Transguard Group Annual Report

2012-13

His Highness Sheikh Mohammed bin Rashid Al Maktoum

Vice President and Prime Minister of the UAE and Ruler of Dubai

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Message from the Chairman

His Highness Sheikh Ahmed bin Saeed Al Maktoum

Chairman and Chief Executive,
Emirates Airline & Group

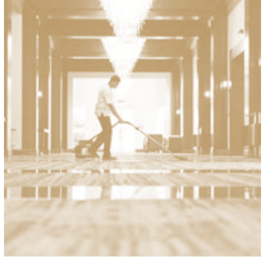
The Transguard Group has been an integral part of the Emirates Group since it was established in 2001, both supporting group operations as well as being a stand-alone commercial entity serving the wider regional business community.

The last financial year has seen Transguard's continued commercial success. The company has increased its range of business support services and has expanded its operations into a number of new market sectors, while at the same time augmenting the support it provides to Emirates and to both Dubai International and Dubai World Central airports.

The phenomenal growth of the Emirates Group has helped make Dubai International the fastest growing airport in the world and the second busiest for international passenger traffic. The airport currently handles more than 58 million passengers a year.

Transguard has more than kept pace with the growth of the group. In the last 12 months it has enhanced the support it provides, with a 10% increase in employee numbers across all group operations. This increase is forecast to be matched in the coming year.

"Transguard has enhanced the support it provides, with a 10% increase in employee numbers across all group operations."




Signing of the agreement between Transguard and Swiss Post SPS to form Transguard SPS

"The phenomenal growth of the Emirates Group has helped make Dubai International the fastest growing airport in the world and the second busiest for international passenger traffic."

The support Transguard provides Emirates and dnata covers a diverse range of services, from the security staff deployed at Dubai Duty Free and within the Cargo and Aircraft Protection Unit, to the aircraft cleaners in Emirates Engineering and the baggage handlers and porters working in the airport. There are now well in excess of 5,000 fulltime Transguard employees working across group operations, a very significant proportion of the 18,000 people employed by Transguard as a whole.

Emirates is one of the world's fastest-growing airlines and we have the confidence that Transguard will continue to grow as we do, and continue to deliver the service and support we demand of it. The company's key market sectors are showing healthy signs of growth and we can look forward to Transguard's continued success, serving both the group and the UAE business community.

Ahmed bin Saeed Al Maktoum

Chairman and Chief Executive, Emirates Airline & Group

Message from the Chief Executive Officer

Dr Abdulla Al Hashimi

Chief Executive Officer, Transguard Group LLC

The 2012-2013 financial year has been an important one in the history of the Transguard Group, and one which has seen the company complete a number of major strategic initiatives and projects, while achieving significant growth and success in its core businesses.

Transguard's security business is an intrinsic part of the group and has again maintained its position as one of the most successful and professional providers in the region. Major successes this year have included the launch of the 24/7 Security Operations Centre (SOC) and establishing the Centre of Security Excellence with a remit to continuously review the operational and service delivery processes within the business.

Transguard Cash, our cash services business, has had another highly successful year. The complete suite of end-to-end ATM management services became fully operational and the projects to develop and upgrade the operational support systems were completed with the launch of the Transguard Cash Data Centre, providing enhanced 24/7 ATM monitoring, vehicle tracking and cash optimization solutions. Other notable achievements include the opening of the new ATM cash processing and cash deposit facilities, together with system upgrades to our flagship cash management centre, which has substantially increased our processing capacity.

"Transguard's security business is an intrinsic part of the group and has again maintained its position as one of the most successful and professional providers in the region."

"Health and Safety is a major priority for the group and remains at the heart of the way in which we conduct our business."

The Facilities Management (FM) business continues to grow, reinforcing our position as a major integrated FM service provider in the region. Key achievements include completing the accreditation process with the internationally recognised British Institute of Cleaning Science (BICSc), as well as becoming the first company in the Middle East to be certified under the Healthy High Performance Cleaning (HHPC) programme.

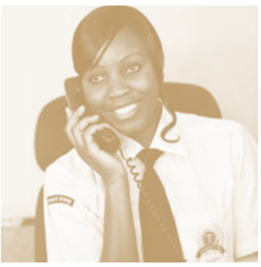
The airport services business, which provides support to the wider Emirates Group, remains a very important part of Transguard and has again shown substantial growth both in headcount and in the range of services it provides.

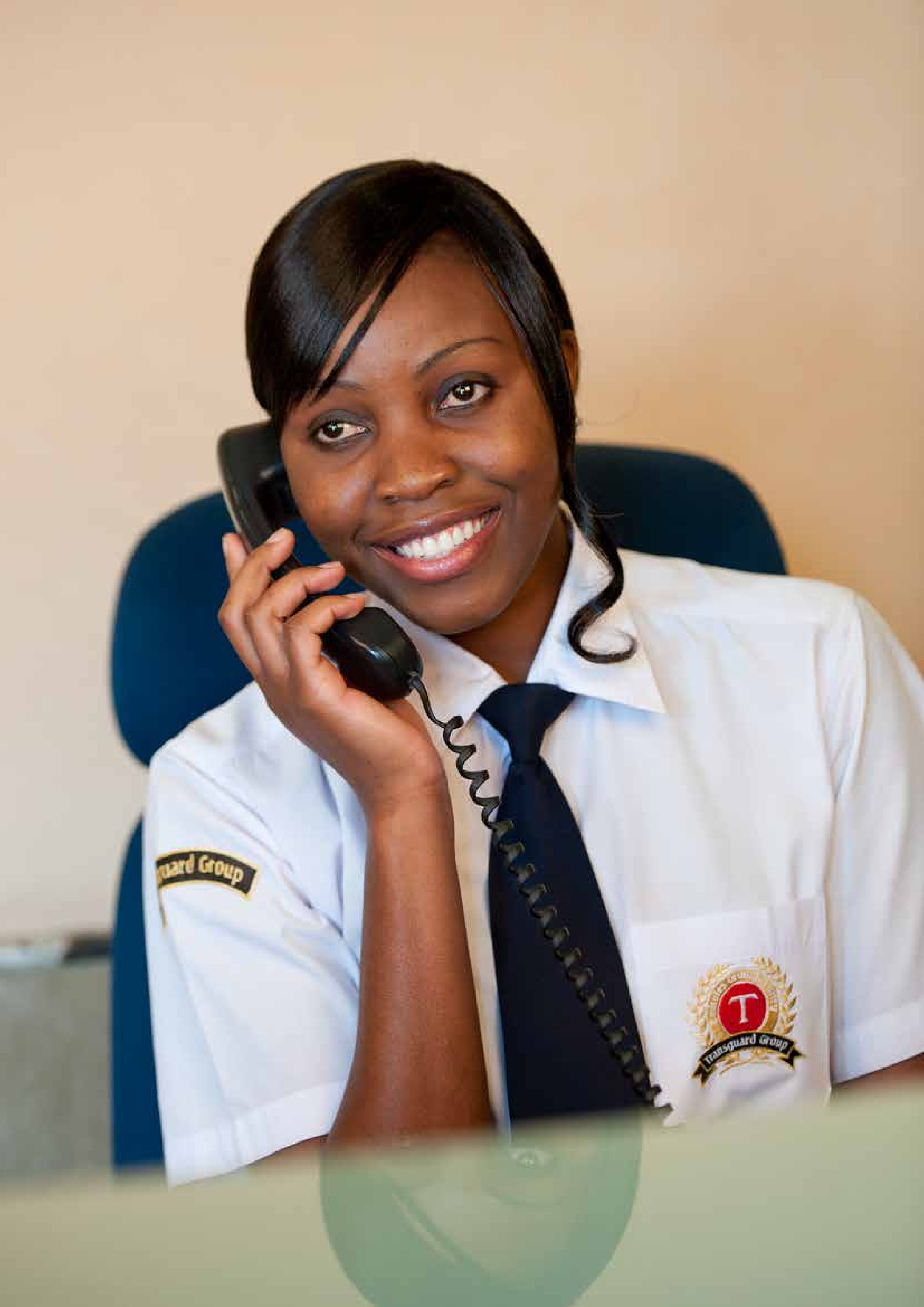
The restructuring programme at Macair was completed at the beginning of the year and the business is now focused on developing strategic partnerships with a remit to deliver over 70% of its targeted revenue from blue-chip prestige fit-out projects and the remainder from its MEP business.

