Transguard Group

Annual Report | 2015 - 16

Fuelling Growth

His Highness Sheikh Mohammed bin Rashid Al Maktoum
Vice President and Prime Minister of the UAE and Ruler of Dubai

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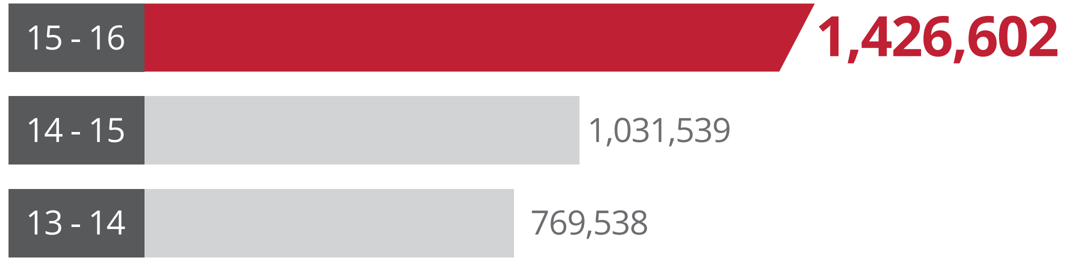
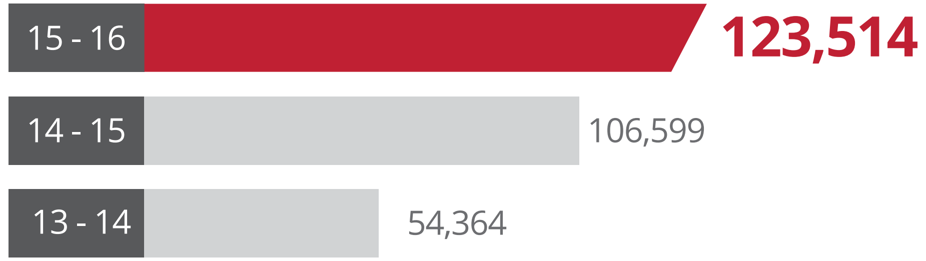
Financial Highlights

Financial Highlights

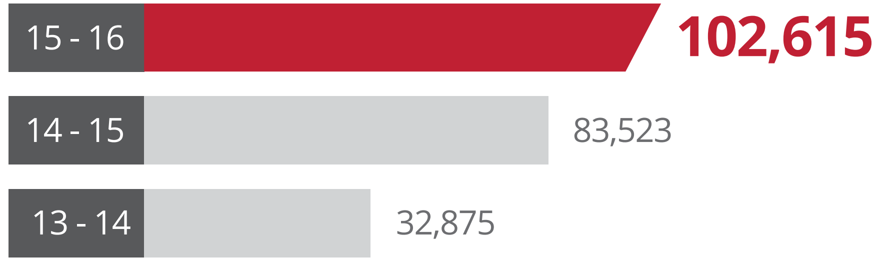
Revenue in AED 000's



Consolidated Profit in AED 000's



Profit Attributable to the Owner in AED 000's



Workforce Headcount

46,500 vs 30,000
2015-16 2014-15

38%
Revenue Growth

Transguard Group LLC

		2015-16	2014-15	2013-14
Financial Highlights				
Revenue	AED 000's	1,426,602	1,031,539	769,538
EBITDA	AED 000's	149,180	127,394	78,449
EBITDA Margin	%	10%	12%	10%
Operating Profit	AED 000's	129,873	112,661	98,727
Operating Margin	%	9%	11%	13%
Profit Attributable to the Owner	AED 000's	102,615	83,523	32,875
Profit Margin	%	7%	8%	4%

"Transguard's continued success is marked by rapid growth and expansion."

Message from the Chairman

His Highness Sheikh Ahmed bin Saeed Al Maktoum
Chairman and Chief Executive, Emirates Airline and Group

The success of Transguard Group's business strategy is reflected in the company's results which shows exponential growth.

Transguard's continued success is marked by rapid growth and expansion and in 2015 - 16 it exceeded AED 1.4 billion in revenue, a 38% increase compared with the previous year, and expanded the workforce by 55% from 30,000 to 46,500.

Since 2001, Transguard has been providing world-class services to the Emirates Group and over 600 other customers across the region. Transguard will invest in technology and its human capital to continue to fuel its success and contribute to the UAE's growth and prosperity.

His Highness Sheikh Ahmed bin Saeed Al Maktoum
Chairman and Chief Executive, Emirates Airline and Group

Record Performance

Dr Abdulla Al Hashimi

Chief Executive Officer

The 2015 - 16 financial year has been another record year for Transguard Group. We exceeded AED 1.4 billion (AED 1,426,601,870) in revenue, a 38% increase and achieved profit of over AED 123 million (AED 123,514,053), a 16% increase compared with the previous year, a new record for the group.

We welcomed an additional 16,500 Transguard employees, growing our workforce from 30,000 to 46,500. Our rapid workforce expansion was supported by our strategic health and wellness programme which aimed to enhance the full employee lifecycle at every touch point. A key milestone was reached in February 2016 with the launch of our first employee medical clinic in partnership with Al Tadawi Medical Centre. Built in the heart of our employee accommodations in Muhaisnah, our new state-of-the-art medical facilities provide home health care to more than 7,800 employees.

The leadership team was expanded to include new chiefs of Security Services, Manpower Services and Integrated Facility Services, with the aim of optimising our operational capabilities and providing world-class expertise and leadership to our diverse service lines. This led to the reconfiguration of our six business lines into four defined enterprises which consist of Cash Services, Security Services, Manpower Services and Integrated Facility Services.

Transguard's Cash Services business unit, is the UAE's leading cash logistics provider. After signing strategic partnerships in 2015 with NCR, offering banks complete end-to-end ATM management solutions and the successful launch of Smart Cash Deposit Machines in partnership with Gunnebo, Transguard continued to consolidate its market position.

Transguard Security Services continues its success reporting revenue growth of 30%. The services we provide to Emirates Group remain a major part of our business and we played a key role in the deployment and ongoing operation of the explosive trace detection (ETD) screening system at Dubai International Airport. We continue to be at the forefront of the security industry and in January 2016 we launched our 'Smart Security' division where we offer consultancy on security integration and provide full security lifecycle solutions.

Our Manpower Services business, one of the UAE's largest, grew its revenue base year-on-year by over 50%. Our Manpower Services division serves the Aviation, Construction, Hospitality and Logistics sectors as well as offering HR Outsourcing, Payroll and Professional Staffing to businesses in the region.

Integrated Facility Services (IFS) revenues grew by 9%, and we won significant new contracts across the retail, banking and leisure sectors. This was achieved through diversifying into different vertical industry sectors and expanding into the Abu Dhabi market. The IFS team were highly commended at the Facilities Management Middle East Awards in 2015 in three categories: Education Initiative of the Year, Unsung Hero of the Year and CSR Initiative of the Year.

