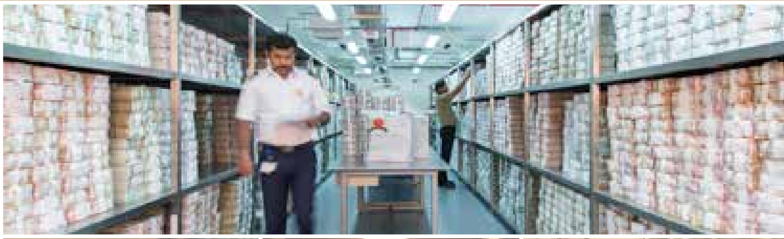
Transguard Group



Annual Report 2013-14

His Highness Sheikh Mohammed bin Rashid Al Maktoum

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

His Highness Sheikh Ahmed bin Saeed Al Maktoum

Chairman and Chief Executive, Emirates Airline & Group

Dr Abdulla Al Hashimi

Chief Executive Officer, Transguard Group LLC





CONTENTS

"Our achievements in 2013-2014 have been impressive. We have continued to strengthen the infrastructure that underpins our business, while at the same time substantially increasing our revenue."

Message from the Managing Director
John Nolan

Consolidated revenue and profit for the year ended 31st March 2014 were AED 769,537,739 and AED 54,364,400 respectively, representing a revenue growth of 39%. Profit attributable to owners of the parent company was AED 32,874,832.

During the year, the Group disposed of two of its accommodation facilities to a related entity with which the group also entered into a lease back arrangement. The proceeds from this sale repaid debt and reduced the Group's borrowings.

Additionally, the Group obtained control of Plafond Fit-Out LLC ("Plafond") by acquiring the remaining 49% shareholding. Subsequent to this acquisition, the Group entered into an agreement with an entity under common control whereby the Group's 100% controlling interest held in Plafond was disposed. This transaction resulted in legacy amounts relating to Plafond included in the Group's financial statements being removed and therefore strengthening the Group's balance sheet.

Major factors in the Group's growth this year have been the continued health of the construction industry as well as substantial growth in our other key market sectors, most significantly in the hotel, hospitality, retail, banking and aviation industries. We are confident that these trends will continue and our commercial goals for the financial year 2014-2015 reflect this.

The Business Improvement Office (BIO) which was launched in 2012 has continued to deliver significant efficiencies and improvements across the business and I am pleased to report that during the last year it achieved its target of delivering hard savings of AED 3m. The Group will continue to invest in the BIO and for the next financial year it has been targeted with delivering savings of AED 6m as well as rolling-out Lean Six Sigma Yellow and Green Belt training across the management team.



We have continued to invest substantially in information technology and in particular in the development of systems applications and process automation, both of which are of great importance in meeting the ever-increasing demands of our business as it continues to grow and diversify.

Our Corporate Social Responsibility (CSR) programme is spearheaded by our work with Christel House India, a school for underprivileged children in Bangalore. The initiative to bring students from the school here every year to join our management training apprenticeship scheme was recognized this year with the CSR Initiative of the Year award from the Facilities Management Middle East magazine.

Sustainability is also a key part of our CSR programme and in the coming year we will be rolling-out a biofuel project that will see our entire fleet of almost 200 vehicles being converted to run on biodiesel, a fuel produced from waste vegetable oils.

Our achievements in 2013-2014 have been impressive. We have continued to strengthen the infrastructure that underpins our business, while at the same time substantially increasing our revenue.

These achievements would not be possible without the support of the 20,000 plus members of the Transguard team and I would like to personally thank them for their hard work and dedication over the last 12 months.

John Nolan
Managing Director, Transguard Group

TRANSGUARD FINANCIAL REPORT

Directors' Report and Consolidated Financial Statements for the year ended 31 March 2014

Transguard Group LLC

Director's Report and Consolidated Financial Statements for the year ended 31 March 2014

Contents

Transguard Group LLC

Directors' Report for the year ended 31 March 2014

The directors submit their report together with the audited consolidated financial statements of Transguard Group LLC ("the Company"), its subsidiaries, associate and joint venture (together, "the Group") for the year ended 31 March 2014.

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 2014 are set out on page 5 of the consolidated financial statements.

Dividends

A dividend of AED 21,074,186 has been approved during the year (2013: Nil). Additional details relating to dividend are disclosed in note 27.

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	**John Nolan**
Chief Executive Officer	Managing Director
2 June 2014	2 June 2014

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, associate and joint venture (together, "the Group") which comprise the consolidated statement of financial position as of 31 March 2014 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.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 March 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Amin H. Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