In the second quarter of the year we successfully completed the launch of two new businesses within the group. Transguard SPS is one of the region's first providers of fully managed outsourced mailroom solutions, while Transguard Themis provides management professionals and administrative employees to a range of specialist industries. Themis is a perfect fit with our established skilled and semi-skilled manpower supply business which has also had a highly successful year, driven by the renewed confidence in the UAE economy and the consequent increased demand for high quality workforces.

Health and Safety is a major priority for the group and remains at the heart of the way in which we conduct our business. The safety training initiatives and awareness campaigns that we put in place over two years ago, together with the group-wide implementation of internationally recognized best practice, have delivered measurable results and have helped redefine our safety culture.

Our commitment to health and safety has been recognised and rewarded a number of times over the last year and our greatest achievement was winning the 'Overall Excellence in Safety, Contractor Award' at the Dubai Airports Health Safety Environment Excellence Awards.




Transguard Group

With over 18,000 fulltime employees, professional Human Resources (HR) management is central to the success of our business and we continue to invest in the people and systems that are essential to support the HR function within the group. In the last year the HR team successfully completed the latest phase of the Oracle HRMS project, which included employee and manager self-service for our 500 plus head office staff, and the introduction of a range of paperless HR processes across the business.

Our corporate social responsibility (CSR) programme has maintained its focus on three key areas: our people, our communities and our environment. TG Green, our sustainability team, has continued to explore initiatives to reduce the impact our business operations have on the environment and to play an active part in a number of local environmental projects. The apprenticeship scheme which brings students from the school we support in Bangalore, India now has more than ten apprentices working in the business, while locally we have continued our support of a youth rugby team and a number of other youth projects.

Our people are our greatest asset and we are committed to enhancing the quality of life for all those who work at Transguard, particularly those living in our network of company-run accommodation facilities. A key target has been to improve the quality of the facilities wherever possible. Major successes over the last year include the re-tendering of the staff catering contract, which has resulted in us engaging the services of one of the leading international contract catering companies, and the securing of some of the best new accommodation facilities currently available in Dubai.

There are important and exciting times ahead for the UAE, particularly if Dubai is successful in its bid to host the Expo 2020, a bid of which we are proud to be a supporter, and it only remains for me to thank each and every member of the Transguard team for their continued support, hard work and loyalty.

Dr Abdulla Al Hashimi

Dr Abdulla Al Hashimi
Chief Executive Officer, Transguard Group

Message from the Group Chief Financial Officer

John Nolan

Group Chief Financial Officer, Transguard Group LLC

Consolidated revenue and net profit attributable to owners of the parent company for the year ended 31st March 2013 were AED 552,710,039 and AED 5,426,642 respectively.

During the current year a detailed review of the Balance Sheet was carried out in Macair LLC, our associate company. Consequently a number of provisions were made for trade and other receivables and slow moving inventories. In addition there was a review of costs to be incurred to complete all contracts in progress and this established a requirement to provide for future losses associated with current contracts.

There was also a review of the Mechanical Electrical and Plumbing (MEP) Cash Generating Unit (CGU) within Macair LLC and as a result an impairment loss was recognized to write down the carrying amount of goodwill in the CGU to its recoverable amount. As a result, Macair LLC has reported a loss for the year ended 31st March 2013 of AED 106,915,339.

Transguard Group LLC's share of this loss for the year is AED 54,526,823. It should be noted that the profit attributable to owners of the parent company before consolidating the loss for the year in Macair LLC is AED 59,953,465.

"We are now one of the first companies in the Middle East to have migrated our entire ICT infrastructure to a cloud-based solution"

"The way in which we deliver our services makes us ideally placed to serve the region's burgeoning business community"

Created at the beginning of the financial year, the Business Improvement Office (BIO) was given the specific remit of delivering efficiencies, improvements and savings across all parts of the business.

Supported by the Information and Communications Technology (ICT) department and Project Management Office (PMO), the BIO has achieved significant results in its first year of operation and going forward, we see it playing a key role in improving the efficiency and profitability of the entire business.

We have made further substantial investment in the Information and Communications Technology systems that underpin our business and we are now one of the first companies in the Middle East to have migrated our entire ICT infrastructure to a cloud-based solution.

The on-going Oracle integration project reached a number of significant milestones with the completion of the Oracle HRMS project and launch of Oracle Financial and Oracle Supply Chain, all of which have brought immediate benefits to the group.

Meanwhile, the introduction of the Hyperion financial reporting system towards the end of the year brought substantial improvements to the Finance team's budgeting, forecasting and reporting processes.

Our achievements over the last year have been substantial. Importantly, the continued strengthening of our business support service infrastructure and the continuous improvement and development of the way in which we deliver our services makes us ideally placed to serve the region's burgeoning business community.

It only remains for me to thank every member of the Transguard team for their support over the last year.

John Nolan
Group Chief Financial Officer, Transguard Group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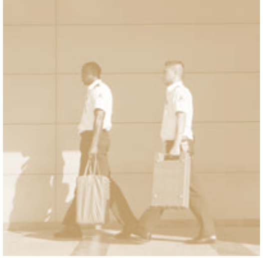

TRANSGUARD FINANCIAL REPORT

Directors' Report and Consolidated Financial Statements for the year ended 31 March 2013

Transguard Group LLC

Directors' report and consolidated financial statements for the year ended 31 March 2013

Contents

Transguard Group LLC

Directors' Report for the year ended 31 March 2013

The directors submit their report together with the audited consolidated financial statements of Transguard Group LLC ("the Company"), its subsidiaries and joint venture (together, "the Group") for the year ended 31 March 2013.

Principal activities

The principal activities of the Group are to provide technical support, facilities and events management, guarding services, aviation security including accredited training and aircraft protection, security solutions such as close protection security, cash and valuables handling, mailroom and document management solutions and white-collar recruitment services.

Results

The results of the Group for the year ended 31 March 2013 are set out on page 5 of the consolidated financial statements.

Directors

The directors, who served during the year were:

Executive Directors

Dr. Abdulla Al Hashimi

Mike McGeever

John Nolan

Non-executive Director

H.H. Sheikh Ahmed bin Saeed Al-Maktoum

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr. Abdulla Al Hashimi
Chief Executive Officer

12 June 2013

John Nolan
Deputy Managing Director

12 June 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRANSGUARD GROUP LLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Transguard Group LLC ("the Company"), its subsidiaries and joint venture (together, "the Group") which comprise the consolidated statement of financial position as of 31 March 2013 and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Transguard Group LLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRANSGUARD GROUP LLC (CONTINUED)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 March 2013 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

Further, in respect of the Company, as required by the UAE Federal Law No. (8) of 1984, as amended, we report that:

i. we have obtained all the information we considered necessary for the purposes of our audit;

ii. the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended and the Articles of Association of the Company;

iii. the Company has maintained proper books of account and has carried out physical verification of inventories in accordance with properly established procedures;

iv. the financial information included in the Directors' report is consistent with the books of account of the Company; and

v. nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, or of its Articles of Association, which would materially affect its activities or its financial position as of 31 March 2013.

PricewaterhouseCoopers

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

12 June 2013

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT 31 MARCH	
	Note	**2013** **AED**	2012 Restated AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	**244,478,623**	249,227,159
Intangible assets	6	**20,775,165**	12,271,933
Investment in an associate	7	**24,347,651**	78,874,474
Financial asset at fair value through profit or loss	9	**200,000**	200,000
Due from related parties	12	**157,283,512**	35,555,560
Total non-current assets		**447,084,951**	376,129,126
Current assets			
Inventories		**2,372,809**	2,338,705
Trade and other receivables	11	**129,037,948**	91,886,416
Due from related parties	12	**71,887,675**	148,653,863
Due from customers on contracts	13	**355,022**	920,656
Cash and bank balances	14	**19,264,596**	8,740,454
Total current assets		**222,918,050**	252,540,094
Total assets		**670,003,001**	628,669,220
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	**300,000**	300,000
Legal reserve	19	**150,000**	150,000
Contributed capital	20	**1,806,502**	1,806,502
Retained earnings		**247,663,418**	238,129,893
Total equity attributable to owners of the parent		**249,919,920**	240,386,395
Non-controlling interest		**62,514,468**	41,987,988
Total equity		**312,434,388**	282,374,383
LIABILITIES			
Non-current liabilities			
Borrowings	16	**54,101,281**	37,972,278
Finance lease liabilities	17	**30,076,515**	38,148,190
Provision for employees' end of service benefits	21	**17,634,971**	11,633,098
Total non-current liabilities		**101,812,767**	87,753,566
Current liabilities			
Trade and other payables	15	**82,515,845**	108,936,252
Due to related parties	12	**22,074,161**	43,793,139
Borrowings	16	**140,160,036**	95,641,058
Finance lease liabilities	17	**11,005,804**	10,170,822
Total current liabilities		**255,755,846**	258,541,271
Total liabilities		**357,568,613**	346,294,837
Total equity and liabilities		**670,003,001**	628,669,220