I would like to thank the 46,500 staff at Transguard for their dedication and contribution to Transguard's continued success.

Dr. Abdulla Al Hashimi
Chief Executive Officer

"We welcomed an additional 16,500 Transguard employees, growing our workforce from 30,000 to 46,500."

Operational Excellence

Greg Ward
Managing Director

Our operations are the engine room of Transguard and in 2015 - 16 we refocused the organisation on the goal of achieving true operational excellence. In a service industry like ours with over 46,500 people there is nothing more crucial to the success of our business than our customers and our people.

Operational Excellence is what fuels our company's growth and continued success. With the majority of our people working full time onsite with our customers every day, we realigned our focus on the sole mission of becoming a truly customer-first organisation.

In order to provide the highest level of service for our customers it was essential to recruit the highest level of people into our organisation. The recruitment, training and overall wellbeing of our workforce has therefore been essential to delivering our customer promise of operational excellence.

Underpinning this approach has been our strategic employee health and wellness programme which saw the launch of several key initiatives in 2015 - 16 including our new Al Tadawi employee medical clinic, our health and safety wellness events programme and our in-house Training Academy.

Looking ahead to 2016 - 2017 we see another positive year for Transguard as we look to continue on our current growth trajectory. We will focus on delivering high levels of service to our existing clients while also concentrating on growing our market share through acquiring new clients, expanding geographically as well as enhancing our service offerings.

"We refocused the organisation with the goal of achieving true operational excellence."

We place great importance on the professional and personal development of our people and this will be a continued area of focus for us in 2016 - 2017.

Greg Ward
Managing Director

The Leadership Team

The Leadership Team

HH Sheikh Ahmed bin Saeed Al Maktoum
Chairman and Chief Executive, Emirates Airline and Group

Dr Abdulla Al Hashimi
Chief Executive Officer

Greg Ward
Managing Director

Tony Lloyd
Chief Financial Officer

William Moroney
Chief Sales and Marketing Officer

Stephen Beesley
Chief Operating Officer Integrated Facility Services

Paul Everitt
Chief Operating Officer Manpower Services

Tim Mundell
Chief Operating Officer Security Services

About Transguard

Our mission is to be our customers' trusted partner, delivering total business support solutions to enable our customers to focus on their core business.

Born and raised in Dubai, since 2001 we grew our business support services company into the UAE's most trusted outsourcing partner, supplying some of our country's most prestigious brands.

Like the UAE itself we set our sights on growth early on, knowing we had the potential to really make a difference to the lives of the people we work with - both our customers and our employees - by helping them succeed.

Our customers want to focus on their core business - what they're really good at. What we're really good at is focusing on our customers' non-core business. We support our customers to succeed every step of the way.

"Transguard's phenomenal growth has been fuelled by three key principles: understanding our customers, investing in our people and enhancing our processes."

Fuelling Growth

Transguard has achieved phenomenal growth this year and we plan to continue this growth trajectory into 2016 - 17.

Understanding our Customers

Our customer portfolio analysis found that our customer retention rates and satisfaction levels were high. However we discovered that the number of customers that used more than one service line was low and that our new customer acquisition rate was lower than required to achieve sustainable growth.

In response to these findings we rolled out a customer journey mapping project across a number of our business units to gain a better understanding of our customer journey. This project involved interviews with our clients and a large piece of work creating customer journey maps to understand how we interacted with our customers at every stage of the customer journey.

We also conducted a detailed analysis of our sales process using our win ratios as a barometer. It became very clear to us that we had three main priorities which would enable us to drive growth: customer retention, cross selling and new customer acquisition. Subsequent to this analysis we made some fundamental changes which have started to bear fruit in 2015 - 16.

Investing in our People

As a result of this analysis the sales team was split between business development focusing on new customer acquisitions and relationship management focusing on the key account management of our largest customers.

Both teams were expanded giving us greater capability to have more key interactions with our customers. It also enabled us to spend more time with potential customers and gain an understanding of their needs.

At the end of 2015 - 16 we have invested in an enhanced marketing team which will allow Transguard to improve how we communicate our message to the market and how we capture new customer opportunities.

Enhancing our Processes

Flowing from the customer journey mapping project we created a master sales process which guides us in the commercial interactions with our customers. This process traced the customer interaction from the very first touch point, be that an initial meeting or an inquiry on our website, right through to the end of the interaction. We believe that by understanding the customer lifecycle we can enhance the customer experience at every step of their journey with Transguard.

Cash Services

Manpower Services

Security Services

Integrated Facility Services

Transguard Cash Services

2015-16 Key Achievement

14%
Revenue growth

Our Services

End-to-End ATM Management

Cash-in-Transit

Smart Cash Deposit Machines

ICCS Services

Cash Deposit Centres

Cash Processing Services

About

The UAE's number one provider of trusted and reliable cash management operations combining cutting edge technologies with the highest level of customer service.

Transguard Security Services

2015 -16 Key Achievement

30%
Revenue Growth

Our Services

Access Control
Asset Protection
Event Security
Manned Guarding
Security Consulting
Systems Integration

About

Transguard's Integrated Solutions approach provides a single system model to meet the security needs of our customers.

Transguard Manpower Services

2015 -16 Key Achievement

50%
Revenue growth

Our Services

Aviation Manpower

Construction Manpower

Hospitality Manpower

Logistics Manpower

HR Outsourcing

Payroll

Professional Staffing

About

The UAE's largest outsourcing company combining service excellence with exclusive delivery capabilities.

Transguard Manpower Services - Aviation

2015 -16 Key Achievement

21%

Revenue growth

Our Services

- Aviation Security
- Baggage Handling
- Cargo Services
- Porter Services
- Aircraft Cleaning
- Aviation Support Services

About

A world-class aviation manpower provider servicing both Dubai International Airport and Dubai World Central.

Transguard Integrated Facility Services

2015 -16 Key Achievements

9%
Revenue Growth

Our Services

Technical Services

Cleaning

Hospitality and Catering

Logistics

Health and Safety

Security

Residential Services

About

Transguard's total facility management services are delivered through a single or integrated service model across a range of industries.

Supporting Operational Excellence

Property and Logistics

55% Head Count Increase

377 vs **265** Transport Fleet Increase

2015 - 16 2014 - 15

Recruitment and Mobilisation Capacity

5,000 Candidate Capacity Each Month in 2015 - 16

vs

1,200 Candidate Capacity Each Month in 2014 - 15

156 Payrolls Monthly in 2015 - 16

2015 - 16 HSE events included: Fire Drills Excercises, RTA Pedestrian Safety Awareness, Fatigue Managment Seminars, Safe Driving Courses, First Aid Awareness, RTA Road Safety Awareness, World Clean-up Event, Blood Donation Drive, Foreign Object Debris Awareness, Gulf Traffic Week, RTA Pedestrian Safety Awareness and Drivers' Road Safety Event.