2 June 2014

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31 MARCH 2014 AED	2013 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	66,874,492	244,478,623
Intangible assets	6	23,515,423	20,775,165
Investments accounted for using equity method	7	-	24,347,651
Financial asset at fair value through profit or loss	8	-	200,000
Due from related parties	11	-	157,283,512
Prepayments	10	120,721,969	-
Total non-current assets		211,111,884	447,084,951
Current assets			
Inventories		1,486,746	2,372,809
Trade and other receivables	10	184,399,683	129,037,948
Due from related parties	11	59,607,461	71,887,675
Due from customers on contracts	12	339,545	355,022
Cash and bank balances	13	32,633,678	19,264,596
Total current assets		278,467,113	222,918,050
Total assets		489,578,997	670,003,001
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	17	300,000	300,000
Legal reserve	18	150,000	150,000
Contributed capital	19	1,806,502	1,806,502
Retained earnings		104,601,191	247,663,418
Total equity attributable to owners of the parent		106,857,693	249,919,920
Non-controlling interest		83,516,291	62,514,468
Total equity		190,373,984	312,434,388
LIABILITIES			
Non-current liabilities			
Borrowings	15	39,050,000	54,101,281
Finance lease liabilities	16	2,147,955	30,076,515
Provision for employees' end of service benefits	20	25,865,811	17,634,971
Total non-current liabilities		67,063,766	101,812,767
Current liabilities			
Trade and other payables	14	134,539,667	82,515,845
Due to related parties	11	4,503,997	22,074,161
Borrowings	15	91,745,284	140,160,036
Finance lease liabilities	16	1,352,299	11,005,804
Total current liabilities		232,141,247	255,755,846
Total liabilities		299,205,013	357,568,613
Total equity and liabilities		489,578,997	670,003,001

These consolidated financial statements were approved by the Board of Directors on 2 June 2014 and signed on its behalf by:

....

Dr. Abdulla Al Hashimi,
Chief Executive Officer

....

John Nolan,
Managing Director

The notes on page 8 to 33 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2014

CONSOLIDATED INCOME STATEMENT

	Note	YEAR ENDED 31 MARCH 2014 AED	2013 AED
Revenue		769,537,739	552,710,039
Direct costs	21	(573,549,957)	(392,729,451)
Gross profit		195,987,782	159,980,588
Administrative expenses	22	(109,054,826)	(76,862,880)
Other income - net	24	11,794,404	3,924,682
Operating profit		98,727,360	87,042,390
Finance costs - net	25	(3,703,300)	(5,793,981)
Share of loss of investments accounted for using equity method	7	(40,659,660)	(54,526,823)
Profit for the year		54,364,400	26,721,586
Profit attributable to:			
Owners of the parent		32,874,832	5,426,642
Non-controlling interest		21,489,568	21,294,944
		54,364,400	26,721,586

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	YEAR ENDED 31 MARCH 2014 AED	2013 AED
Profit for the year		54,364,400	26,721,586
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit obligations	20	(4,083,776)	(6,661,581)
Total comprehensive income for the year		50,280,624	20,060,005
Attributable to:			
Owners of the parent		29,278,801	(466,475)
Non-controlling interests		21,001,823	20,526,480
		50,280,624	20,060,005

The notes on page 8 to 33 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent		
	Share capital	Legal reserve	Contributed capital
	AED	AED	AED
Balance at 1 April 2012	300,000	150,000	1,806,502
Profit for the year	-	-	-
Other comprehensive loss:			
Remeasurement of retirement benefit obligations	-	-	-
Total comprehensive (loss)/income for the year	-	-	-
Transactions with owners			
Dividend relating to 2012 (Note 27)	-	-	-
Dividend waived during the year (Note 27)	-	-	-
Balance at 31 March 2013	300,000	150,000	1,806,502
Profit for the year	-	-	-
Other comprehensive loss:			
Remeasurement of retirement benefit obligations	-	-	-
Total comprehensive income for the year	-	-	-
Transactions with owners			
Dividend relating to 2012 (Note 27)	-	-	-
Disposal of a subsidiary (Note 29)	-	-	-
Balance at 31 March 2014	300,000	150,000	1,806,502

The notes on page 8 to 33 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the Year ended 31 March 2014

Attributable to owners of the parent			
Retained earnings	Total	Non-controlling interests	Total
AED	AED	AED	AED
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
32,874,832	32,874,832	21,489,568	54,364,400
(3,596,031)	(3,596,031)	(487,745)	(4,083,776)
29,278,801	29,278,801	21,001,823	50,280,624
(21,074,186)	(21,074,186)	-	(21,074,186)
(151,266,842)	(151,266,842)	-	(151,266,842)
104,601,191	106,857,693	83,516,291	190,373,984

The notes on page 8 to 33 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2014

