were over US\$ 250000 closed down its operations in Dubai.



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In Iran where our sales through CUMI was more than US\$ 250000 last year, our sales was severely effected due to continued sanctions which effected our business process / receivables. It is now considered a High Risk country with the banks rejecting all transactions with Iran.

However, the company has embarked on a three pronged strategy to counter the slowdown

1. The servicing activity has been broad based to include re-grinding / job work for the oil and marine industry. Necessary machines are being added to take up this activity.
2. The company continues to focus on the un-explored opportunities in Glass Reinforced Plastic Industry and oil industry. .
3. The company would also focus on growing business through technical support and product development in Turkey and Egypt apart from Iran

The above initiatives are expected to help the company to counter the recession and recover from the present crisis

### **Human Resource: -**

The Company has continued with its employee strength of just 3 employees to be lean and efficient. Flexibility and multi- tasking are developed to enhance individual and organizational value apart from keeping employee costs at the minimum.

However one director (Mr, Rajesh Khanna) has taken a resident VISA which is a statutory requirement of the Free Zone Authority in Hamriyah (Sharjah)

### **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 has retired and Mr, D R Kulkarni has been nominated in his place. The Board wishes to thank Mr M Nachiappan for the valuable and outstanding contribution made by him during his tenure as Director and also welcome Mr D R Kulkarni for joining the Board as a new Director of the Company.

### **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.



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**Acknowledgement: -**

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

**SHARJAH**  
**09<sup>th</sup> APRIL'2011**



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



# فلر انترناشيونال

محاسبون قانونيون

## FULLER INTERNATIONAL CERTIFIED PUBLIC ACCOUNTANTS

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United Arab Emirates

Our Ref: JV-114/11

### 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 31<sup>st</sup> March, 2011, 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, 2011, 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 (15) 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 24TH APRIL, 2011

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31ST MARCH, 2011**

	Note	2011 AED	2010 AED	2011 Rs.	2010 Rs.
<b>Assets</b>					
<b>Current assets</b>					
Inventory		38,641	151,550	469,063	1,839,665
Goods in transit		-	12,955	-	157,261
Accounts receivable	5	240,153	-	2,915,217	-
Prepayments and deposits refundable	6	67,054	51,083	813,969	620,097
Cash and cash equivalents	7	145,309	61,605	1,763,906	747,823
Total		<u>491,157</u>	<u>277,193</u>	<u>5,962,155</u>	<u>3,364,846</u>
<b>Non-current assets</b>					
Property, plant and equipment - net carrying amount	8	363,821	516,294	4,416,423	6,267,293
Property, plant and equipment - in transit		9,583	-	116,328	-
Intangible assets - Computer software	9	1,208	2,158	14,664	26,196
Total		<u>374,612</u>	<u>518,452</u>	<u>4,547,415</u>	<u>6,293,489</u>
<b>Total assets</b>		<b><u>865,769</u></b>	<b><u>795,645</u></b>	<b><u>10,509,570</u></b>	<b><u>9,658,335</u></b>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Trade and other payables	10	96,029	59,503	1,165,696	722,307
Provision for employees leave and passage		44,786	18,158	543,657	220,420
Related party - Wendt (India) Limited - India	11	299,017	319,944	3,629,767	3,883,800
Short term bank loan	12	551,250	-	6,691,624	-
Total		<u>991,082</u>	<u>397,605</u>	<u>12,030,744</u>	<u>4,826,527</u>
<b>Non-current liabilities</b>					
Provision for employees end of service benefits		33,017	10,974	400,793	133,213
Loan from related party	13	97,539	194,590	1,184,026	2,362,128
Total		<u>130,556</u>	<u>205,564</u>	<u>1,584,819</u>	<u>2,495,341</u>
Total liabilities		<u>1,121,638</u>	<u>603,169</u>	<u>13,615,564</u>	<u>7,321,868</u>
<b>Equity</b>					
Capital	14	1,200,000	900,000	14,566,800	10,925,100
Accumulated loss for the year		(1,455,869)	(707,524)	- 17,672,794	- 8,588,634
Total equity	15	<u>(255,869)</u>	<u>192,476</u>	<u>(3,105,994)</u>	<u>2,336,466</u>
<b>Total liabilities and equity</b>		<b><u>865,769</u></b>	<b><u>795,645</u></b>	<b><u>10,509,570</u></b>	<b><u>9,658,335</u></b>

The notes attached herewith form part of these financial statements.