Health, Safety and Environment: A Holistic Approach

0.2
Accident Frequency Rate

Workplace Health and Safety is a core organisational value at Transguard. As an organisation we believe in a completely open approach to health and safety and we continue to evolve and seek opportunities to both share and receive best health and safety practice.

Transguard has moved away from the 'clipboard' approach towards a far more holistic and interactive approach to health and safety . A substantial number of Transguard's employees are working away from their homes in order to support their families and wider communities. We therefore have an increased duty of care that extends way beyond the individual and so we place great importance on not only providing workplaces that are safe and free from injury, but also in ensuring that everyone in the organisation understands exactly why this is so important.

Training and Events

Every member of our senior management team attends our Managing Safely course during their first year with us, and we have regular health and safety events including our annual Safety Week.

Creating an Employee Happiness Strategy:
Transguard and Al Tadawi open new medical centre

In partnership with leading UAE healthcare provider Al Tadawi Medical Centre, we launched a dedicated healthcare centre in the heart of our employee accommodation facilities in Muhaisnah, Dubai. Transguard and Al Tadawi made a joint investment to construct, fit out and equip the Al Tadawi facility which serves more than 7,800 Transguard employees as well as the surrounding community. The Centre is operated by two doctors and two nurses and is open every day, providing easy access to comprehensive medical services at home.

The successful roll out of this facility is paving the way for Transguard Group and Al Tadawi to broaden their cooperation and open two more clinics in our employee accommodation centres in Al Quoz and Jebel Ali.

We are committed to providing every member of staff with the opportunity to enjoy a healthier lifestyle, which we hope will lead to creating happier employees.

"We want to help make it possible for all employees based in Muhaisnah and the surrounding communities to receive comprehensive healthcare in a comfortable, convenient setting." Dr. Abdulqader Al Khayat, CEO Al Tadawi Medical Center

Employee Recognition

'People' are one of our core values and we take pride in seeing our employees succeed and set new benchmarks in operational excellence and customer service. We continued our Employee Awards Scheme in 2015 - 16 with the Employee of the Month and the Star of the Year awards with thousands being nominated and shortlisted for an award.

A single Star of the Year is selected from our pool of Employee of the Month candidates. This year we nominated Nisham Kunnath Valappil, a cleaner in our Intergrated Facility Services division. Nisham found a bag which contained 100,000 Dirhams and he immediately alerted the management team at Dubai Festival City Mall. Nisham was recognised for his honesty and was awarded with Transguard's 2015 - 16 Star of the Year prize.

Corporate Social Responsibility

Christel House Initiative

Christel House India is a ‘not-for-profit’ organisation engaged in providing free education, nutrition and healthcare to children from the poorest sections of society. The mission of Christel House is to help children around the world break the cycle of poverty, realise their hopes and dreams, and become self - sufficient, contributing members of society.

The learning centres of Christel House are more than places of schooling. They are places of healing, nurturing and providing an opportunity to reclaim the right to enjoy a productive and meaningful life. The Christel House Learning Centre in Bengaluru takes under-privileged children from Kindergarten right through to the end of high school.

Transguard is an active sponsor and supporter of Christel House, Bengaluru, through an apprenticeship scheme which helps students who finish their education to develop fulfilling careers. This scheme brings up to six graduating students annually to Dubai to join our management training programme. 14 students have graduated from the program with 12 students going on to full-time employment at Transguard.

Employee Initiatives

Transguard’s Employee tailored CSR initiatives focused on three key areas in 2015 - 16: education, wellbeing and fun.

Training Academy

Transguard’s Training Academy provides exceptional practical, vocational and accredited learning programmes to every Transguard employee to prepare them for the workforce and support their growth aspirations. 88,557 learners accessed the Training Academy in 2015 - 16.

Transguard Carnival

This year’s fun fair carnival hosted 3,000 Transguard employees including some of our own Transguard talent who performed during the day.

Sporting Activities

Transguard’s fully funded football, cricket, basketball and volleyball teams compete in regular tournaments and matches.

Events Calendar

Transguard’s dedicated Recreation Manager runs daily sporting, social and wellness events and competitions throughout the year.

Financial Report 2015-16

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Directors' report for the year ended 31 March 2016

The directors submit their report together with the audited consolidated financial statements of Transguard Group LLC ("the Company") and its subsidiaries (together, "the Group") for the year ended 31 March 2016.

Principal activities

The principal activities of the Group are to provide secure cash and valuable logistics, integrated facility services, security guarding services, aviation security including accredited training and aircraft protection, security solutions and workforce solutions ranging from construction to professional services.

Results

The results of the Group for the year ended 31 March 2016 are set out on page 4 of the consolidated financial statements.

Directors

The directors, who served during the year were:

Executive Directors
- Dr. Abdulla Al Hashimi

Non-executive Director
- H.H. Sheikh Ahmed bin Saeed Al-Maktoum
- Hamad Jassim Al Darwish Fakhroo
- Mohammed Al Shaiba Saleh Ghannam Al Mazrouei

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment as auditors for the year ending 31 March 2017.

For and on behalf of the Board

Dr. Abdulla Al Hashimi
Chief Executive Officer
31 May 2016

Gregory Ward
Managing Director
31 May 2016

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") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 March 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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 their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation 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 financial position of the Group as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

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

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 8 to the consolidated financial statements the Group has purchased or invested in shares during the financial year ended 31 March 2016;

vi) note 10 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 March 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 March 2016; and

viii) note 21 to the consolidated financial statements discloses that no social contributions were made during the financial year ended 31 March 2016.

PricewaterhouseCoopers
31 May 2016

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Consolidated statement of financial position

	Note	As at 31 March 2016 AED	2015 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	110,356,500	74,446,869
Intangible assets	6	68,692,768	27,455,072
Prepayments	9	119,497,677	120,169,561
		298,546,945	222,071,502
Current assets			
Inventories		1,230,636	1,376,093
Trade and other receivables	9	400,776,801	249,256,066
Due from related parties	10	81,696,597	54,893,182
Due from customers on contracts	11	-	339,545
Cash and bank balances	12	17,051,572	21,278,927
		500,755,606	327,143,813
Total assets		799,302,551	549,215,315

	Note	As at 31 March 2016 AED	2015 AED
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	300,000	300,000
Legal reserve	17	150,000	150,000
Contributed capital	18	1,806,502	1,806,502
Retained earnings		247,081,620	175,064,366
Total equity attributable to owners of the parent		249,338,122	177,320,868
Non-controlling interests		92,945,763	82,060,588
Total equity		342,283,885	259,381,456
LIABILITIES			
Non-current liabilities			
Borrowings	14	134,928,562	24,050,000
Finance lease liabilities	15	97,156	869,314
Provision for employees' end of service benefits	19	58,763,789	42,825,968
		193,789,507	67,745,282
Current liabilities			
Trade and other payables	13	208,905,070	146,809,277
Due to related parties	10	1,941,313	3,451,669
Borrowings	14	51,613,605	70,306,845
Finance lease liabilities	15	769,171	1,520,786
		263,229,159	222,088,577
Total liabilities		457,018,666	289,833,859
Total equity and liabilities		799,302,551	549,215,315