These consolidated financial statements were approved by the Board of Directors on 12 June 2013 and signed on its behalf by:

....	....
Dr. Abdulla Al Hashimi,	John Nolan,
Chief Executive Officer	Deputy Managing Director

The notes on page 9 to 35 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2013

CONSOLIDATED INCOME STATEMENT

	Note	YEAR ENDED 31 MARCH 2013 AED	 2012 AED
Revenue		**552,710,039**	506,759,680
Direct costs	22	**(392,729,451)**	(358,067,270)
Gross profit		**159,980,588**	148,692,410
Administrative expenses	23	**(76,862,880)**	(85,844,241)
Other income - net	25	**3,924,682**	8,208,275
Operating profit		**87,042,390**	71,056,444
Finance costs - net	26	**(5,793,981)**	(11,024,197)
Share of (loss)/profit of an associate	7	**(54,526,823)**	1,628,237
Profit for the year from continuing operations		**26,721,586**	61,660,484
Profit for the year from discontinued operations	27	**-**	4,974,564
Profit for the year		**26,721,586**	66,635,048
Profit attributable to:			
Owners of the parent		**5,426,642**	48,499,481
Non-controlling interest		**21,294,944**	18,135,567
		26,721,586	66,635,048

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	YEAR ENDED 31 MARCH 2013 AED	 2012 Restated AED
Profit for the year		**26,721,586**	66,635,048
Other comprehensive income:			
Actuarial loss on employees' end of service benefits	21	**(6,661,581)**	(2,936,357)
Total comprehensive income for the year		**20,060,005**	63,698,691
Attributable to:			
Owners of the parent		**(466,475)**	45,937,178
Non-controlling interests		**20,526,480**	17,761,513
		20,060,005	63,698,691

The notes on page 9 to 35 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of parent		
	Share capital	Legal reserve	Contributed capital
	AED	AED	AED
Balance at 1 April 2011 (restated Note 2.2)	300,000	150,000	1,806,502
Profit for the year	-	-	-
Other comprehensive income:			
Actuarial loss on employees' end of service benefits	-	-	-
Total comprehensive income for the year	-	-	-
Transactions with owners			
Dividend relating to 2011 (Note 29)	-	-	-
Balance at 31 March 2012 (restated Note 2.2)	300,000	150,000	1,806,502
Profit for the year	-	-	-
Other comprehensive income:			
Actuarial loss on employees' end of service benefits	-	-	-
Total comprehensive (loss)/income for the year	-	-	-
Transactions with owners			
Dividend relating to 2012 (Note 29)	-	-	-
Dividend waived during the year (Note 29)	-	-	-
Balance at 31 March 2013	300,000	150,000	1,806,502

The notes on page 9 to 35 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the Year ended 31 March 2013

Attributable to owners of parent		Restated	Restated
Retained earnings	Total	Non-controlling interests	Total
AED	AED	AED	AED
197,192,715	199,449,217	24,226,475	223,675,692
48,499,481	48,499,481	18,135,567	66,635,048
(2,562,303)	(2,562,303)	(374,054)	(2,936,357)
45,937,178	45,937,178	17,761,513	63,698,691
(5,000,000)	(5,000,000)	-	(5,000,000)
238,129,893	240,386,395	41,987,988	282,374,383
5,426,642	5,426,642	21,294,944	26,721,586
(5,893,117)	(5,893,117)	(768,464)	(6,661,581)
(466,475)	(466,475)	20,526,480	20,060,005
(5,000,000)	(5,000,000)	-	(5,000,000)
15,000,000	15,000,000	-	15,000,000
247,663,418	249,919,920	62,514,468	312,434,388

The notes on page 9 to 35 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2013

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	YEAR ENDED 31 MARCH 2013 AED	2012 AED
Cash flows from operating activities			
Profit for the year		**26,721,586**	66,635,048
Adjustments for:			
Depreciation	5	**17,111,632**	16,173,183
Amortisation	6	**1,786,897**	334,846
Provision for employees' end of service benefits	21	**5,463,803**	4,459,513
(Release of)/provision for impairment of trade receivables	11	**(5,066,410)**	7,337,702
Provision for impairment of due from related parties	12	**589,403**	-
Share of loss/(profit) of an associate	7	**54,526,823**	(1,628,237)
Share of investment in Transguard Middle East Trading LLC	9	**-**	(200,000)
Finance costs – net	26	**5,793,981**	11,024,197
Loss/(gain) on disposal of property, plant and equipment		**39,773**	(9,030)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**106,967,488**	104,127,222
Payments of employees' end of service benefits	21	**(6,123,511)**	(5,898,312)
Changes in working capital:			
Inventories		**(34,104)**	287,860
Trade and other receivables before movement in provision for impairment and write-off		**(32,085,122)**	(52,979,544)
Due from related parties before movement in provision for impairment and accrued finance income		**74,170,915**	(8,431,050)
Due from customers on contracts		**565,634**	3,546,321
Trade and other payables and accrued finance cost		**(26,613,518)**	26,753,559
Due to related parties before movement in dividend payable		**(11,718,978)**	18,850,208
Net cash generated from operating activities		**105,128,804**	86,256,264
Cash flows from investing activities			
Additions to property, plant and equipment	5	**(13,348,635)**	(15,279,886)
Additions to intangible assets	6	**(9,397,478)**	(7,460,368)
Long term loan to associate		**(113,067,000)**	(40,000,000)
Proceeds from disposal of property, plant and equipment		**53,115**	430,966
Proceeds from disposal of intangible assets		**-**	14,716
Net cash used in investing activities		**(135,759,998)**	(62,294,572)
Cash flows from financing activities			
Proceeds from borrowings – net	16	**65,033,301**	2,223,613
Repayment of finance lease liabilities	17	**(7,236,693)**	(10,512,981)
Interest paid		**(12,255,952)**	(12,711,750)
Net cash generated from/(used in) financing activities		**45,540,656**	(21,001,118)
Net increase in cash and cash equivalents		**14,909,462**	2,960,574
Cash and cash equivalents at beginning of year		**(17,921,057)**	(20,881,631)
Cash and cash equivalents at end of year	14	**(3,011,595)**	(17,921,057)

The notes on page 9 to 35 are an integral part of these consolidated financial statements

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1 Legal status and activities

Transguard Group LLC ("the Company") its subsidiaries, and its joint venture (together "the Group") provide technical support, facilities and events management, guarding services, aviation security including accredited training and aircraft protection, security solutions such as close protection security, cash and valuables handling, mailroom and document management solutions and white-collar recruitment services.

The share capital of the Company is wholly owned by dnata, a company incorporated in the Emirate of Dubai, UAE, with limited liability, under an Emiri Decree No. 1 of 1987 (as amended). The 'Transguard' trademark, name and logo is held by dnata.

On 16 October 2009, the Company acquired 99% of legal share capital and 51% non-controlling interest in MacAir LLC for a non-cash consideration of AED 24 million. Additional details relating to the acquisition are disclosed in Note 7.

On 2 February 2011, the Company acquired a controlling interest in Transguard Cash LLC. Additional details relating to the acquisition are disclosed in Note 10.

On 3 September 2012, the Company acquired a controlling interest in Transguard Themis LLC. Additional details relating to the acquisition are disclosed in Note 10.

On 3 September 2012, the Company entered into a strategic joint venture agreement with Swisspost Solutions to establish Transguard SPS LLC. Additional details relating to the acquisition are disclosed in Note 8.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with, and comply with International Financial Reporting Standards ("IFRSs") and IFRIC interpretations. These consolidated financial statements have been prepared under the historical cost convention except for financial assets at fair value through profit or loss which are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2012 that would be expected to have a material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2012 and have been early adopted by the Group

IAS 19, 'Employee benefits' (effective 1 January 2013), was amended in June 2011. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2012 and not early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2013 or later periods, but the Group has not early adopted them.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

- IAS 1 (revised), 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012);
- IAS 27 (revised), 'Separate financial statements' (effective 1 January 2013);
- IAS 28 (revised), 'Associates and joint ventures' (effective 1 January 2013);
- IAS 32 (amendment), 'Financial instruments: Presentation' on asset and liability offsetting' (effective 1 January 2014);
- IFRS 7 (amendments), 'Financial instruments: Disclosures' on asset and liability offsetting' (effective 1 January 2013);
- IFRS 9, 'Financial instruments' (effective from 1 January 2015);
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013);
- IFRS 11, 'Joint arrangements' (effective 1 January 2013);
- IFRS 13, 'Fair value measurement' (effective 1 January 2013); and
- Annual improvements 2009-2011 cycle (effective 1 January 2013).