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	YEAR ENDED 31 MARCH 2014 AED	2013 AED
Cash flows from operating activities			
Profit for the year		54,364,400	26,721,586
Adjustments for:			
Depreciation	5	17,504,255	17,111,632
Amortisation	6	2,877,038	1,786,897
Provision for employees' end of service benefits	23	8,678,350	4,867,191
Provision for/(release of) impairment of trade receivables	10	8,149,838	(5,066,410)
(Release of)/provision for impairment of due from related parties	11	(140,592)	589,403
Share of loss of investments accounted for using equity method	7	40,659,660	54,526,823
Finance costs – net	25	3,703,300	5,793,981
(Gain)/loss on disposal of property, plant and equipment	24	(4,647,640)	39,773
Write-off of financial asset at fair value through profit or loss	8	200,000	-
Operating cash flows before payment of employees' end of service benefits and changes in working capital		131,348,609	106,370,876
Payments of employees' end of service benefits	20	(4,846,826)	(6,123,511)
Changes in working capital:			
Inventories		886,063	(34,104)
Prepayments – non current		(120,721,969)	-
Trade and other receivables before movement in provision for impairment		(63,511,573)	(32,085,122)
Due from related parties before movement in provision for impairment, accrued finance income and recharge of provision for employees' end of service benefits		11,377,064	74,767,527
Due from customers on contracts		15,477	565,634
Trade and other payables and accrued finance cost		53,025,372	(26,613,518)
Due to related parties before movement in dividend payable		(7,570,164)	(11,718,978)
Net cash generated from operating activities		2,053	105,128,804
Cash flows from investing activities			
Additions to property, plant and equipment	5	(20,435,490)	(13,348,635)
Additions to intangible assets excluding goodwill and customer relationships	6	(5,617,296)	(9,397,478)
Long term loan to associate		-	(113,067,000)
Proceeds from disposal of property, plant and equipment		185,183,006	53,115
Net cash generated from/ (used in) investing activities		159,130,220	(135,759,998)
Cash flows from financing activities			
Repayment of borrowings	15	(171,985,126)	(52,298,485)
Draw down of borrowings	15	130,795,284	117,331,786
Payment towards finance lease liabilities		(37,582,065)	(7,236,693)
Interest paid		(13,640,907)	(12,255,952)
Dividend paid		(31,074,186)	-
Net cash (used in)/generated from financing activities		(123,487,000)	45,540,656
Net increase in cash and cash equivalents		35,645,273	14,909,462
Cash and cash equivalents at beginning of year		(3,011,595)	(17,921,057)
Cash and cash equivalents at end of year	13	32,633,678	(3,011,595)

The notes on page 8 to 33 are an integral part of these consolidated financial statements

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1 Legal status and activities

Transguard Group LLC ("the Company") its subsidiaries, associates 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 Company is a limited liability company incorporated in the United Arab Emirates under the UAE Federal Law No. (8) of 1984, as amended and operates under a trade licence issued in Dubai. The registered address of the Company is P. O. Box 22630, Dubai, United Arab Emirates.

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 2 February 2011, the Company acquired a controlling interest in Transguard Cash LLC. Additional details relating to the acquisition are disclosed in Note 9.

On 3 September 2012, the Company acquired a controlling interest in Transguard Themis LLC. Additional details relating to the acquisition are disclosed in Note 9.

On 2 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 7.

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 International Financial Reporting Interpretations Committee ("IFRIC"). 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

The following standards are mandatory for the first time for the financial year beginning on or after 1 April 2013:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective from 1 July 2013). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Refer to the statement of comprehensive income for the impact of this amendment.
- IAS 28, 'Associates and joint ventures' (revised in 2012, effective from 1 January 2013) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. See note 28 for the impact of adoption on the consolidated financial statements.
- Amendment to IFRS 7, 'Financial instruments: Disclosures' on assets and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

- IFRS 10, 'Consolidated financial statements' (effective from 1 January 2013), builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- Amendments to IFRSs 10, 11 and 12 on transition guidance (effective from 1 January 2013). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. See note 28 for the impact of adoption on the consolidated financial statements.
- IFRS 12, 'Disclosures of interests in other entities' (effective from 1 January 2013), includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement' (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 April 2013 but are not expected to have a material impact on the Group:

- IFRS 11, 'Joint arrangements' (effective from 1 January 2013) focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity. Proportional consolidation of joint arrangements is no longer permitted. See note 7 for the impact of adoption on the consolidated financial statements.
- IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10; and
- IFRS 1 (amendment), 'First time adoption of International Financial Reporting Standards' (effective from 1 January 2013) addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2013 and not early adopted by the Group

The following standards, amendments and interpretations 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.

- IAS 32 (amendment), 'Financial Instruments' (effective from 1 January 2014);
- IAS 27 (amendment), 'Separate financial statements' (effective from 1 January 2014);
- IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2014);
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2014);
- IFRS 10 (amendment), 'Consolidated financial statements' (effective from 1 January 2014);
- IFRS 12 (amendment), 'Disclosures of interests in other entities' (effective from 1 January 2014);
- IFRS 9 (standard), 'Financial instruments' (effective from 1 January 2015); and
- IFRIC 21, 'Levies' (effective from 1 January 2014).

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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation

(a) 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.

(b) Joint arrangements

The group has applied IFRS 11 to all joint arrangements as of 1 April 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group. The change in accounting policy has been applied as from 1 April 2013.

The effects of the change in accounting policies on the financial position, comprehensive income and the cash flows of the Group at 31 March 2013 are not expected to have a material impact to the Group and comparative information has not been restated. Financial information related to Joint venture is disclosed in Note 7.

(c) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated 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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Subsidiaries (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly 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.

(d) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

2.3 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 2014 (continued)

2 Summary of significant accounting policies (continued)

2.4 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer Software

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 ranging from five to eight 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.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value of future economic benefits anticipated to be derived through continuation of these relationships at acquisition date. Customer relationships are amortised over estimated useful life of eight years.

2.5 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 Summary of significant accounting policies (continued)

2.6 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.

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 10), 'due from related parties' (Note 11), 'due from customers on contract' (Note 12) and 'cash and bank balances' (Note 13).

(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 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.

2.7 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.

2.8 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.