These consolidated financial statements were approved by the Board of Directors on 31 May 2016 and signed on its behalf by:

Dr. Abdullah Al Hashimi
Chief Executive Officer

Greg Ward
Managing Director

Consolidated income statement

	Note	Year ended 31 March 2016 AED	2015 AED
Revenue		1,426,601,870	1,031,538,929
Direct costs	20	(1,150,935,489)	(790,317,946)
Gross profit		275,666,381	241,220,983
Administrative expenses	21	(146,787,716)	(128,706,944)
Other income – net	23	994,021	146,471
Operating profit		129,872,686	112,660,510
Finance costs	24	(6,358,633)	(5,998,676)
Share of loss of investments accounted for using the equity method	7	-	(62,696)
Profit for the year		123,514,053	106,599,138
Profit attributable to:			
Owners of the parent		102,615,262	83,522,996
Non-controlling interests		20,898,791	23,076,142
		123,514,053	106,599,138

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2016 AED	2015 AED
Profit for the year		123,514,053	106,599,138
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit obligations	19	(7,921,314)	(13,884,138)
Total comprehensive income for the year		115,592,739	92,715,000
Attributable to:			
Owners of the parent		95,494,284	70,463,175
Non-controlling interests		20,098,455	22,251,825
		115,592,739	92,715,000

Consolidated statement of change in equity

	Attributable to owners of the parent						
	Share capital AED	Legal reserve AED	Contributed capital AED	Retained earnings AED	Total AED	Non-controlling interests AED	Total AED
Balance at 1 April 2014	300,000	150,000	1,806,502	104,601,191	106,857,693	83,516,291	190,373,984
Profit for the year	-	-	-	83,522,996	83,522,996	23,076,142	106,599,138
Other comprehensive loss:							
Remeasurement of retirement benefit obligations	-	-	-	(13,059,821)	(13,059,821)	(824,317)	(13,884,138)
Total comprehensive income for the year	-	-	-	70,463,175	70,463,175	22,251,825	92,715,000
Transactions with owners							
Dividends (Note 26)	-	-	-	-	-	(23,707,528)	(23,707,528)
Balance at 31 March 2015	300,000	150,000	1,806,502	175,064,366	177,320,868	82,060,588	259,381,456
Profit for the year	-	-	-	102,615,262	102,615,262	20,898,791	123,514,053
Other comprehensive loss:							
Remeasurement of retirement benefit obligations	-	-	-	(7,120,978)	(7,120,978)	(800,336)	(7,921,314)
Total comprehensive income for the year	-	-	-	95,494,284	95,494,284	20,098,455	115,592,739
Transactions with owners							
Dividends (Note 26)	-	-	-	(25,000,000)	(25,000,000)	(7,500,000)	(32,500,000)
Transactions with non-controlling interests (Note 28)	-	-	-	1,522,970	1,522,970	(1,713,280)	(190,310)
Balance at 31 March 2016	300,000	150,000	1,806,502	247,081,620	249,338,122	92,945,763	342,283,885

Consolidated statement of cash flows

	Note	Year ended 31 March 2016 AED	2015 AED
Cash flows from operating activities			
Profit for the year		123,514,053	106,599,138
Adjustments for:			
Depreciation	5	13,879,933	10,626,437
Amortisation	6	5,430,804	4,169,413
Provision for employees' end of service benefits	22	16,963,182	14,424,656
(Release of provision) / provision for impairment of trade receivables	9	(1,411,087)	7,707,196
(Release of provision) / provision for impairment of due from related parties	10	(244,139)	45,321
Share of loss of investments accounted for using equity method	7	-	62,696
Finance costs	24	6,358,633	5,998,676
Loss on disposal of property, plant and equipment	23	66,877	-
Operating cash flows before payment of employees' end of service benefits and changes in working capital		164,558,256	149,633,533
Payments of employees' end of service benefits	19	(8,946,675)	(11,437,657)
Changes in working capital, net of acquisition of subsidiary:			
Inventories		145,457	110,653
Prepayments – non current		671,884	552,408
Trade and other receivables net of movement in provisio		(149,274,439)	(72,563,579)
Due from related parties before movement in provision for impairment		(26,559,276)	4,695,282
Due from customers on contracts		339,545	-
Trade and other payables and accrued finance cost		59,987,764	12,438,251
Due to related parties		(1,510,356)	(1,052,328)
Net cash generated from operating activities		39,412,160	82,376,563

Consolidated statement of cash flows (continued)

	Note	Year ended 31 March 2016 AED	2015 AED
Cash flows from investing activities			
Additions to property, plant and equipment	5	(50,378,340)	(18,198,814)
Additions to intangible assets excluding goodwill	6	(10,635,866)	(8,109,062)
Payment for acquisition of subsidiary, net of cash acquired	27	(34,759,814)	-
Proceeds from disposal of property, plant and equipment		521,899	-
Net cash used in investing activities		(95,252,121)	(26,307,876)
Cash flows from financing activities			
Repayment of borrowings	14	(111,409,784)	(91,745,286)
Drawdown of borrowings	14	182,920,744	55,306,847
Payment towards finance lease liabilities		(1,523,773)	(1,110,154)
Transactions with non-controlling interests	28	(190,310)	-
Interest paid		(6,358,633)	(6,167,317)
Dividend paid		(32,500,000)	(23,707,528)
Net cash generated from / (used in) financing activities		30,938,244	(67,423,438)
Net decrease in cash and cash equivalents		(24,901,717)	(11,354,751)
Cash and cash equivalents at beginning of year		21,278,927	32,633,678
Cash and cash equivalents at end of year	12	(3,622,790)	21,278,927

The notes on pages 8 to 31 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements for the year ended 31 March 2016

1 Legal status and activities

Transguard Group LLC ("the Company") and its subsidiaries (together, "the Group") provide secure cash and valuable logistics, integrated facility services, security guarding services, aviation security including accredited training and aircraft protection, security solutions and workforce solutions ranging from construction to professional 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 owned equally by dnata, a company incorporated in the Emirate of Dubai, UAE, with limited liability, under an Emiri Decree No. 1 of 1987 (as amended) and Al Hail Holding LLC, a limited liability company, established and registered in the Emirate of Abu Dhabi. The 'Transguard' trademark, name and logo is held by dnata.

UAE Federal Law No. 2 of 2015 ("Companies Law") which is applicable to the Group has come into effect on 1 July 2015. The Group is currently assessing and evaluating the relevant provisions of the Companies Law. It has twelve months from the effective date of the Companies Law to fully comply with the Companies Law under the transitional provisions set out therein.