The Group is currently in the process of identifying the relevance and the impact of the above standards, amendments and interpretations on its consolidated financial statements. Management expects that most of the relevant standards, amendments and interpretations will not have a material impact on the consolidated financial statements.

2.2 Change in accounting policy

During the year, the Group early adopted IAS 19 'Employee Benefits' (as revised in June 2011) ("IAS 19 (revised)") and the related consequential amendments in advance of the Standard's effective date.

The Group has applied IAS 19 (revised) retrospectively and in accordance with the transitional provisions as set out in the Standard. These transitional provisions do not have an impact on future periods. The adoption of the amendments to IAS 19 (revised) has therefore resulted in a change in the Group's accounting for employees' end of service benefits.

The amendments require the recognition of changes in employees' end of service benefits when they occur, and hence eliminates the 'corridor approach' permitted under the previous version of IAS 19 and accelerates the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net liability recognised in the consolidated statement of financial position to reflect the full value of the employees' end of service benefits obligation.

The adoption of IAS 19 (revised) has also introduced certain changes in the presentation of the liability including more extensive disclosures.

Impact of early adoption of IAS 19 (revised)

The consolidated financial statements for the year ended 31 March 2013 are the first consolidated financial statements in which the Group has adopted IAS 19 (revised). IAS 19 (revised) has been adopted retrospectively in accordance with IAS 8. Consequently, the opening statement of financial position of the earliest comparative period presented (1 April 2011) has been restated as well as the comparative figures for the year ended 31 March 2012 as if IAS 19 (revised) had always been applied.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

2 Summary of significant accounting policies (continued)

2.2 Change in accounting policy (continued)

The effect on the consolidated statement of financial position was as follows:

	Retained earnings	Non-controlling interests	Provision for employees' end of service benefits
	AED	AED	AED
Balance reported as at 1 April 2011	198,157,574	24,226,475	9,170,681
Effect of early adoption of IAS 19 (revised)	(964,859)	-	964,859
Restated balance at 1 April 2011	197,192,715	24,226,475	10,135,540
Balance reported as at 31 March 2012	241,657,055	42,362,042	7,731,882
Effect of early adoption of IAS 19 (revised)	(964,859)	-	964,859
Effect on total comprehensive income for the year	(2,562,303)	(374,054)	2,936,357
Restated balance at 31 March 2012	238,129,893	41,987,988	11,633,098

2.3 Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying shareholdings between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2.4 Joint ventures

The Group's interests in jointly controlled entities are proportionately consolidated. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers.

The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

2 Summary of significant accounting policies (continued)

2.5 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Land is not depreciated. Depreciation on other assets is computed using the straight-line method at rates calculated to allocate the cost of assets to their estimated residual values over their expected useful lives, as follows:

Buildings	20 years
Plant and machinery	3 - 12 years
Furniture and fixtures	10 years
Computer and office equipment	4 - 6 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with group policy.

All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other income in the consolidated income statement.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

2 Summary of significant accounting policies (continued)

2.7 Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate intangible asset category and amortised in accordance with group policy.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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 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 (cash-generating units).

Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those which have been designated as financial assets at fair value through profit or loss upon initial recognition. Assets in this category are not expected to be settled within 12 months, therefore, they are classified as non-current.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables (excluding prepayments and advances)' (Note 11), 'due from related parties' (Note 12) and 'cash and bank balances' (Note 14).

(b) Recognition and measurement

Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value. Financial assets carried at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably, are measured subsequently at cost.

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'finance costs – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement when the Group's right to receive payments is established.

Loans and receivables

Loans and receivables are initially measured at fair value and subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of inventory comprises the cost of purchase and other costs incurred in bringing the inventory to its present location and condition. It excludes borrowing cost.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (if any).

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with banks and other short term highly liquid investments with original maturity of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.15 Share capital

Ordinary shares are classified as equity.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

2 Summary of significant accounting policies (continued)

2.18 Employee benefits

A provision is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to the reporting date.

A provision is also made for the full amount of the end of service benefits, using actuarial techniques, due to employees in accordance with the UAE Labor Law.

The Group employs a firm of independent actuaries to determine the value of employee benefits as at the reporting date, using actuarial techniques including the Projected Unit Credit Method. The present value of the employees' end of service benefit liability is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The liability for leave salary, leave passage and end of service benefits at the end of the year, and the charge for the year on account of these benefits have been recorded in line with the recommendations of the actuaries.

The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to employees' end of service benefits is disclosed as a non-current liability.

2.19 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate 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.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group's activities. The Group 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 have been met for each of the Group's activities as described below. Revenue is recognised on following basis:

(a) Service revenue

Revenue arising from services rendered is recognised when the services have been rendered to the customers.

(b) Contract revenue

Contract revenue is recognised under the percentage of completion method. When the outcome of the contract can be reliably estimated, revenue is recognised by reference to the proportion that accumulated costs up to the year end bear to the estimated total costs of the contract. When the contract is at an early stage and its outcome cannot be reliably estimated, revenue is recognised to the extent of costs incurred up to the year end which are considered recoverable.

Revenue relating to variation orders and amounts under claims are not recognised unless negotiations have reached an advanced stage such that it is probable that the customer will accept the claim/variation order and the amount of the claim/variation order can be measured reliably.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

2 Summary of significant accounting policies (continued)

2.20 Revenue recognition (continued)

(b) Contract revenue (continued)

Losses on contracts are assessed on an individual contract basis and provision is made for the full amount of the anticipated losses, including any losses relating to future work on a contract, in the period in which the loss is first foreseen.

In determining costs incurred up to the year end, any costs relating to future activity on a contract are excluded and shown as work in progress. The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown as due from customers on contracts. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown as due to customers on contracts.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.21 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(b) Finance lease

The Group leases certain property, plant and equipment. Lease of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the shorter of the estimated useful lives of the assets and the lease term.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.23 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United Arab Emirates Dirham ('AED'), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income'.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

3 Financial risk management

3.1 Financial risk factors

The Group's activity exposes it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk in respect of its borrowings denominated in GBP. At 31 March 2013, if the currency had weakened / strengthened by 5% against AED, the profit / total comprehensive income for the year would have been higher / lower by AED 5,237 (2012:AED 66,375).

(ii) Price risk

The Group does not have significant investments in equity securities hence not exposed to price risk.

(iii) Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from its borrowings including overdrafts and finance lease liabilities with variable interest rates and long term loan advanced to a related party.

The table below indicates the interest rate exposure on borrowings and loan advanced with variable interest rates at 31 March 2013 and 2012. The analysis calculates the effect on the consolidated income statement of a reasonably possible movement in interest rate:

	2013	2012
	AED	AED
Interest cost		
+ 100 basis points	**497,127**	1,040,179
- 100 basis points	**(497,127)**	(1,040,179)

The Group's exposure to fair value interest rate risk arises from borrowings and finance lease liabilities with fixed interest rates. Currently the Group does not hedge the risk arising from its borrowings and finance leases liabilities. As discussed in Notes 16 and 17 to these consolidated financial statements, the borrowings and finance leases liabilities are not subject to interest rate risk as the interest rate is fixed and the fair value approximates the carrying value.

(b) Credit risk

The Group is exposed to credit risk in relation to its monetary assets, mainly trade receivables, due from related parties and bank deposits. The Group assesses the credit quality of the customer taking into account its financial position, past experience and other factors. It also has formal procedures to follow-up and monitor trade debtors.

Banking transactions are limited to reputed commercial banks. Cash at bank comprises of balances with reputable commercial banks. Credit ratings of these commercial banks have been obtained from Moody's Corporation ('Moody's'). The table below analyses the balances with the banks at the reporting date.

	Moody's rating	**2013**	2012
		AED	AED
Banks			
A	C	**272,962**	895,232
B	*	**4,104**	287,333
C	D	**15,653,312**	5,324,669
D	D-	**2,042,908**	346,909
E	D+	**205,379**	554,381
F	*	**346,793**	24,145
G	D+	**241,842**	263,063
H	D+	**207,480**	8,480
I	D+	**109,380**	-
J	*	**137,237**	-
		19,221,397	7,704,212

* not available.