For loans and receivable category, 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 2014 (continued)

2 Summary of significant accounting policies (continued)

2.8 Impairment of financial asset (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.

2.9 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.

2.10 Trade receivables

Trade receivables are amounts due from customers for 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).

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, amounts held in bank accounts and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 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.

2.14 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.

2.15 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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

2 Summary of significant accounting policies (continued)

2.15 Employee benefits (continued)

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.

2.16 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.

2.17 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) Interest income

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

2.18 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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

2 Summary of significant accounting policies (continued)

2.19 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.

2.20 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 costs - net'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income - net'.

2.21 Borrowing costs

Borrowing costs are expensed to the consolidated statement of comprehensive income on a time-proportion basis using the effective interest method.

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 not exposed to foreign exchange risk in respect of its borrowings denominated in GBP as of 31 March 2014. At 31 March 2014, if the currency had weakened/strengthened by 5% against AED, the profit/total comprehensive income for the year would have been higher/lower by Nil (2013: AED 5,237).

(ii) Price risk

The Group has no exposure to price risk as it has no price sensitive financial instruments.

(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 2014 and 2013. The analysis calculates the effect on the consolidated income statement of a reasonably possible movement in interest rate:

	2014 AED	2013 AED
Interest cost		
+ 100 basis points	1,202,955	497,127
- 100 basis points	(1,202,955)	(497,127)

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 15 and 16 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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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	2014	2013
		AED	AED
Banks			
A	C-	3,288,446	272,962
B	*	112,164	4,104
C	D	16,125,759	15,653,312
D	D-	248,518	2,042,908
E	D+	510,301	205,379
F	*	805,603	346,793
G	D+	211,483	241,842
H	C-	207,230	207,480
I	D+	2,845,980	109,380
J	*	8,231,005	137,237
K	C	2,850	-
		32,589,339	19,221,397

*Unrated

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

	2014	2013
	AED	AED
Trade receivables		
Counterparties without external credit rating		
*Group 1	24,660,977	1,944,761
**Group 2	45,677,380	38,899,948
	70,338,357	40,844,709

*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.

(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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

At 31 March 2014	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	AED	AED	AED	AED
Borrowings	93,730,440	16,370,997	25,066,408	135,167,845
Finance lease liabilities	1,501,954	1,511,316	739,117	3,752,387
Trade and other payables (excluding advance from customers)	133,014,420	-	-	133,014,420
Due to related parties	4,503,997	-	-	4,503,997
	232,750,811	17,882,313	25,805,525	276,438,649

At 31 March 2013				
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)	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

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.

The gearing ratio at 31 March 2014 and 2013 was as follows:

	2014	2013
	AED	AED
Borrowings (Note 15)	130,795,284	194,261,317
Finance lease liabilities (Note 16)	3,500,254	41,082,319
Less: cash and bank balances (Note 13)	(32,633,678)	(19,264,596)
Net debt	101,661,860	216,079,040
Total equity	190,373,984	312,434,388
Total capital	292,035,844	528,513,428
Gearing ratio	35%	41%

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

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) 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.

(b) 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.

(c) 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 2.5.

(d) 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 20.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

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 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
Additions	-	5,607,888	6,250,380	3,425,132	2,761,434	2,390,656	20,435,490
Transfer	-	114,319	926,354	3,247,575	-	(4,288,248)	-
Disposals*	(213,434,098)	-	(288,104)	(24,574)	(1,124,900)	-	(214,871,676)
As at 31 March 2014	4,021,982	25,961,043	24,767,127	20,504,218	34,229,810	9,620,165	119,104,345
Depreciation							
At 1 April 2012	20,352,580	6,506,994	5,244,631	7,767,405	12,355,148	-	52,226,758
Charge for the year (Note 21)	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
Charge for the year (Note 21)	6,425,502	1,810,971	2,350,055	2,014,583	4,903,144	-	17,504,255
Disposals*	(33,164,073)	-	(250,874)	(24,574)	(896,789)	-	(34,336,310)
As at 31 March 2014	1,415,926	9,886,566	8,760,183	10,978,868	21,188,310	-	52,229,853
Net book value							
As at 31 March 2014	2,606,056	16,074,477	16,006,944	9,525,350	13,041,500	9,620,165	66,874,492
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

* During the year, labour camps having net book value of AED 180,270,025 (Cost: AED 213,666,598 and accumulated depreciation: AED 33,396,573) were sold under a sale and operating leaseback arrangement on 26 January 2014 against the cash consideration of AED 185,000,000. Rentals paid in respect of operating lease arrangement are included in prepayments.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (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:

	2014 AED	2013 AED
Cost	5,397,707	85,450,106
Accumulated depreciation	(1,278,259)	(10,168,147)
Net book value	4,119,448	75,281,959

During the current year, the Group entered into new finance lease arrangements to purchase assets costing AED 1,919,199 (2013: AED 3,478,507). Additional details relating to finance leases are given in Note 16.