2 Summary of significant accounting policies

The principal accounting policies applied 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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared under the historical cost convention.

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

New and amended standards adopted by the Group

There are no other IFRSs, amendments or IFRIC interpretations that are effective that would be expected to have a material impact on the Group's consolidated financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2016 reporting periods and have not been early adopted by the Group.

- IFRS 9, 'Financial instruments' (effective from 1 January 2018);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 16, 'Leases' (effective from 1 January 2019).

There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Group is assessing the impact of the above standards, amendments and interpretations to published standards on the Group's consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured 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 to direct the activities of 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 acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances, unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

(c) 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 of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivables from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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 equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Changes in ownership interests

The Group treats transactions with non-controlled interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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 profit or loss.

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

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

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 residual values over their estimated 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 - 6 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within the consolidated income statement.

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's policy.

2.4 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents 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. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value 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.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("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 is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the 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.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.4 Intangible assets (continued)

(b) Computer software (continued)

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 assets category and amortised in accordance with Group's policy.

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).

Prior impairments of non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

2.6 Financial assets

a) Classification

The Group classifies its financial assets as 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.

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 to suppliers)' (Note 9), 'due from related parties' (Note 10), 'due from customers on contract' (Note 11) and 'cash and bank balances' (Note 12).

(b) Recognition and measurement

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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.

Transguard Group LLC

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.8 Impairment of financial assets (continued)

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.

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.

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 and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently carried at amortised cost. 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 bank borrowings using the effective interest method.

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.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.15 Provision for employees' benefits

A provision is made for the estimated liability for employees' employed in the UAE for their entitlements to annual leave and leave passage as a result of services rendered by the employees up to the balance sheet 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 Labour Law.

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

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

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

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

2.16 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 is measured at 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.

Rendering of services

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

2.18 Leases

(a) Operating leases

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 (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) Finance leases

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 useful lives of the assets and the lease term.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

2 Summary of significant accounting policies (continued)

2.19 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

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

The results and financial position of the subsidiaries are included in the consolidated financial statements in AED which is also the subsidiaries' functional currency.

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's exposure to foreign currency risk is minimal as the majority of its transactions are denominated in the Company's functional currency.

(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 and finance lease liabilities with variable interest rates.

The table below indicates the interest rate exposure on borrowings and finance lease liabilities with variable interest rates at 31 March 2016 and 2015. The analysis calculates the increase/(decrease) on the consolidated income statement of a reasonably possible movement in interest rate:

	2016 AED	2015 AED
Interest cost		
+100 basis points	1,874,084	967,469
-100 basis points	(1,874,084)	(967,469)

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. However, the impact of fair value interest rate risk is not significant as majority of such borrowings and finance leases are of a short term nature.

Notes to the consolidated financial statements for the year ended 31 March 2016 (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 balances. 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.

Cash at bank comprises of balances with 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	2016 AED	2015 AED
Banks			
A	*	12,670,084	10,325,969
B	Baa1	1,963,922	4,692,706
C	A2	447,580	782,466
D	Baa2	334,462	3,709,341
E	*	328,628	328,628
F	Baa1	305,108	305,408
G	*	206,980	207,230
H	A1	198,122	354,631
I	Baa1	190,030	246,118
J	A2	187,656	279,839
K	Aa3	11,151	11,350
		16,843,723	21,243,686

*Not rated

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

	2016 AED	2015 AED
Trade receivables		
Counterparties without external credit rating		
*Group 1	17,611,972	11,555,754
**Group 2	161,515,082	77,782,474
	179,127,054	89,338,228

*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 (net of provision for impairment) are expected to be fully recovered based on the credit history and future cash flows of related parties.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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.

	Less than 1 year AED	Between 1 year and 2 years AED	Between 2 years and 5 years AED	Total AED
At 31 March 2016				
Borrowings	57,479,066	25,551,605	121,291,615	204,322,286
Finance lease liabilities	791,942	97,988	-	889,930
Trade and other payables (excluding advances from customers)	207,970,203	-	-	207,970,203
Due to related parties	1,941,313	-	-	1,941,313
	268,182,524	25,649,593	121,291,615	415,123,732
At 31 March 2015				
Borrowings	71,677,844	14,810,219	10,256,188	96,744,251
Finance lease liabilities	1,609,482	791,941	101,189	2,502,612
Trade and other payables (excluding advances from customers)	137,620,325	-	-	137,620,325
Due to related parties	3,451,669	-	-	3,451,669
	214,359,320	15,602,160	10,357,377	240,318,857

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

3 Financial risk management (continued)

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 2016 and 2015 was as follows:

	2016 AED	2015 AED
Borrowings (Note 14)	186,542,167	94,356,845
Finance lease liabilities (Note 15)	866,327	2,390,100
Less: cash and bank balances (Note 12)	(17,051,572)	(21,278,927)
Net debt	170,356,922	75,468,018
Total equity	342,283,885	259,381,456
Total capital	512,640,807	334,849,474
Gearing ratio	33%	23%

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.

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) Impairment of property, plant and equipment

Continued changes 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.

(c) Depreciation of property, plant and equipment

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

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

4 Critical accounting estimates and judgements (continued)

(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 19.

(e) Estimated impairment of goodwill

The Group tests annually whether the goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.4. Management also assesses the impairment of goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include evidence that no profits or cash flows will be generated from the related asset.

The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 6).

If the budgeted cash flows used in the value-in-use calculation for the company had been 5% lower than management's estimates at 31 March 2016, the Group would not have recognised impairment on goodwill.

If the estimated cost of capital used in the value-in-use calculation for the company had been 1 % higher than management's estimates at 31 March 2016, the Group would not have recognised impairment on goodwill.

Notes to the consolidated financial statements for the year ended 31 March 2016 (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 2014	4,021,982	25,961,043	24,767,127	20,504,218	34,229,810	9,620,165	119,104,345
Additions	-	1,887,884	3,772,189	1,154,932	1,415,948	9,967,861	18,198,814
Transfer	-	-	55,229	-	1,620,000	(1,675,229)	-
Disposals	-	-	-	-	(80,531)	-	(80,531)
As at 31 March 2015	4,021,982	27,848,927	28,594,545	21,659,150	37,185,227	17,912,797	137,222,628
Additions	-	14,793,356	13,309,427	2,187,035	7,694,877	12,393,645	50,378,340
Transfer	-	-	474,071	-	6,364,152	(6,838,223)	-
Disposals	-	-	(554,559)	-	(1,023,062)	-	(1,577,621)
As at 31 March 2016	4,021,982	42,642,283	41,823,484	23,846,185	50,221,194	23,468,219	186,023,347
Accumulated depreciation							
At 1 April 2014	1,415,926	9,886,566	8,760,183	10,978,868	21,188,310	-	52,229,853
Charge for the year	186,252	2,073,461	2,535,752	2,835,620	2,995,352	-	10,626,437
Disposals	-	-	-	-	(80,531)	-	(80,531)
As at 31 March 2015	1,602,178	11,960,027	11,295,935	13,814,488	24,103,131	-	62,775,759
Charge for the year	186,252	2,963,947	3,326,858	3,022,917	4,379,959	-	13,879,933
Disposals	-	-	(16,513)	-	(972,332)	-	(988,845)
As at 31 March 2016	1,788,430	14,923,974	14,606,280	16,837,405	27,510,758	-	75,666,847
Net book value							
As at 31 March 2016	2,233,552	27,718,309	27,217,204	7,008,780	22,710,436	23,468,219	110,356,500
As at 31 March 2015	2,419,804	15,888,900	17,298,610	7,844,662	13,082,096	17,912,797	74,446,869