**DIRECTOR**

**APPROVED ON 24TH APRIL, 2011**

The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 12.139

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST MARCH, 2011**

	Note	2011 AED	2010 AED	2011 Rs.	2010 Rs.
<b>Sales</b>		916,248	178,853	11,122,334	2,171,097
<b>Cost of sales</b>		(649,857)	(170,687)	(7888614)	(2071969)
<b>Gross profit</b>		266,391	8,166	3,233,720	99,127
<b>Operating, administrative and general expenses</b>	16	(1,014,666)	(626,517)	(12317031)	(7605290)
Loss on foreign currency exchange		(70)	(23,814)	(850)	(289078)
Other income		-	500	0	6070
<b>Net loss for the year</b>		<b>(748,345)</b>	<b>(641,665)</b>	<b>(9,084,160)</b>	<b>(7,789,171)</b>

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 1 AED = INR 12.139**

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31ST MARCH, 2011**

	Note	2011 AED	2010 AED	2011 Rs.	2010 Rs.
<b>Operating activities</b>					
Net loss for the year		(748,345)	(641,665)	(9084160)	(7789171)
Adjustments for:					
Depreciation and amortisation		163,877	121,143	1989303	1470555
Provision for employees end of service benefits		22,043	10,974	267580	133213
Net cash flow before changes in operating assets and liabilities		(562,425)	(509,548)	(6827277)	(6185403)
Inventory		112,909	(151,550)	1370602	(1839665)
Goods in transit		12,955	(12,955)	157261	(157261)
Prepayments and deposits refundable		(15,971)	(10,507)	(193872)	(127544)
Accounts receivable		(240,153)	8,113	(2915217)	98484
Accounts payable		36,526	55,503	443389	673751
Provision for employees leave and passage		26,628	18,158	323237	220420
Cash (used in) operating activities		(629,531)	(602,786)	(7,641,877)	(7,317,219)
<b>Investing activities</b>					
Payment for purchase of property, plant and equipment		(10,454)	(100,389)	(126901)	(1218622)
Property, plant and equipment - in transit		(9,583)	-	(116328)	0
Payment for purchase of intangible assets		-	(2,850)	0	(34596)
Cash (used in) investing activities		(20,037)	(103,239)	(243,229)	(1,253,218)
<b>Financing activities</b>					
Additional capital introduced		300,000	750,000	3641700	9104250
Net movement in related party		(117,978)	(96,883)	(1432135)	(1176063)
From bank loan	12	551,250	-	6691624	0
Cash generated from financing activities		733,272	653,117	8,901,189	7,928,187
Increase/(Decrease) in cash and cash equivalents		83,704	(52,908)	1016083	(642250)
Cash and cash equivalents at the beginning of the year		61,605	114,513	747823	1390073
<b>Cash and cash equivalents at the end of the year</b>		<b>145,309</b>	<b>61,605</b>	<b>1,763,906</b>	<b>747,823</b>

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 1 AED = INR 12.139**

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST MARCH, 2011**

	<b>Capital AED</b>	<b>Accumulated loss AED</b>	<b>Total AED</b>	<b>Capital Rs.</b>	<b>Accumulated loss Rs.</b>	<b>Total Rs.</b>
Balance at 31st March, 2009	150,000	(65,859)	84,141	1,820,850	(799,462)	1,021,388
Additional capital introduced	750,000	-	750,000	9,104,250	0	9,104,250
Net loss for the year 2010	-	(641,665)	(641,665)	-	(778,917)	(778,917)
Balance at 31st March, 2010	900,000	(707,524)	192,476	10,925,100	(8,588,634)	2,336,466
Additional capital introduced	300,000	-	300,000	3,641,700	0	3,641,700
Net loss for the year 2011	-	(748,345)	(748,345)	-	(908,416)	(908,416)
<b>Balance at 31st March, 2011</b>	<b>1,200,000</b>	<b>(1,455,869)</b>	<b>(255,869)</b>	<b>14,566,800</b>	<b>(17,672,794)</b>	<b>(3,105,994)</b>

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 1 AED = INR 12.139



**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**31ST MARCH, 2011**

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**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.

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      Basis of preparation and summary of significant accounting policies**

The financial statements of the Establishment have been prepared by in accordance with 'IFRS for Small and Medium-sized Entities' issued by the International Accounting Standards Board. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for the period presented unless otherwise stated.

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 judgement in process of applying the Establishment's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

**2.1 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.

**2.2 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).

## **2.2 Foreign currency translation (continuation)**

### **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'.

## **2.3 Cash and cash equivalents**

Cash and cash equivalents includes bank balance, demand deposits and other short term highly liquid investments with original maturities of three months or less.