6 Intangible assets

	Computer software	Capital work in progress	Goodwill	Customer Relationships	Total
Cost	AED	AED	AED	AED	AED
At 1 April 2013	18,471,822	5,459,873	-	-	23,931,695
Additions*	4,148,892	1,468,404	128,904,573	28,417,614	162,939,483
Transfer	4,950,874	(4,950,874)	-	-	-
Disposals*	-	-	(128,904,573)	(28,417,614)	(157,322,187)
As at 31 March 2014	27,571,588	1,977,403	-	-	29,548,991
Amortisation					
At 1 April 2013	3,156,530	-	-	-	3,156,530
Charge for the year (Note 21)	2,877,038	-	-	-	2,877,038
As at 31 March 2014	6,033,568	-	-	-	6,033,568
Net book value as at 31 March 2014	21,538,020	1,977,403	-	-	23,515,423
Cost					
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 (Note 21)	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

* Additional information regarding goodwill and customer relationships is disclosed in Notes 28 and 29.

7 Investments accounted for using equity method

The amounts recognised in the consolidated statement of financial position are as follows:

	2014 AED	2013 AED
Associate	-	24,347,651
Joint venture	-	-

Carrying value of investment in Joint Venture is Nil as at 31 March 2014 using equity accounting method. During 2013, investment in Joint Venture was accounted for using proportionate consolidation method. The effects of the change in accounting policies on the financial position, comprehensive income and the cash flows of the Group at 31 March 2013 are not expected to have a material impact to the Group and comparative information has not been restated.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

7 Investments accounted for using equity method (continued)

The loss recognised in the consolidated statement of financial position is as follows:

	2014 AED	2013 AED
Associate	40,444,336	54,526,823
Joint venture	215,324	-
	40,659,660	54,526,823

(a) Investment in an associate

On 16 October 2009, the Company acquired a 51% non-controlling interest in Plafond Fit Out LLC (formerly known as 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
Plafond Fit Out LLC	51%	Air conditioning, lifts, electricity transmission, communication networks, security systems, electromechanical installation and maintenance, interior fit out, refurbishments and stone masonry works.	UAE

Movement in the investment in an associate:

	2014 AED	2013 AED
Opening balance	24,347,651	78,874,474
Share of loss for the period/year (see below)	(24,347,651)	(54,526,823)
Closing balance	-	24,347,651

During the period ended 22 March 2014, the Group recognised share of loss from associate of AED 40,659,660 against carrying value of investment and long term loan receivable from associate, amounting to AED 24,347,651 and AED 16,312,009 respectively.

On 22 March 2014, the Group obtained control of Plafond Fit Out LLC by acquiring further 49% of the controlling interest in Plafond Fit Out LLC. Information related to business combination is disclosed in Note 28.

(b) Investment in 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. Transguard SPS is a private company and there is no quoted market price available for its shares.

Summarised financial information for Transguard SPS LLC which is accounted for using the equity method is as follows:

Summarised statement of financial position

Statement of financial position	2014 AED	2013 AED
Current assets	-	72,076
Current liabilities	(505,906)	(186,483)
Net liabilities	(505,906)	(114,407)
Statement of comprehensive income		
Revenue	227,392	16,590
Expenses	(132,871)	(16,212)
Other expenses	(486,020)	(414,785)
Loss for the year	(391,499)	(414,407)

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

The information above reflects the amounts presented in the standalone financial statements of the Transguard SPS LLC and not the Group's share of those amounts.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

8 Financial asset at fair value through profit or loss

	2014 AED	2013 AED
Opening balance	200,000	200,000
Write-off during the year	(200,000)	-
Closing balance	-	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.

During the year, management has decided to write-off the investment in Transguard Middle East Trading LLC based on the assessment of its recoverability.

9 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 equity owned	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	99%	Providing white-collar recruitment services	UAE

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

9 Investment in subsidiaries (continued)

Summarised financial information for each subsidiary that has non-controlling interests is shown as follows:

Summarised balance sheet

	Transguard Cash LLC		Transguard Themis LLC	
	2014	2013	2014	2013
	AED	AED	AED	AED
Current				
Assets	146,314,222	95,935,502	7,808,795	2,539,251
Liabilities	(22,611,231)	(12,267,185)	(4,561,628)	(1,842,478)
Total current assets - net	123,702,991	83,668,317	3,247,167	696,773
Non-current				
Assets	46,527,023	44,787,213	93,236	-
Liabilities	(5,761,196)	(3,790,370)	(426,060)	(27,315)
Total non-current assets/(liabilities) - net	40,765,827	40,996,843	(332,824)	(27,315)
Net assets	164,468,818	124,665,160	2,914,343	669,458

Summarised income statement

	Transguard Cash LLC		Transguard Themis LLC	
	2014	2013	2014	2013
	AED	AED	AED	AED
Revenue	185,895,481	160,292,930	45,589,382	9,045,357
Profit for the year	40,713,254	42,211,785	2,312,124	385,819
Other comprehensive loss	(909,596)	(1,522,204)	(67,239)	(16,361)
Total comprehensive income	39,803,658	40,689,581	2,244,885	369,458
Total comprehensive income allocated to non-controlling interests	19,901,829	20,344,791	1,099,994	181,034