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

5 Property, plant and equipment (continued)

Depreciation expense has been allocated as follows:

	Note	2016	2015
		AED	AED
Direct costs	20	7,530,158	5,255,065
Administrative expenses	21	6,349,775	5,371,372
		13,879,933	10,626,437

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

	2016	2015
	AED	AED
Cost	5,670,449	5,670,449
Accumulated depreciation	(3,715,108)	(2,514,150)
Net book value	1,955,341	3,156,299

During the current year, the Group entered into new finance lease arrangements to purchase assets costing AED Nil (2015: AED 272,742). Additional details relating to finance leases are disclosed in Note 15.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

6 Intangible assets

	Computer software AED	Capital work in progress AED	Goodwill AED	Total AED
Cost				
At 1 April 2015	33,139,611	4,518,442	-	37,658,053
Additions	3,096,933	7,538,933	36,032,634	46,668,500
Transfer	4,001,178	(4,001,178)	-	-
As at 31 March 2016	40,237,722	8,056,197	36,032,634	84,326,553
Accumulated amortisation				
At 1 April 2015	10,202,981	-	-	10,202,981
Charge for the year (Note 20)	5,430,804	-	-	5,430,804
As at 31 March 2016	15,633,785	-	-	15,633,785
Net book value as at 31 March 2016	24,603,937	8,056,197	36,032,634	68,692,768
Cost				
At 1 April 2014	27,571,588	1,977,403	-	29,548,991
Additions	4,644,730	3,464,332	-	8,109,062
Transfer	923,293	(923,293)	-	-
As at 31 March 2015	33,139,611	4,518,442	-	37,658,053
Accumulated amortisation				
At 1 April 2014	6,033,568	-	-	6,033,568
Charge for the year (Note 20)	4,169,413	-	-	4,169,413
As at 31 March 2015	10,202,981	-	-	10,202,981
Net book value as at 31 March 2015	22,936,630	4,518,442	-	27,455,072

Additional details on goodwill are disclosed in Note 27.

Transguard Group LLC

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

7 Investments accounted for using equity method

The loss recognised in the consolidated income statement is as follows:

	2016 AED	2015 AED
Joint venture	-	62,696

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 LLC is a private company and there is no quoted market price available for its shares.

Carrying value of investment in joint venture using equity accounting method amounts to Nil as at 31 March 2016 (2015: Nil).

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

	2016 AED	2015 AED
Summarised statement of financial position		
Current liabilities	(619,899)	(619,899)
Net liabilities	(619,899)	(619,899)
Statement of comprehensive income		
Revenue	-	259,770
Expenses	-	(110,419)
Other expenses	-	(263,344)
Loss for the year	-	(113,993)

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.

8 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 had a 51% controlling interest in the subsidiary. On 1 April 2015, the Group acquired the remaining 49% controlling interest in the subsidiary for a cash consideration of AED 190,310 (Note 28).

On 30 June 2015, the Group acquired 99% controlling interest in CASS International Trading LLC ("the subsidiary") for a cash consideration of AED 35,000,000. The Group has 100% beneficial ownership of the subsidiary (Note 27).

Subsidiary company	Percentage of equity owned	Percentage of beneficial interest owned	Principal activities	Country of incorporation
Transguard Cash LLC	50%	50%	Providing cash management services including secure and safe movement of cash and documents and ATM services to banks.	UAE
Transguard Themis LLC	100%	100%	Providing white-collar recruitment services.	UAE
CASS International Trading LLC	99%	100%	Providing training for aviation and security personnel	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.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

8 Investment in subsidiaries (continued)

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

	Transguard Cash LLC		Transguard Themis LLC	
	2016	2015	2016	2015
	AED	AED	AED	AED
Summarised balance sheet				
Current				
Assets	148,230,640	144,612,816	-	15,142,293
Liabilities	(30,970,687)	(26,841,463)	-	(8,223,808)
Total current assets - net	117,259,953	117,771,353	-	6,918,485
Non-current				
Assets	77,263,712	49,768,579	-	180,890
Liabilities	(8,483,326)	(6,696,505)	-	(3,456,479)
Total non-current assets/(liabilities) - net	68,780,386	43,072,074	-	(3,275,589)
Net assets	186,040,339	160,843,427	-	3,642,896
Summarised income statement				
Revenue	220,763,810	194,139,399	-	87,069,864
Profit for the year	41,797,583	41,998,402		4,238,653
Other comprehensive loss	(1,600,671)	(623,793)	-	(1,045,757)
Total comprehensive income	40,196,912	41,374,609	-	3,192,896
Total comprehensive income allocated to non-controlling interests	20,098,455	20,687,305	-	1,564,519
Summarised cash flows				
Net cash generated from operating activities	53,448,727	56,180,384	-	107,931
Net cash used in investing activities	(38,486,295)	(11,110,818)	-	(107,931)
Net cash used in financing activities	(15,000,000)	(45,000,000)	-	-
Net increase in cash and cash equivalents	(37,568)	69,566	-	-
Cash and cash equivalents at beginning of year	115,679	46,113	-	-
Cash and cash equivalents at end of year	78,111	115,679	-	-

The information above represents amounts before intercompany eliminations.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

9 Trade and other receivables

	2016	2015
	AED	AED
Trade receivables	201,498,035	112,478,523
Provision for impairment of trade receivables	(22,370,981)	(23,140,295)
Trade receivables – net	179,127,054	89,338,228
Prepayments	197,405,096	170,119,057
Advances to suppliers	11,971,706	8,304,054
Other receivables	131,770,62	101,664,288
	520,274,478	369,425,627
Long term portion of prepayments	(119,497,677)	(120,169,561)
	400,776,801	249,256,066

The Group's customers are based in the UAE. At 31 March 2016, five customers (2015: five customers) accounted for 29% (2015: 22%) 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 2016, trade receivables of AED 49,527,358 (2015: AED 30,128,060) were fully performing. Trade receivables of AED 117,119,739 (2015: AED 34,052,886) 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:

	2016	2015
	AED	AED
Up to 3 months	108,768,869	33,387,504
3 to 6 months	3,660,390	586,811
Over 6 months	4,690,480	78,571
	117,119,739	34,052,886