The credit quality of trade receivables that are not impaired can be assessed by reference to historical information about counterparty default rates.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

	2013	2012
	AED	AED
Trade receivables		
Counterparties without external credit rating		
*Group 1	1,944,761	1,236,866
**Group 2	38,899,948	36,820,403
	40,844,709	38,057,269

*Group 1 – new customers (less than 6 months).

**Group 2 – existing customers (more than 6 months) with no defaults in the past.

The balances due from related parties are expected to be fully recovered based on the credit history or future cash flows of related parties. None of the financial assets that are not impaired have been renegotiated during the year ended 31 March 2013 (2012: Nil). No credit limits were exceeded during the year and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit limits. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	AED	AED	AED	AED
Borrowings	146,245,198	26,564,663	31,887,424	204,697,285
Finance lease liabilities	12,316,954	11,969,612	19,539,085	43,825,651
Trade and other payables (excluding advance from customers and due to customers on contracts)	81,488,903	-	-	81,488,903
Due to related parties	22,074,161	-	-	22,074,161
	262,125,216	38,534,275	51,426,509	352,086,000

At 31 March 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	98,613,702	13,784,278	27,189,074	139,587,054
Finance lease liabilities	13,421,505	12,656,262	31,072,305	57,150,072
Trade and other payables (excluding advance from customers and due to customers on contracts)	104,166,383	-	-	104,166,383
Due to related parties	43,793,139	-	-	43,793,139
	259,994,729	26,440,540	58,261,379	344,696,648

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and financial lease liabilities (including current and non-current amounts as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The gearing ratio at 31 March 2013 and 2012 was as follows:

	2013	2012 Restated
	AED	AED
Borrowings (Note 16)	**194,261,317**	133,613,336
Finance lease liabilities (Note 17)	**41,082,319**	48,319,012
Less: cash and bank balances (Note 14)	**(19,264,596)**	(8,740,454)
Net debt	**216,079,040**	173,191,894
Total equity	**312,434,388**	282,374,383
Total capital	**528,513,428**	455,566,277
Gearing ratio	**41%**	38%

3.3 Fair value estimation

The carrying value of financial assets and financial liabilities of the Group as at 31 March 2013 and 2012 approximate to their fair value.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

Contract revenue is recognised using a percentage-of-completion method. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of total services to be performed. The Group analyses cost incurred from total cost of the project including the cost to come to estimate the stage of completion of contracts. Management regularly review estimates relating to contracts and revisions to profitability on an ongoing basis.

(b) Impairment of trade and other receivables

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on knowledge of customer's business and financial standing, the customer's ability and willingness to settle, the customer's credit worthiness and the historic write-off experience. Changes to the estimated impairment charge may be required if the financial condition of the customers were to improve or deteriorate. Management considers that the current level of impairment charge is appropriate and consistent with the loss estimated at year end.

(c) Depreciation of property, plant and equipment

Management assigns useful lives and residual values to property, plant and equipment based on intended use of assets and the economic lives of those assets. Subsequent changes in the circumstances such as technological advancements or prospective utilisation of the asset concerned could result in the actual useful lives or residual values differing from initial estimates. Management has reviewed the residual values and useful lives of major items of property, plant and equipment and made adjustments where considered necessary.

(d) Impairment of property, plant and equipment

Continued losses in specific events or circumstances could trigger an impairment review of the carrying amount of property, plant and equipment. Management assesses the impairment of all its assets as stated in Note 2.8.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) Impairment of investment in associated companies

Management applies the guidance in IAS 39 to identify if potential impairment exists for its equity accounted investments. At the end of each accounting period, an assessment is made whether there is any objective evidence of impairment. In such instances, the investment is subject to an impairment test by comparing the carrying amount to the recoverable amount of the asset.

(f) Provision for employees' end of service benefits

The present value of employees' end of service benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for end of service benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of end of service benefit obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the end of service benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related end of service benefits obligation.

Other key assumptions for end of service benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

5. Property, plant and equipment

	Land and buildings	Plant and machinery	Furniture and fixtures	Computer and office equipment	Motor vehicles	Capital work in progress	Total
	AED	AED	AED	AED	AED	AED	AED
Cost							
At 1 April 2011	217,622,806	16,938,240	13,256,629	8,538,780	21,539,186	13,862,845	291,758,486
Additions	27,428	2,312,918	3,126,684	896,402	7,650,180	1,266,274	15,279,886
Transfer *	-	-	14,946	-	-	(4,488,938)	(4,473,992)
Disposals	-	(122,711)	(199,723)	(255,029)	(533,000)	-	(1,110,463)
As at 31 March 2012	217,650,234	19,128,447	16,198,536	9,180,153	28,656,366	10,640,181	301,453,917
Additions	4,950	1,235,219	2,914,118	4,135,791	3,262,080	1,796,477	13,348,635
Transfer *	-	-	-	26,250	-	(918,901)	(892,651)
Reclassifications**	(199,104)	(124,830)	(1,012,832)	522,891	813,875	-	-
Disposals	-	-	(221,325)	(9,000)	(139,045)	-	(369,370)
As at 31 March 2013	217,456,080	20,238,836	17,878,497	13,856,085	32,593,276	11,517,757	313,540,531
Depreciation							
At 1 April 2011	12,529,717	5,111,428	3,977,120	6,775,624	8,348,213	-	36,742,102
Charge for the year	7,822,863	1,418,593	1,401,975	1,214,895	4,314,857	-	16,173,183
Disposals	-	(23,027)	(134,464)	(223,114)	(307,922)	-	(688,527)
As at 31 March 2012	20,352,580	6,506,994	5,244,631	7,767,405	12,355,148	-	52,226,758
Charge for the year	7,801,917	1,568,601	1,579,410	1,225,790	4,935,914	-	17,111,632
Disposals	-	-	(163,039)	(4,336)	(109,107)	-	(276,482)
As at 31 March 2013	28,154,497	8,075,595	6,661,002	8,988,859	17,181,955	-	69,061,908
Net book value							
As at 31 March 2013	189,301,583	12,163,241	11,217,495	4,867,226	15,411,321	11,517,757	244,478,623
As at 31 March 2012	197,297,654	12,621,453	10,953,905	1,412,748	16,301,218	10,640,181	249,227,159

*Transfer during the year includes reclassification of computer software amounting to AED 892,651 (2012: AED 4,473,992) to 'Intangible assets' - Capital work in progress.

** During the year, a review of the Group's property, plant and equipment was carried out. This review identified reclassifications to the Group's assets and management has recognised these reclassifications accordingly.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

5 Property, plant and equipment (continued)

Included in the carrying amount of property, plant and equipment are land and buildings, computer and office equipment and motor vehicles where the Group is a lessee under a finance lease. Details of these assets are as follows:

	2013	2012
	AED	AED
Cost	**85,450,106**	99,156,546
Accumulated depreciation	**(10,168,147)**	(16,217,525)
Net book value	**75,281,959**	82,939,021

During the year the Group settled finance lease obligations on certain assets costing AED 17,184,947 which were purchased previously under finance lease agreements. These assets are now fully owned by the Group. Also during the current year, the Group entered into new finance lease arrangements to purchase assets costing AED 3,478,507. Additional details relating to finance leases are given in Note 17.

6 Intangible assets

	Computer software	**Capital work in progress**	**Total**
Cost	**AED**	**AED**	**AED**
At 1 April 2012	1,730,136	11,911,430	13,641,566
Additions	5,893,528	3,503,950	9,397,478
Transfer	10,848,158	(9,955,507)	892,651
As at 31 March 2013	18,471,822	5,459,873	23,931,695
Amortisation			
At 1 April 2012	1,369,633	-	1,369,633
Charge for the year	1,786,897	-	1,786,897
As at 31 March 2013	3,156,530	-	3,156,530
Net book value as at 31 March 2013	15,315,292	5,459,873	20,775,165
Cost			
At 1 April 2011	1,737,970	-	1,737,970
Additions	22,930	7,437,438	7,460,368
Transfer	-	4,473,992	4,473,992
Disposals	(30,764)	-	(30,764)
As at 31 March 2012	1,730,136	11,911,430	13,641,566
Amortisation			
At 1 April 2011	1,050,835	-	1,050,835
Charge for the year	334,846	-	334,846
Disposals	(16,048)	-	(16,048)
As at 31 March 2012	1,369,633	-	1,369,633
Net book value as at 31 March 2012	360,503	11,911,430	12,271,933

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

7 Investment in an associate

On 16 October 2009, the Company acquired a 51% non-controlling interest in MacAir LLC ("associate") by converting its trade receivable balance of AED 24 million owed to it by the associate to contributed capital in the associate. Additional details relating to the acquisition are given below:

Principal associated company	Percentage interest held	Principal activities	Country of incorporation
Macair LLC	51%	Air conditioning, lifts, electricity transmission, communication networks, security systems, electromechanical installation and maintenance, interior fit out, refurbishments and stone masonry works.	UAE

On 1 April 2011, the associate acquired 100% of the businesses of Plafond Technical Works LLC involved in the business of sanitary contracting, floor and wall tiling works, ceiling contracting and Stones Corner Building Contracting LLC involved in building contracting. As a result of these acquisitions, the Company is expected to expand its business operations.