Summarised cash flows

	Transguard Cash LLC		Transguard Themis LLC	
	2014	2013	2014	2013
	AED	AED	AED	AED
Cashflow from operating activities				
Net cash generated from operating activities	11,190,399	12,849,552	95,785	(300,000)
Net cash used in investing activities	(11,189,538)	(9,090,575)	(95,785)	-
Net cash used in financing activities	-	(3,776,021)	-	300,000
Net increase/(decrease) in cash and cash equivalents	861	(17,044)	-	-
Cash and cash equivalents at beginning of year	45,252	62,296	-	-
Cash and cash equivalents at end of year	46,113	45,252	-	-

The information above represents amounts before intercompany eliminations.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

10 Trade and other receivables

	2014 AED	2013 AED
Trade receivables	90,891,367	53,247,881
Less: provision for impairment of trade receivables	(20,553,010)	(12,403,172)
Trade receivables – net	70,338,357	40,844,709
Prepayments	158,090,634	30,719,202
Advances to suppliers	1,153,931	2,545,665
Other receivables	75,538,730	54,928,372
	305,121,652	129,037,948
Less: long term portion of prepayments	(120,721,969)	-
	184,399,683	129,037,948

The Group's customers are based in the UAE. At 31 March 2014 five customers (2013: five customers) accounted for 25% (2013: 23%) 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 2014, trade receivables of AED 24,259,302 (2013: AED 12,205,264) were fully performing. Trade receivables of AED 33,455,094 (2013: AED 18,079,776) 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:

	2014 AED	2013 AED
Up to 3 months	29,962,502	17,163,662
3 to 6 months	2,355,773	771,964
Over 6 months	1,136,819	144,150
	33,455,094	18,079,776

As of 31 March 2014, trade receivables of AED 33,176,971 (2013: AED 22,962,841) were impaired. The amount of provision was AED 20,553,010 (2013: AED 12,403,172). 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:

	2014 AED	2013 AED
Up to 3 months	16,894,897	11,516,047
3 to 6 months	4,183,648	1,902,520
Over 6 months	12,098,426	9,544,274
	33,176,971	22,962,841

The carrying amount of the Group's trade receivables and other receivables at 31 March 2014 and 2013 are denominated in AED. Movement in the Group's provision for impairment of trade receivables are as follows:

	2014 AED	2013 AED
Opening balance	12,403,172	17,469,582
Provision for/(release of) impairment of trade receivables (Note 22)	8,149,838	(5,066,410)
Closing balance	20,553,010	12,403,172

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 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 2014 and 2013. The Group does not hold any collateral as security.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

11 Related party balances and transactions

Related parties include the shareholders, fellow subsidiaries, associate, key management personnel, joint venture, businesses controlled by the shareholders or over which they exercise a significant management influence ("affiliates").

	2014 AED	2013 AED
Due from related parties		
Non current		
Long term loan to an associate	-	153,067,000
Associate	-	4,216,512
	-	157,283,512
Current		
dnata and entities related to dnata	57,140,335	67,127,899
Current portion of long term loan to an associate	-	-
Associate	-	5,970,168
Affiliates	3,536,926	-
	60,677,261	73,098,067
Less: provision for impairment of due from related parties	(1,069,800)	(1,210,392)
	59,607,461	71,887,675
	59,607,461	229,171,187

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

	2014 AED	2013 AED
Opening balance	1,210,392	620,989
(Release of)/provision for impairment of due from related parties (Note 22)	(140,592)	589,403
Closing balance	1,069,800	1,210,392

	2014 AED	2013 AED
Due to related parties		
Affiliate	-	88,474
dnata and entities related to dnata	4,503,997	21,985,687
	4,503,997	22,074,161

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

On 22 March 2014, after acquiring the remaining 49% controlling interest in Plafond Fit Out LLC, the Group entered into an agreement with Plafond Fit Out LLC whereby the amount receivable from Plafond Fit Out LLC of AED 167,363,528 was waived and is no more payable to the Group.

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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

11 Related party balances and transactions (continued)

	2014 AED	2013 AED
Sales to affiliates	232,158,449	340,339,290
Purchases from affiliates	4,761,863	4,794,149
Sale of labour camps to affiliate	185,000,000	-
Royalty fees to dnata	83,333	1,000,000
Rent and utilities payment to affiliates	6,608,674	4,128,182
Interest earned on outstanding balances with associate	7,971,759	6,300,825
Liability transferred to affiliate (Note 24)	5,817,903	-
Key management compensation		
Salaries	5,968,698	4,800,000
End of service and other benefits	3,083,240	2,565,812
	9,051,938	7,365,812

12 Due from customers on contracts

Aggregate cost incurred and profits recognised on contracts in progress at the year end	5,898,516	5,898,516
Less: progress billings	(5,558,971)	(5,543,494)
	339,545	355,022

13 Cash and cash equivalents

Cash on hand	44,339	43,199
Bank balances	32,589,339	19,221,397
Cash and bank balances	32,633,678	19,264,596

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

	2014 AED	2013 AED
Cash and bank balances	32,633,678	19,264,596
Bank overdrafts (Note 15)	-	(22,276,191)
Cash and cash equivalents	32,633,678	(3,011,595)

Bank balances are held in current accounts with locally incorporated banks and branches of international banks. Interest at the rate of EIBOR + 2.75% (2013: EIBOR + 2.75%) is charged on the bank overdraft.