As of 31 March 2016, trade receivables of AED 34,850,938 (2015: AED 48,297,577) were impaired. The amount of provision was AED 22,370,981 (2015: AED 23,140,295). 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:

	2016	2015
	AED	AED
Up to 3 months	13,423,962	26,340,651
3 to 6 months	8,276,405	7,408,621
Over 6 months	13,150,571	14,548,305
	34,850,938	48,297,577

The carrying amount of the Group's trade and other receivables at 31 March 2016 and 2015 are denominated in AED. Movement in the Group's provision for impairment of trade receivables are as follows:

	2016	2015
	AED	AED
Opening balance	23,140,295	20,553,010
(Release of provision) / provision for impairment of trade receivables (Note 21)	(1,411,087)	7,707,196
Subsidiary acquired during the year	641,773	-
Amounts written off as uncollectable	-	(5,119,911)
Closing balance	22,370,981	23,140,295

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 2016 and 2015. The Group does not hold any collateral as security. The other classes within trade and other receivables do not contain impaired assets.

Included within trade and other receivables are prepayments and other receivables amounting to AED 126,186,281 (2015: AED 126,718,694) and AED 37,064,939 (2015: AED 30,627,748), respectively, pertaining to related parties, arising from transactions disclosed in Note 10.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

10 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 (herein referred to as "affiliates").

	2016 AED	2015 AED
Due from related parties		
dnata and entities related to dnata	82,436,933	55,823,079
Affiliates	-	54,578
	82,436,933	55,877,657
Less: provision for impairment of due from related parties	(740,336)	(984,475)
	81,696,597	54,893,182

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

	2016 AED	2015 AED
Opening balance	984,475	1,069,800
(Release of) / provision for impairment of due from related parties (Note 21)	(244,139)	45,321
Amounts written-off as uncollectable	-	(130,646)
Closing balance	740,336	984,475

	2016 AED	2015 AED
Due to related parties		
dnata and entities related to dnata	1,941,313	3,451,669

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

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.

	2016 AED	2015 AED
Sales to affiliates	595,170,952	317,587,627
Purchases from affiliates	8,623,725	4,366,086
Rent and utilities payment to affiliates	17,567,427	13,594,414
Key management compensation		
Salaries and other benefits	9,790,837	9,391,099
End of service benefits	257,360	247,709
	10,048,197	9,638,808

11 Due from customers on contracts

	2016 AED	2015 AED
Aggregate cost incurred and profits recognised on contracts in progress at the year end	5,898,516	5,898,516
Progress billings	(5,898,516)	(5,558,971)
	-	339,545

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

12 Cash and cash equivalents

	2016 AED	2015 AED
Cash on hand	207,849	35,241
Cash at bank	16,843,723	21,243,686
Cash and bank balances	17,051,572	21,278,927

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

	2016 AED	2015 AED
Cash and bank balances	17,051,572	21,278,927
Bank overdraft (Note 14)	(20,674,362)	-
	(3,622,790)	21,278,927

Bank balances are held in current accounts with locally incorporated banks and branches of international banks.

13 Trade and other payables

	2016 AED	2015 AED
Trade payables	55,629,126	29,621,170
Provision for leave salary and leave passage	54,452,535	33,019,039
Advances from customers	934,867	9,188,952
Other payables and accruals	97,888,542	74,980,116
	208,905,070	146,809,277

14 Borrowings

	2016 AED	2015 AED
Non-current		
Borrowings	134,928,562	24,050,000
Current		
Borrowings	30,939,243	70,306,845
Bank overdraft (Note 12)	20,674,362	-
	51,613,605	70,306,845
Total borrowings	186,542,167	94,356,845

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

	2016 AED	2015 AED
Less than 1 year	30,939,243	70,306,845
Between 1 and 2 years	30,833,333	14,050,000
Between 2 and 5 years	104,095,229	10,000,000
	165,867,805	94,356,845

Total borrowings include secured borrowings of AED 16,595,735 (2015: AED 38,676,171). Bank borrowings are secured by the plant and machinery and motor vehicles of the Group.

The Group has undrawn facilities amounting to AED 305,739,128 (2015: AED 239,262,462).

The movement in borrowings is as follows:

	2016 AED	2015 AED
Opening balance	94,356,845	130,795,284
Additions during the year	182,920,744	55,306,847
Payments during the year	(111,409,784)	(91,745,286)
Closing balance	165,867,805	94,356,845

The carrying amounts of the Group's borrowings are denominated in United Arab Emirates Dirham ('AED').

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

15 Finance lease liabilities

	Computer and office equipment AED
At 31 March 2016	
Gross lease liabilities - minimum lease payments	
Less than one year	791,942
Between 1 and 5 years	97,988
	889,930
Less:	
Future finance charges on finance leases	(23,603)
Net lease liabilities	866,327
Present value of finance leases is as follows:	
Less than one year	769,171
Between 1 and 5 years	97,156
Net lease liabilities	866,327
At 31 March 2015	
Gross lease liabilities - minimum lease payments	
Less than one year	1,609,482
Between 1 and 5 years	893,130
	2,502,612
Less:	
Future finance charges on finance leases	(112,512)
Net lease liabilities	2,390,100
Present value of finance leases is as follows:	
Less than one year	1,520,786
Between 1 and 5 years	869,314
Net lease liabilities	2,390,100

16 Share capital

Share capital comprises 300 authorised, issued and paid up shares of AED 1,000 each amounting to AED 300,000 (2015: AED 300,000).

17 Legal reserve

In accordance with the UAE Federal Law No. (2) of 2015, 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.

18 Contributed capital

Contributed capital represents amounts contributed by dnata.

19 Provision for employees' end of service benefits

Reconciliation of provision for employees' end of service benefits:

	2016 AED	2015 AED
Present value of employees' end of service benefits	58,763,789	42,825,968

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

	2016 AED	2015 AED
Opening balance	42,825,968	25,865,811
Charge for the year (see note below)	16,963,182	14,513,676
Remeasurement of retirement benefit obligations	7,921,314	13,884,138
Benefits paid	(8,946,675)	(11,437,657)
Closing balance	58,763,789	42,825,968

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

	2016 AED	2015 AED
Current service cost	14,821,824	13,607,062
Interest cost	2,141,358	906,614
	16,963,182	14,513,676

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

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

Charge of AED 16,963,182 (2015: AED 14,424,656) was included in 'direct costs' and 'administrative expenses' amounting to AED 12,355,563 (2015: AED 12,293,482) and AED 4,607,620 (2015: AED 2,131,174) respectively (Note 22). The remaining amounts have been recharged as per contractual terms agreed with other entities and hence not charged to the consolidated income statement.