The summarised financial information in respect of the associated company is set out below:

	31 March 2013 AED	31 March 2012 AED
Total assets	**204,489,860**	385,389,964
Total liabilities	**254,687,012**	328,671,777
Net (liabilities)/assets	**(50,197,152)**	56,718,187
Revenue for the year	**95,834,920**	142,436,556
(Loss)/profit for the year	**(106,915,339)**	3,192,621

Movement in the investment in an associate:

	2013 AED	2012 AED
Opening balance	**78,874,474**	15,246,237
Conversion of current account balance to equity during the period	**-**	62,000,000
Share of (loss)/profit	**(54,526,823)**	1,628,237
Carrying value	**24,347,651**	78,874,474

8 Interest in a joint venture

On 2 September 2012, the Group and Swiss Post Solutions (SPS) signed a Joint Venture Agreement towards a strategic alliance to create Transguard SPS LLC a new UAE-based mailroom and document management solutions provider.

The Group has a 55% equity shareholding with equivalent voting power in the joint venture, Transguard SPS LLC.

The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidation of Transguard SPS LLC:

	2013 AED
Net liabilities	**62,924**
Income	**9,125**
Expenses	**(237,049)**
Loss	**(227,924)**

There are no contingent liabilities relating to the Group's interest in the joint venture and no contingent liabilities of the venture itself.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

9 Financial asset at fair value through profit or loss

	2013 AED	2012 AED
At 1 April	**200,000**	-
Investment during the year	**-**	200,000
As at 31 March	**200,000**	200,000

Financial asset at fair value through profit or loss represents investment in the equity of an unlisted entity Transguard Middle East Trading LLC during the year, equivalent to 5% of the share capital of the company.
The investment in Transguard Middle East Trading LLC does not have a quoted market price in an active market and since the fair value cannot be reliably measured, the investment is measured at cost. Management is of the view that the fair value of the unlisted shares is not significantly different from its carrying value.

10 Investment in subsidiaries

On 2 February 2011, the Group incorporated a wholly owned subsidiary, Transguard Cash LLC ("the subsidiary") through transfer of specific assets and liabilities of the Company's Cash Generating Unit ("Cash Services operation") to the subsidiary.

Pursuant to its formation, the Company entered into a strategic alliance with Network International LLC, in order to facilitate the provision of 'managed end to end ATM services' to the Group's customers, through issuance of 50% equity interest in the subsidiary. This equity interest in the subsidiary was issued for a cash consideration of AED 132,500,000.

Currently, the share capital of the subsidiary is owned equally by Transguard Group LLC and Network International LLC. However, as per a management agreement, the Company has the sole right to manage and the power to govern the financial and operating policies of the subsidiary.

On 3 September 2012, the Group incorporated a subsidiary, Transguard Themis LLC ("the subsidiary") and has a 51% controlling interest in the subsidiary. The Company has the sole right to manage and the power to govern the financial and operating policies of the subsidiary.

Subsidiary company	Percentage interest held	Principal activities	Country of incorporation
Transguard Cash LLC	50%	Providing cash management services including secure and safe movement of cash and documents and ATM services to banks.	UAE
Transguard Themis LLC	51%	Providing white-collar recruitment services	UAE

11 Trade and other receivables

	2013 AED	2012 AED
Trade receivables	**53,247,881**	55,526,851
Less: provision for impairment of trade receivables	**(12,403,172)**	(17,469,582)
Trade receivables – net	**40,844,709**	38,057,269
Prepayments	**30,719,202**	25,764,720
Other receivables	**57,474,037**	28,064,427
	129,037,948	91,886,416

The Group's customers are based in the UAE. At 31 March 2013 five customers (2012: five customers) accounted for 23% (2012: 20%) of the total trade receivables. Management is confident that this concentration of credit risk will not result in a loss to the business in view of the credit worthiness and no previous history of defaults of these customers.

As of 31 March 2013, trade receivables of AED 12,205,264 (2012: AED 11,775,229) were fully performing.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

11 Trade and other receivables (continued)

Trade receivables that are more than one month past due are not considered impaired. As at 31 March 2013, trade receivables of AED 18,079,776 (2012: AED 18,655,476) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivable is as follows:

	2013	2012
	AED	AED
Up to 3 months	**17,163,662**	10,406,011
3 to 6 months	**771,964**	5,040,486
Over 6 months	**144,150**	3,208,979
	18,079,776	18,655,476

As of 31 March 2013, trade receivables of AED 22,962,841 (2012: AED 25,096,146) were impaired. The amount of provision was AED 12,403,172 (2012: AED 17,469,582). These receivables mainly relate to customers which are in difficult financial situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is given below:

	2013	2012
	AED	AED
Up to 3 months	**11,516,047**	9,370,237
3 to 6 months	**1,902,520**	2,504,201
Over 6 months	**9,544,274**	13,221,708
	22,962,841	25,096,146

The carrying amount of the Group's trade receivables and other receivables at 31 March 2013 and 2012 are denominated in AED.

Movement in the Group's provision for impairment of trade receivables are as follows:

	2013	2012
	AED	AED
Balance brought forward	**17,469,582**	62,541,274
(Release of)/provision for impairment of trade receivables	**(5,066,410)**	7,337,702
Amounts written off as uncollectable	**-**	(52,409,394)
Balance carried forward	**12,403,172**	17,469,582

The creation and release of provision for impaired receivables during the year have been recognised in the consolidated income statement under 'Administrative expenses'. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. The fair values of trade and other receivables approximate to their carrying amounts as at 31 March 2013 and 2012. The Group does not hold any collateral as security.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

12 Related party balances and transactions

Related parties include the shareholders, fellow subsidiaries, associate and businesses controlled by the shareholders or over which they exercise a significant management influence and key management personnel.

	Note	2013 AED	2012 AED
Due from related parties			
Non current			
Long term loan to an associate	12.1	**153,067,000**	40,000,000
Current portion of long term loan to an associate		**-**	(4,444,440)
Associate	12.2	**4,216,512**	-
		157,283,512	35,555,560
Current			
dnata and entities related to dnata		**67,127,899**	101,233,797
Current portion of long term loan to an associate		**-**	4,444,440
Short term loan to associate		**-**	17,000,000
Associate	12.2	**5,970,168**	26,509,139
Affiliates		**-**	87,476
		73,098,067	149,274,852
Less: provision for impairment of due from related parties		**(1,210,392)**	(620,989)
		71,887,675	148,653,863
		229,171,187	184,209,423

Movement in the Group's provision for impairment of due from related parties are as follows:

	2013 AED	2012 AED
At 1 April	**620,989**	620,989
Provision for impairment of due from related parties	**589,403**	-
As at 31 March	**1,210,392**	620,989

	2013 AED	2012 AED
Due to related parties		
Affiliate	**88,474**	5,116,011
dnata and entities related to dnata	**21,985,687**	38,677,128
	22,074,161	43,793,139

The above balances arose from transactions in the normal course of business.

12.1 Long term loan

As of 31 March 2013, the Group restructured part of outstanding balances and loans with its associate, where the long term loan of AED 40 million, short term loan of AED 17 million and other current account balance due from associate of AED 96 million were aggregated into a revised loan of AED 153 million carrying interest at 5.25% per annum.

The Group has agreed to a two year moratorium period starting from 1 April 2013 and concluding on 31 March 2015 on the revised long term loan. During the moratorium period, interest will be capitalised as part of the loan balance.

The restructured loan along with the capitalised interest will be repayable in 32 equal principal instalments of AED 5.3 million commencing 30 June 2015 along with the interest accrued up to each repayment date.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

12 Related party balances and transactions (continued)

12.2 Associate

As of 31 March 2013, the Group rescheduled repayment of interest charged on balances due from its associate of AED 6.3 million into 18 equal instalments commencing 1 October 2013. This interest balance has been accordingly split between its non-current and current portions. The remaining portion of the current balance relates to other receivables from the associate.