14 Trade and other payables

	2014 AED	2013 AED
Trade payables	33,773,404	17,997,558
Provision for leave salary and leave passage	25,326,675	16,731,951
Advances from customers	1,525,247	1,026,942
Other payables and accruals	73,914,341	46,759,394
	134,539,667	82,515,845

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

15 Borrowings

	2014 AED	2013 AED
Non-current		
Borrowings	39,050,000	54,101,281
Current		
Borrowings	91,745,284	117,883,845
Bank overdrafts (Note 13)	-	22,276,191
	91,745,284	140,160,036
Total borrowings	130,795,284	194,261,317

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

Less than 1 year	91,745,284	117,883,845
Between 1 and 2 years	15,000,000	23,723,288
Between 2 and 5 years	24,050,000	30,377,993
	130,795,284	171,985,126

Bank borrowings bear an average interest rate of 4.56% annually (2013: 5.43% annually)

Total borrowings include secured borrowings of AED 33,157,295 (2013: AED 92,300,651). 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 247,220,961 (2013: AED 189,121,369). The movement in borrowings is as follows:

	2014 AED	2013 AED
Opening balance	171,985,126	106,951,825
Additions during the year	130,795,284	117,331,786
Payments during the year	(171,985,126)	(52,298,485)
Closing balance	130,795,284	171,985,126

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

GBP	-	104,737
AED	130,795,284	171,880,389
	130,795,284	171,985,126

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

16 Finance lease liabilities

	Computer and office equipment AED	Land and buildings AED	Total AED
At 31 March 2014			
Gross lease liabilities - minimum lease payments			
Less than one year	1,501,954	-	1,501,954
Between 1 and 5 years	2,250,433	-	2,250,433
	3,752,387	-	3,752,387
Less:			
Future finance charges on finance leases	(252,133)	-	(252,133)
Net lease liabilities	3,500,254	-	3,500,254
Present value of finance leases is as follows:			
Less than one year	1,352,299	-	1,352,299
Between 1 and 5 years	2,147,955	-	2,147,955
Net lease liabilities	3,500,254	-	3,500,254

	Computer and office equipment AED	Land and buildings AED	Total 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

17 Share capital

Share capital comprises 300 authorised, issued and paid up shares of AED 1,000 each amounting to AED 300,000 (2013: AED 300,000).

18 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.

19 Contributed capital

Contributed capital represents amounts contributed by dnata.

20 Provision for employees' end of service benefits

Reconciliation of provision for employees' end of service benefits:

	2014 AED	2013 AED
Present value of employees' end of service benefits	25,865,811	17,634,971

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

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

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

	2014 AED	2013 AED
Opening balance	17,634,971	11,633,098
Charge for the year	8,993,890	5,463,803
Remeasurement of retirement benefit obligations	4,083,776	6,661,581
Benefits paid	(4,846,826)	(6,123,511)
Closing balance	25,865,811	17,634,971

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

Current service cost	8,308,924	5,035,236
Interest cost	684,966	428,567
	8,993,890	5,463,803

Of the total charge of AED 8,678,350 (2013: AED 4,867,191), AED 6,219,695 (2013: AED 3,990,735) and AED 2,458,655 (2013: AED 876,456) 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 (Note 23).

The principal actuarial assumptions were as follows:

	2014 AED	2013 AED
Valuation discount rate	4.5% per annum	4.5% per annum
Salary increase rate	2% per annum	2% per annum

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	1%	Decrease by 13.3%	Increase by 16.4%
Salary increase rate	1%	Increase by 12.2%	Decrease by 10.6%

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 1.7%	Increase by 1.8%
Death rate	10%	Decrease by 0.1%	Increase by 0.1%

21 Direct costs

	2014 AED	2013 AED
Staff costs (Note 23)	408,681,249	263,142,742
Rent	56,317,417	47,851,252
Fuel and transportation	34,110,375	27,095,030
Depreciation and amortisation (Note 5 & 6)	20,381,293	18,898,529
Operations cost	22,492,652	13,077,562
Visa and immigration	11,797,794	7,475,501
Repairs and maintenance	9,037,684	6,612,739
Communication expenses	2,536,250	3,776,478
Insurance	3,585,919	3,126,205
Contract costs	1,436,975	623,498
Skip and waste removal	21,230	38,025
Others	3,151,119	1,011,890
	573,549,957	392,729,451

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

22 Administrative expenses

	2014	2013
	AED	AED
Staff costs (Note 23)	79,030,306	64,810,101
Provision for/(release of) impairment of trade receivables and due from related parties (Note 10 & 11)	8,009,246	(4,477,007)
Rent	4,551,033	3,975,576
Fees and subscriptions	2,702,009	1,372,753
Stationery and supplies	2,300,978	1,964,212
Royalty fees	3,518,427	1,000,000
Marketing expenses	1,668,704	870,452
Business travel	871,741	849,328
Information technology expenditure	471,381	175,474
Office maintenance	216,444	81,310
Others	5,714,557	6,240,681
	109,054,826	76,862,880

23 Staff costs

Salaries and wages	427,529,288	281,994,968
Leave salary and passage	34,179,248	29,471,036
End of service benefits (Note 20)	8,678,350	4,867,191
Other benefits	17,324,669	11,619,648
	487,711,555	327,952,843
Staff costs are allocated as follows:		
Direct costs (Note 21)	408,681,249	263,142,742
Administrative expenses (Note 22)	79,030,306	64,810,101
	487,711,555	327,952,843