## **2.4 Trade receivables**

Trade receivables are stated at their nominal value as reduced by appropriate allowance for estimated doubtful amounts.

## **2.5 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.

## **2.6 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
Computers	3	33.33

## **2.6 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.

## **2.7 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.

## **2.8 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.

## **2.9 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.

## **2.10 Trade payables**

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

## **2.11 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.

### **2.12 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.

### **2.13 Share capital**

Ordinary shares are classified as equity.

### **2.14 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 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 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 understand their roles and obligations.

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**31ST MARCH, 2011**

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**3.1 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.

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

**3.2 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.

**3.3 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 the financial assets and financial liabilities are denominated in the functional currency of the Establishment or US \$ 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 therefore is related to borrowings from the bank and the Related Party (See Note 11 and 12).

**Note 4 Judgement and key sources of estimation**

No significant judgements 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.

<b>Note 5</b>	<b>Accounts receivable</b>	2011 AED	2010 AED	2011 Rs.	2010 Rs.
	Trade debtors	242,106	-	2,938,925	-
	Allowance for doubtful debts	(1,953)	-	(23,707)	-
	<b>Total</b>	<b>240,153</b>	<b>-</b>	<b>2,915,217</b>	<b>-</b>

**The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 12.139**

**WENDT MIDDLE EAST FZE - HAMRIYAH FREE ZONE, SHARJAH - U.A.E.**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**31ST MARCH, 2011**

<b>Note 6</b>	<b>Prepayments and deposits refundable</b>	2011 AED	2010 AED	2011 Rs.	2010 Rs.
	Prepayments	42,704	43,583	518,384	529,054
	Deposits refundable	24,350	7,500	295,585	91,043
	<b>Total</b>	<b>67,054</b>	<b>51,083</b>	<b>813,969</b>	<b>620,097</b>

**The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 12.139**

<b>Note 7</b>	<b>Cash and cash equivalents</b>	2011 AED	2010 AED	2011 Rs.	2010 Rs.
	Cash on hand	1,960	200	23,792	2,428
	Bank current account balances	143,349	61,405	1,740,114	745,395
	<b>Total</b>	<b>145,309</b>	<b>61,605</b>	<b>1,763,906</b>	<b>747,823</b>

**The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 12.139**

**Note 8 Property, plant and equipment**

<b>Cost</b>	Plant and machinery AED	Leasehold improvements AED	Furniture & fixtures AED	Computers AED	Total AED
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	<b>600,578</b>	<b>27,380</b>	<b>14,841</b>	<b>4,400</b>	<b>647,199</b>
<b>Depreciation</b>	<b>25%</b>	<b>25%</b>	<b>33.33%</b>	<b>33.33%</b>	
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	<b>260,782</b>	<b>11,983</b>	<b>8,206</b>	<b>2,407</b>	<b>283,378</b>
<b>Net carrying amount</b>					
<b>At 31st March, 2011</b>	<b>339,796</b>	<b>15,397</b>	<b>6,635</b>	<b>1,993</b>	<b>363,821</b>
<b>At 31st March, 2010</b>	<b>480,298</b>	<b>22,242</b>	<b>10,294</b>	<b>3,460</b>	<b>516,294</b>

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<b>Cost</b>	Plant and machinery Rs.	Leasehold improvements Rs.	Furniture & fixtures Rs.	Computers Rs.	Total Rs.
At 31st March, 2010	7,175,654	332,366	168,016	53,412	7,729,448
Additions during the year	114,762	-	12,139	-	126,901
At 31st March, 2011	<u>7,290,416</u>	<u>332,366</u>	<u>180,155</u>	<u>53,412</u>	<u>7,856,349</u>
<b>Depreciation</b>	<b>25%</b>	<b>25%</b>	<b>33.33%</b>	<b>33.33%</b>	
At 31st March, 2010	1,345,317	62,370	43,057	11,411	1,462,155
Charge for the year	1,820,316	83,091	56,556	17,808	1,977,771
At 31st March, 2011	<u>3,165,633</u>	<u>145,462</u>	<u>99,613</u>	<u>29,219</u>	<u>3,439,926</u>
<b>Net carrying amount</b>					
<b>At 31st March, 2011</b>	<u>4,124,784</u>	<u>186,904</u>	<u>80,542</u>	<u>24,193</u>	<u>4,416,423</u>
<b>At 31st March, 2010</b>	<u>5,830,337</u>	<u>269,996</u>	<u>124,959</u>	<u>42,001</u>	<u>6,267,293</u>