Related party transactions

During the year, the Group entered into the following significant transactions with related parties in the ordinary course of business. These transactions were carried out at prices and on terms applicable to non-related parties for similar transactions.

	2013 AED	2012 AED
Sales to affiliates	**340,339,290**	306,189,434
Purchases from affiliates	**4,794,149**	2,703,270
Royalty fees to dnata (Note 23)	**1,000,000**	1,000,000
Rent and utilities payment to affiliates	**4,128,182**	4,117,411
Interest earned on outstanding balances with associate	**6,300,825**	1,907,771
Key management compensation		
Salaries	**4,800,000**	4,800,000
End of service and other benefits	**2,565,812**	2,665,812
	7,365,812	7,465,812

13 Due from customers on contracts

	2013 AED	2012 AED
Aggregate cost incurred and profits recognised on contracts in progress at the year end	**5,898,516**	5,898,516
Less:progress billings	**(5,543,494)**	(4,977,860)
	355,022	920,656

14 Cash and cash equivalents

Cash on hand	**43,199**	1,036,242
Bank balances	**19,221,397**	7,704,212
Cash and bank balances	**19,264,596**	8,740,454

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2013 AED	2012 AED
Cash and bank balances	**19,264,596**	8,740,454
Bank overdrafts (Note 16)	**(22,276,191)**	(26,661,511)
Cash and cash equivalents	**(3,011,595)**	(17,921,057)

Bank balances are held in current accounts with locally incorporated banks and branches of international banks. Interest at the rate of EIBOR + 2.75% (2012: EIBOR + 3%) is charged on the bank overdraft.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

15 Trade and other payables

	2013 AED	2012 AED
Trade payables	**17,997,558**	18,858,239
Provision for leave salary and leave passage	**16,731,951**	15,256,308
Advances from customers	**1,026,942**	2,769,480
Due to customers on contract	**-**	2,000,389
Other payables and accruals	**46,759,394**	70,051,836
	82,515,845	108,936,252

16 Borrowings

	2013 AED	2012 AED
Non-current		
Borrowings	**54,101,281**	37,972,278
Current		
Borrowings	**117,883,845**	68,979,547
Bank overdrafts (Note 14)	**22,276,191**	26,661,511
	140,160,036	95,641,058
Total borrowings	**194,261,317**	133,613,336

The maturity of the borrowings (excluding bank overdrafts) is as follows:

	2013 AED	2012 AED
Less than 1 year	**117,883,845**	68,979,547
Between 1 and 2 years	**23,723,288**	11,796,901
Between 2 and 5 years	**30,377,993**	26,175,377
	171,985,126	106,951,825

Bank borrowings bear an average coupon rate of 5.43% annually (2012: 5.44% annually)

Total borrowings include secured borrowings of AED 92,300,651 (2012: AED 96,597,317). Bank borrowings are secured by the land and building, plant and machinery and motor vehicles of the Group.

The Group has undrawn facilities amounting to AED 189,121,369 (2012: AED 194,880,545). The movement in borrowings is as follows:

	2013 AED	2012 AED
Balance brought forward	**106,951,825**	104,728,212
Additions during the year	**117,331,786**	50,157,754
Payments during the year	**(52,298,485)**	(47,934,141)
Balance carried forward	**171,985,126**	106,951,825

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2013 AED	2012 AED
GBP	**104,737**	1,327,274
AED	**171,880,389**	105,624,551
	171,985,126	106,951,825

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

17 Finance lease liabilities

	Motor vehicles	Land and buildings	Total
	AED	AED	AED
At 31 March 2013			
Gross lease liabilities - minimum lease payments			
Less than one year	974,434	11,342,520	12,316,954
Between 1 and 5 years	2,111,488	29,397,209	31,508,697
	3,085,922	40,739,729	43,825,651
Less:			
Future finance charges on finance leases	(259,224)	(2,484,108)	(2,743,332)
Net lease liabilities	2,826,698	38,255,621	41,082,319
Present value of finance leases is as follows:			
Less than one year	840,073	10,165,731	11,005,804
Between 1 and 5 years	1,986,625	28,089,890	30,076,515
Net lease liabilities	2,826,698	38,255,621	41,082,319

	Motor vehicles	Land and buildings	Total
	AED	AED	AED
At 31 March 2012			
Gross lease liabilities - minimum lease payments			
Less than one year	41,380	13,380,125	13,421,505
Between 1 and 5 years	-	43,728,567	43,728,567
	41,380	57,108,692	57,150,072
Less:			
Future finance charges on finance leases	(885)	(8,830,175)	(8,831,060)
Net lease liabilities	40,495	48,278,517	48,319,012
Present value of finance leases is as follows:			
Less than one year	40,495	10,130,327	10,170,822
Between 1 and 5 years	-	38,148,190	38,148,190
Net lease liabilities	40,495	48,278,517	48,319,012

18 Share capital

The share capital of the Company comprises 300 fully paid ordinary shares of AED 1,000 each (2012: 300 fully paid ordinary shares of AED 1,000 each) amounting to AED 300,000 (2012: AED 300,000).

19 Legal reserve

In accordance with the UAE Federal Law No (8) of 1984, as amended, and the Company's Articles of Association, 10% of the net profit of the Company for the year is transferred to a non-distributable legal reserve. Such transfers are required to be made until the reserve is equal to at least 50% of the paid-up capital of the Company. Since the legal reserve of the Company is equal to 50% of the share capital, no additional amounts have been transferred to the legal reserve during the year.

20 Contributed capital

Contributed capital represents amounts contributed by dnata.

21 Provision for employees' end of service benefits

Reconciliation of provision for employees' end of service benefits:

	2013	2012 Restated
	AED	AED
Present value of employees' end of service benefits	**17,634,971**	11,633,098

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

21 Provision for employees' end of service benefits (continued)

The movement in the net liability over the year is as follows:

	2013	2012
		Restated
	AED	AED
At 1 April	**11,633,098**	10,135,540
Charge for the year	**5,463,803**	4,459,513
Actuarial loss on employees' end of service benefits	**6,661,581**	2,936,357
Benefits paid	**(6,123,511)**	(5,898,312)
At 31 March	**17,634,971**	11,633,098

The amounts recognised in the consolidated income statement are as follows:

	2013	2012
Current service cost	**5,035,236**	3,851,381
Interest cost	**428,567**	608,132
	5,463,803	4,459,513

Of the total charge, AED 3,990,735 (2012: AED 3,131,056) and AED 876,456 (2012: AED 882,098) were included in 'direct costs' and 'administrative expenses' respectively. The remaining amounts have been recharged as per contractual terms agreed with other entities and hence not charged to the consolidated income statement.

The principal actuarial assumptions were as follows:

	2013	2012
Valuation discount rate	**4.5% per annum**	5% per annum
Salary increase rate	**2% per annum**	2% per annum
Average service	**2.05 years**	2.44 years

Sensitivity analysis of financial assumptions:

The sensitivity of the overall employees' end of service benefits liability to changes in the principal financial assumptions is as follows:

	Impact on employees' end of service benefits liability		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 5.1%	Increase by 5.5%
Salary increase rate	0.5%	Increase by 5.5%	Decrease by 5.1%

Sensitivity analysis of demographic assumptions:

The sensitivity of the overall employees' end of service benefits liability to changes in the principal demographic assumptions is as follows:

	Impact on employees' end of service benefits liability		
	Change in assumption	Increase in assumption	Decrease in assumption
Withdrawal rate	10%	Decrease by 2.9%	Increase by 3.2%
Death rate	10%	Decrease by 0.1%	Increase by 0.1%

22 Direct costs

	2013	2012
	AED	AED
Staff costs (Note 24)	**263,142,742**	219,827,035
Rent	**47,851,252**	52,728,573
Fuel and transportation	**27,095,030**	27,540,924
Depreciation and amortisation	**18,898,529**	16,443,326
Operations cost	**13,077,562**	13,972,807
Visa and immigration	**7,475,501**	5,157,969
Repairs and maintenance	**6,612,739**	6,393,242
Communication expenses	**3,776,478**	4,045,366
Insurance	**3,126,205**	3,505,485
Contract costs	**623,498**	602,511
Skip and waste removal	**38,025**	14,092
Others	**1,011,890**	7,835,940
	392,729,451	358,067,270