The principal actuarial assumptions were as follows:

	2016 AED	2015 AED
Valuation discount rate	4.7% per annum	5% per annum
Salary increase rate	5% per annum	2.5% 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	0.1%	Decrease by 1.69%	Increase by 1.73%
Salary Increase Rate	0.1%	Increase by 1.85%	Decrease by 1.81%

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:

	Change in assumption	Increase in assumption	Decrease in assumption
Withdrawal Rate	10%	Increase by 0.58%	Decrease by 0.58%

20 Direct costs

	2016 AED	2015 AED
Staff costs (Note 22)	838,462,630	580,494,781
Rent	148,111,313	90,117,933
Fuel and transportation	49,872,050	42,404,056
Visa and immigration	34,485,862	16,070,937
Operations cost	25,805,382	24,998,079
Repairs and maintenance	14,869,632	12,259,793
Depreciation and amortisation (Notes 5 and 6)	12,960,962	9,424,478
Contract costs	12,595,269	3,963,076
Communication expenses	6,573,490	4,613,362
Insurance	4,656,061	3,973,709
Others	2,542,838	1,997,742
	1,150,935,489	790,317,946

21 Administrative expenses

	2016 AED	2015 AED
Staff costs (Note 22)	105,682,038	89,560,340
License fees	8,924,192	4,842,702
Rent	7,402,329	4,747,191
Information technology expenditure	7,338,418	2,298,915
Depreciation (Note 5)	6,349,775	5,371,372
Marketing expenses	2,821,386	1,328,636
Fees and subscriptions	2,587,045	2,292,222
Stationery and supplies	2,466,090	2,111,830
Business travel	637,540	1,471,424
Office maintenance	248,396	268,245
(Release of provision) / provision for impairment of trade receivables and due from related parties (Notes 9 and 10)	(1,655,226)	7,752,517
Others	3,985,733	6,661,550
	146,787,716	128,706,944

No social contributions were made during the years ended 31 March 2016 and 2015.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

22 Staff costs

	2016 AED	2015 AED
Salaries and wages	820,189,082	588,271,492
Leave salary and passage	63,025,042	41,570,074
End of service benefits (Note 19)	16,963,182	14,424,656
Other benefits	43,967,362	25,788,899
	944,144,668	670,055,121

Staff costs are allocated as follows:

	2016 AED	2015 AED
Direct costs (Note 20)	838,462,630	580,494,781
Administrative expenses (Note 21)	105,682,038	89,560,340
	944,144,668	670,055,121

23 Other income – net

	2016 AED	2015 AED
Foreign exchange gain / (losses)	49,602	(13,829)
Loss on disposal of property, plant and equipment	(66,877)	-
Other income	1,011,296	160,300
	994,021	146,471

24 Finance costs

	2016 AED	2015 AED
Interest expense	6,358,633	5,998,676

25 Contingencies and commitments

	2016 AED	2015 AED
Guarantees	12,339,731	11,488,381
Letters of credit	2,690,531	6,675,210

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

(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:

	2016 AED	2015 AED
Not later than 1 year	136,012,008	47,770,290
Later than 1 year and not later than 5 years	248,522,957	114,416,169
Over 5 years	6,000,000	32,375,080
	390,534,965	194,561,539

26 Dividends

Dividend of AED 25,000,000 (2015: Nil) has been approved by the Board of Directors and paid during the year to the shareholders of the Company.

Transguard Group LLC

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

27 Business combination

On 30 June 2015, the Group acquired 100% beneficial ownership of CASS International Trading LLC ("the subsidiary") for a cash consideration of AED 35,000,000.

The following table summarises the fair value of assets acquired and liabilities assumed and the non-controlling interest at the acquisition date:

Recognised amounts of identifiable assets acquired and liabilities assumed

	AED
Trade and other receivables	835,209
Cash and bank balances	240,186
Trade and other payables	(2,108,029)
Total identifiable net liabilities	(1,032,634)
Goodwill (Note 6)	36,032,634

The initial accounting for the above acquisition is only provisional at the year-end as the fair value to be assigned to the acquiree's identifiable assets and liabilities could be determined only provisionally. The Group will recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Goodwill has been tested for impairment using value in use model. The recoverable amount has been determined using discounted cash flow projections. Management has adopted a 5 year period to assess its value in use. Cash flows beyond the 5 year periods are extrapolated using the estimated growth rates stated below.

Key assumptions used in value in use calculations

Growth rate	5%
Discount rate	9.2%

Growth rate: estimates are based on management's assessment of market share having regard to forecasted economic growth in UAE and the demand for subsidiary's services.

Discount rate: reflects the current estimated weighted average cost of capital ("WACC") of the Group.

Based on the value in use calculations no impairment of goodwill was identified and management is of the opinion that it is unlikely there would be any material change in any of the key assumptions that would cause the recoverable amount of the subsidiary to fall below its carrying value, after having given due consideration to the economic outlook and the commercial assumptions underpinning the cash flow forecasts of the subsidiary.

28 Transactions with non-controlling interests

On 1 April 2015, the Group acquired the remaining 49% of the controlling interest in Transguard Themis LLC ("the subsidiary") for a consideration of AED 190,310. Immediately prior to the purchase, the carrying amount of the existing non-controlling interest in the subsidiary was AED 1,713,280. The Group recognised a decrease in non-controlling interests of AED 1,713,280 and an increase in equity attributable to owners of the parent of AED 1,522,970. The effect on the equity attributable to the owners during the year is summarised as follows:

	AED
Carrying amount of non-controlling interests acquired	1,713,280
Consideration paid to non-controlling interests	(190,310)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	1,522,970

There were no transactions with non-controlling interests during the year ended 31 March 2015.

Notes to the consolidated financial statements for the year ended 31 March 2016 (continued)

29 Financial instruments by category

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

	Loans and receivables AED	Other financial liabilities AED	Total AED
At 31 March 2016			
Financial assets			
Trade and other receivables (excluding prepayments and advances to suppliers)	310,897,676	-	310,897,676
Due from related parties	81,696,597	-	81,696,597
Cash and bank balances	17,051,572	-	17,051,572
	409,645,845	-	409,645,845
Financial liabilities			
Borrowings	-	186,542,167	186,542,167
Finance lease liabilities	-	866,327	866,327
Trade and other payables (excluding advances from customers)	-	207,970,203	207,970,203
Due to related parties	-	1,941,313	1,941,313
	-	397,320,010	397,320,010
At 31 March 2015			
Financial assets			
Trade and other receivables (excluding prepayments and advances to suppliers)	191,002,516	-	191,002,516
Due from related parties	54,893,182	-	54,893,182
Due from customers on contract	339,545	-	339,545
Cash and bank balances	21,278,927	-	21,278,927
	267,514,170	-	267,514,170
Financial liabilities			
Borrowings	-	94,356,845	94,356,845
Finance lease liabilities	-	2,390,100	2,390,100
Trade and other payables (excluding advances from customers)	-	137,620,325	137,620,325
Due to related parties	-	3,451,669	3,451,669
	-	237,818,939	237,818,939

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