24 Other income - net

Foreign exchange losses	(58,739)	(30,424)
Gain/(loss) on disposal of property, plant and equipment	4,647,640	(39,773)
Discounts from suppliers	-	2,746,792
Liability transferred to affiliate (Note 11)	5,817,903	-
Other income	1,387,600	1,248,087
	11,794,404	3,924,682

25 Finance costs – net

Finance income	(8,936,057)	(6,655,082)
Finance costs	12,639,357	12,449,063
Finance costs - net	3,703,300	5,793,981

26 Contingencies and Commitments

Guarantees	26,748,655	34,187,035
Letters of credit	3,435,380	1,094,230

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

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

26 Contingencies and commitments (continued)

(a) Operating 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:

	2014 AED	2013 AED
Not later than 1 year	22,030,999	16,710,426
Later than 1 year and not later than 5 years	53,772,666	34,371,336
Over 5 years	44,375,080	24,000,000
	120,178,745	75,081,762

27 Dividends

During the year, dividend in respect of the year ended 31 March 2012 of AED 70,247.29 per share (2013: AED Nil) amounting to AED 21,074,186 (2013: AED Nil) has been approved by the Board of Directors. Dividend of AED 5,000,000 with respect to 2012 was declared in 2013.

During 2013, 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).

During the year, the Company paid dividend of AED 31,074,186 relating to prior years (2008, 2009 and 2012).

28 Business combination

On 22 March 2014, the Group obtained control of Plafond Fit Out LLC by acquiring remaining 49% of the controlling interest in Plafond Fit Out LLC, involved in air conditioning, lifts, electricity transmission, communication networks, security systems, electromechanical installation and maintenance, interior fit out, refurbishments and stones masonry works.

The following table summarises the consideration paid for Plafond Fit Out LLC, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

	AED
Cash	1
Fair value of equity interest in Plafond Fit Out LLC held before the business combination	-
Total consideration	1

Recognised amounts of identifiable assets acquired and liabilities assumed

	AED
Plant and equipment	630,550
Intangible assets – software	215,267
Intangible assets – customer relationships (Note 6)	28,417,614
Retention receivable	11,944,181
Prepayments – non current	5,190,188
Trade and other receivables	77,525,203
Cash and bank balances	4,668,112
Provision for employees' end of service benefits	(405,078)
Due to related parties	(154,606,091)
Trade and other payables	(90,682,050)
Advances from customers	(11,802,468)
Total identifiable net liability	(128,904,572)
Goodwill	128,904,573

The fair value of the acquired identifiable assets is provisional pending receipt of fair valuation for the assets. Management has assessed the fair value using discounted cash flow technique.

The group recognised no gain as a result of measuring at fair value its 51% non-controlling interest in Plafond Fit Out LLC held before the business combination. The revenue and contributed profit included in the consolidated income statement contributed by Plafond Fit Out LLC was Nil.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2014 (continued)

28 Business combination (continued)

Had Plafond Fit Out LLC been consolidated from 1 April 2013, the consolidated income statement would show pro-forma revenue of AED 80,046,572 and loss of AED 79,302,620 with respect to Plafond Fit Out LLC.

Subsequent to acquisition, on 22 March 2014, the Group entered into an agreement with Plafond Fit Out LLC whereby the amount receivable from Plafond Fit Out LLC of AED 167,363,528 outstanding as of 22 March 2014 was waived and is no longer payable to the Company.

29 Disposal of a subsidiary

On 22 March 2014, the company disposed of a 100% controlling interest held in Plafond Fit Out LLC at a consideration of AED 1 to an entity under common control.

The effect of changes in the ownership interest of the Plafond Fit Out LLC on the equity attributable to owners of the Company during the year is summarised overleaf:

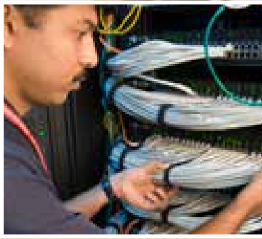
	2014 AED
Carrying amount of controlling interests disposed of	(151,266,843)
Consideration received	1
Decrease in parent's equity	(151,266,842)

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 2014				
Financial assets				
Financial asset at fair value through the profit or loss	-	-	-	-
Due from related parties	-	59,607,461	-	59,607,461
Trade and other receivables (excluding prepayments and advances)	-	145,877,087	-	145,877,087
Due from customers on contract	-	339,545	-	339,545
Cash and bank balances	-	32,633,678	-	32,633,678
	-	238,457,771	-	238,457,771
Financial liabilities				
Borrowings	-	-	130,795,284	130,795,284
Finance lease liabilities	-	-	3,500,254	3,500,254
Trade and other payables (excluding advance from customers and due to customers on contracts)	-	-	133,014,420	133,014,420
Due to related parties	-	-	4,503,997	4,503,997
	-	-	271,813,955	271,813,955
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
Due from customers on contract	-	355,022	-	355,022
Cash and bank balances	-	19,264,596	-	19,264,596
	200,000	344,563,886	-	344,763,886
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



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