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

23 Administrative expenses

	2013 AED	2012 AED
Staff costs (Note 24)	**64,810,101**	60,096,253
(Release of)/provision for impairment of receivables	**(4,477,007)**	7,886,085
Rent	**3,975,576**	3,670,527
Fees and subscriptions	**1,372,753**	3,638,405
Stationery and supplies	**1,964,212**	2,386,711
Royalty fees to dnata (Note 12)	**1,000,000**	1,000,000
Marketing expenses	**870,452**	1,134,829
Business travel	**849,328**	335,536
Information technology expenditure	**175,474**	172,756
Office maintenance	**81,310**	92,335
Others	**6,240,681**	5,430,804
	76,862,880	85,844,241

24 Staff costs

Salaries and wages	**281,994,968**	238,350,030
Leave salary and passage	**29,471,036**	17,516,123
End of service benefits	**4,867,191**	4,153,949
Other benefits	**11,619,648**	19,903,186
	327,952,843	279,923,288

Staff costs are allocated as follows:		
Direct costs (Note 22)	**263,142,742**	219,827,035
Administrative expenses (Note 23)	**64,810,101**	60,096,253
	327,952,843	279,923,288

25 Other income - net

Foreign exchange losses	**(30,424)**	(521,434)
(Loss)/gain on disposal of property, plant and equipment	**(39,773)**	9,030
Discounts from suppliers	**2,746,792**	6,630,168
Other income	**1,248,087**	2,090,511
	3,924,682	8,208,275

26 Finance costs – net

Finance income	**(6,655,082)**	(2,231,771)
Finance costs	**12,449,063**	13,255,968
Finance costs - net	**5,793,981**	11,024,197

27 Discontinued operations

(a) Disposal of solutions business unit

On 18 August 2011, the Company entered into a business purchase agreement with Red Solutions LLC ("buyer") by virtue of which, all assets and liabilities as well as future business of the solutions division of the Group were transferred to the buyer. The Group received AED 6,000,000 on the sale of the business which resulted in a gain on disposal of AED 3,991,401.

(b) Analysis of the profit for the year from discontinued operations

The results of the discontinued operations included in the consolidated income statement are set out below:

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

27 Discontinued operations (continued)

(b) Analysis of the profit for the year from discontinued operations (continued)

Profit for the year from discontinued operations

	2013 AED	2012 AED
Revenue	-	8,050,530
Expenses	-	(7,067,367)
Profit for the year from discontinued operations	-	983,163
Gain on disposal of discontinued operation	-	3,991,401
	-	4,974,564

Cash flows from discontinued operations

	2013 AED	2012 AED
Net cash inflow from operating activities	-	9,088,297
Net cash inflow from investing activities	-	3,253,561
Net cash outflow from financing activities	-	(567,516)
	-	11,774,342

The notes to the 'consolidated income statement' do not include the expenses and income related to the discontinued operations which has been shown as a separate line item in the 'consolidated income statement'.

28 Contingencies and Commitments

	2013 AED	2012 AED
Guarantees	**34,187,035**	23,852,761
Letters of credit	**1,094,230**	24,013,325

The Group has also issued corporate guarantees on behalf of an associate.

The above were issued by bank in the normal course of business.

(a) Operating lease commitments

The Group leases office building and labour camps under non-cancellable operating lease agreements. The future minimum lease payments under the lease are as follows:

	2013 AED	2012 AED
Not later than 1 year	**16,710,426**	27,030,429
Later than 1 year and not later than 5 years	**34,371,336**	33,279,620
Over 5 years	**24,000,000**	30,000,000
	75,081,762	90,310,049

29 Dividends

No dividend was approved by the Board of Directors in respect of the year ended 31 March 2013 (2012: AED 16,666.67 per share).

During the year the shareholders passed a resolution, waving their rights to receive dividends declared for the years ended 31 March 2012, 2011 and 2010 amounting to AED 15,000,000 (AED 50,000 per share).

In view of this waiver, the dividends payable in respect of the approved dividend for the respective prior years have been subsequently reversed.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

30 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	At fair value through the profit or loss	Loans and receivables	Other financial liabilities	Total
	AED	AED	AED	AED
At 31 March 2013				
Financial assets				
Financial asset at fair value through the profit or loss	**200,000**	**-**	**-**	**200,000**
Due from related parties	**-**	**229,171,187**	**-**	**229,171,187**
Trade and other receivables (excluding prepayments and advances)	**-**	**95,773,081**	**-**	**95,773,081**
Cash and bank balances	**-**	**19,264,596**	**-**	**19,264,596**
	200,000	**344,208,864**	**-**	**344,408,864**
Financial liabilities				
Borrowings	**-**	**-**	**194,261,317**	**194,261,317**
Finance lease liabilities	**-**	**-**	**41,082,319**	**41,082,319**
Trade and other payables (excluding advance from customers and due to customers on contracts)	**-**	**-**	**81,488,903**	**81,488,903**
Due to related parties	**-**	**-**	**22,074,161**	**22,074,161**
	-	**-**	**338,906,700**	**338,906,700**
At 31 March 2012				
Financial assets				
Financial asset at fair value through the profit or loss	200,000	-	-	200,000
Due from related parties	-	184,209,423	-	184,209,423
Trade and other receivables (excluding prepayments and advances)	-	66,121,696	-	66,121,696
Cash and bank balances	-	8,740,454	-	8,740,454
	200,000	259,071,573	-	259,271,573
Financial liabilities				
Borrowings	-	-	133,613,336	133,613,336
Finance lease liabilities	-	-	48,319,012	48,319,012
Trade and other payables (excluding advance from customers and due to customers on contracts)	-	-	104,166,383	104,166,383
Due to related parties	-	-	43,793,139	43,793,139
	-	-	329,891,870	329,891,870

31 Comparatives

During current year, the Group changed the presentation of certain balances in the consolidated financial statements to provide reliable and more relevant information. As a result of the change, comparative information presented has been appropriately reclassified to enhance comparability of prior year balances with those of the current year.

The below reclassifications did not have any impact on the equity at 1 April 2011 or 31 March 2012. Applying the revised presentation criteria for these items during the current year did however require certain comparative amounts presented in the consolidated income statement and the consolidated statement of cash flows for the year ended 31 March 2012 to be reclassified.

The following reclassifications have been made in the consolidated income statement:

31.1 Business support service charges recognised as revenue during the year ended 31 March 2012 have been reclassified to direct cost.

31.2 Staff costs pertaining to certain employees recognised previously under direct costs have been reclassified to administrative expenses for the year ended 31 March 2012; and

31.3 The Group presented bank charges under finance costs for the year ended 31 March 2012. During current year, the Group has recognised bank charges under administrative expenses.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2013 (continued)

31 Comparatives (continued)

The effects on the consolidated income statement presented for comparative purposes are as follows:

	Year ended 31 March 2012		
	As previously reported	Reclassification	Amount after reclassification
	AED	AED	AED
Revenue (Note 31.1)	510,359,680	(3,600,000)	506,759,680
Direct Cost (Note 31.2)	(372,561,816)	14,494,546	(358,067,270)
Administrative expenses (Note 31.1, 31.2 and 31.3)	(74,180,387)	(11,663,854)	(85,844,241)
Finance cost – net (Note 31.3)	(11,793,505)	769,308	(11,024,197)

The following reclassifications have been made in the consolidated statement of cash flows:

31.4 In line with Note 31.3 above, bank charges for the year ended 31 March 2012 are shown within profit for the previous year instead of finance costs – net;

31.5 Interest earned but not received for the year ended 31 March 2012 has been treated as a non-cash item, hence excluded from cash flows from investing activities;

31.6 Long term loan to associate has been reclassified as part of cash flows from investing activities instead of cash flows from operating activities;

31.7 Interest accrued not paid for the year ended 31 March 2012 has been treated as a non-cash item, hence excluded from cash flows from financing activities.

The effects on the consolidated statement of cash flows presented as comparative figures are as follows:

	Year ended 31 March 2012		
	As previously reported	Reclassification	Amount after reclassification
	AED	AED	AED
Finance cost – net (Note 31.4)	(11,793,505)	769,308	(11,024,197)
Due from related parties before movement in provision for impairment and write off (Note 31.5 and 31.6)	(50,662,821)	42,231,771	(8,431,050)
Long term loan to associate (Note 31.6)	-	(40,000,000)	(40,000,000)
Trade and other payables (Note 31.7)	27,297,777	(544,218)	26,753,559
Interest received (Note 31.5)	2,231,771	(2,231,771)	-
Interest paid (Note 31.7)	(14,025,276)	1,313,526	(12,711,750)


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