The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 12.139

<b>Note 9</b>	<b>Intangible assets - computer software</b>	Amortisation period	2011	2010	2011	2010
			AED	AED	Rs.	Rs.
	At 31st December,		2,850	2,850	34,596	34,596
	<b>Amortisation</b>	3 Years				
	At 1st April		(692)	-	(8,400)	-
	Amortisation for the year		(950)	(692)	(11,532)	(8,400)
	Total		<u>(1,642)</u>	<u>(692)</u>	<u>(19932)</u>	<u>(8400)</u>
	<b>Net carrying amount</b>		<u>1,208</u>	<u>2,158</u>	<u>14,664</u>	<u>26,196</u>

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<b>Note 10</b>	<b>Trade and other payables</b>	2011 AED	2010 AED	2011 Rs.	2010 Rs.
	Bills payable	18,350	17,750	222,751	215,467
	Salaries payable	27,661	30,686	335,777	372,497
	Accrued expenses	14,344	7,500	174,122	91,043
	Advance from customers	35,674	3,567	433,047	43,300
	<b>Total</b>	<b>96,029</b>	<b>59,503</b>	<b>1,165,696</b>	<b>722,307</b>

**The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 12.139**

**Note 11 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 2.8). 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 (2.8). Related party transactions and balance outstanding at 31st March, 2011 are as follows:

<b>Transactions:</b>	2011 AED	2010 AED	2011 Rs.	2010 Rs.
<b>Commercial Transactions</b>				
Purchase of merchandise during the year	691,256	305,721	8,391,157	3,711,147
<b>Funding from Related Party:</b>				
Supply of capital equipment and expenses incurred by Related Party on behalf of the Establishment	238,826	127,502	2,899,109	1,547,747
Temporary loan balance availed from the related party (Note 13)	97,539	194,590	1,184,026	2,362,128
<b>Payments to Related Party:</b>				
Payment to Related party towards purchase account	854,777	(89,546)	10,376,138	(1,086,999)
Payments to Related party towards settlement of findings	103,330	(635,150)	1,254,323	(7,710,086)
<b>Related Party Balance:</b>				
Balance on purchase account	163,521	216,175	1,984,981	2,624,148
Balance of funding account	135,496	103,769	1,644,786	1,259,652
<b>Total balance - due to</b>	<b>299,017</b>	<b>319,944</b>	<b>3,629,767</b>	<b>3,883,800</b>
Balance of loan account - due to (Note 13)	97,539	194,590	1,184,026	2,362,128

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**Note 12 Short term bank loan**

The Establishment obtained short term loan of USD 150,000 (Equivalent to AED 551,250) (Equivalent to Rs. 6,691,623.75) 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 bears interest at LIBOR + 5 %.

**Note 13 Loan from related party**

The Establishment during the year under review obtained a 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 13.25%, (12.75%+ 0.5%).

	AED	Rs.
The balance of the loan as at March 31, 2011 is made up of the following:		
As at March 31, 2010	194,590	2,362,128
Additional loan	202,949	2,463,598
Loan account balance converted to capital	(300,000)	(3,641,700)
Balance as at March 31, 2011	97,539	1,184,026

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

**The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 12.139**

**Note 14 Capital**

The Establishment's capital was increased from AED 900,000 (Rs. 10,925,100) to AED 1,200,000 (Rs. 14,566,800) with the effect from 15th March, 2011, which is made up of 8 fully paid up shares of AED 150,000 each (Rs. 1,820,850 each) (See Note 1).

**Note 15 Going concern basis**

Notwithstanding the fact that the Establishment sustained losses since its inception which drained the entire Capital and report the deficit in the equity amounting to AED 255,869 (Rs. 3,105,993.79), 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 16 Operating, administrative and general expenses**

	2011 AED	2010 AED	2011 Rs.	2010 Rs.
Payroll and related costs	481,019	240,385	5,839,090	2,918,034
Rent and lease	83,791	86,186	1,017,139	1,046,212
Trade license	7,996	8,973	97,063	108,923
Travelling and conveyance	71,951	76,091	873,413	923,669
Communication	25,355	14,090	307,784	171,039
Business promotions	32,965	-	400,162	-
Other general expenses	87,786	67,086	1,065,634	814,357
Bank interest and charges	59,926	12,563	727,442	152,502
Depreciation and amortisation	163,877	121,143	1,989,303	1,470,555
Total	1,014,666	626,517	12,317,031	7,605,290

**The Indian Rupee equivalent to the figures given in foreign currency have been converted at 1 AED = INR 12.139**

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**Note 17    Approval of financial statements**

These financial statements were approved by the board of directors and authorised for issue.