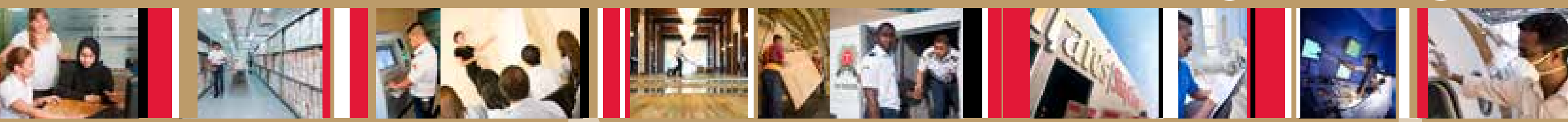
Emirates Group Security

Transguard Group

2014-15



Annual Report

His Highness Sheikh Mohammed bin Rashid Al Maktoum

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

CONTENTS

"The goals we have set ourselves for the next 12 months are very ambitious but we have every confidence that we will achieve them."

Message from the Chairman and Chief Executive, Emirates Airline & Group

His Highness Sheikh Ahmed bin Saeed Al Maktoum

The 2014-2015 financial year has been a very important one in the history of the Transguard Group. It has been a year in which the company reached two major milestones by exceeding AED 1bn in revenue and surpassing 30,000 fulltime employees.

Even more significantly, it has been a year which has seen the structure of the company change fundamentally with the hugely influential and successful group, Al Hail Holdings, acquiring a major shareholding in the business. Established in 2006 and headquartered in Abu Dhabi, Al Hail Holdings is a leading investment company with a diverse portfolio of businesses across a very broad cross section of industries.

The synergy between Al Hail Holdings and Emirates Group, our shared philosophies and aspirations, together with their extensive experience, expertise and influence across the Region, will be key to the future success of Transguard.

Transguard is very much an integral part of the Emirates Group and continues to support our airport operations at both Dubai International and Dubai World Central airports. As both Emirates and dnata continue on their steady course of planned growth, we are confident that Transguard will develop and expand the scope of services it provides and will keep pace with the increasing and changing demands that we put on it as a service supplier.

The company has seen growth across all its businesses in the last financial year with revenue increasing by 34%, and it is very encouraging to see that all its key market sectors are showing signs of continued growth over the next 12 months.

The future for Transguard is very exciting. The two major shareholders are determined to see the company grow rapidly, both developing its existing businesses and expanding into new market sectors throughout the Region. The goals we have set ourselves for the next 12 months are very ambitious but we have every confidence that we will achieve them.

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

"We continue to invest substantially in providing high quality services and facilities to support our 30,000 plus employees."

Message from the Chief Executive Officer
Dr Abdulla Al Hashimi

The financial year 2014/2015 has been a record year for Transguard Group and I am delighted to report that these results have been achieved by significant growth and development across all our businesses.

Our Cash Services business continues to be the clear market leader in the Region. Key highlights this year include the development of a strategic partnership with NCR, one of the world's largest ATM suppliers, offering banks in the UAE complete end-to-end ATM management solutions, and the successful launch of Smart Cash Deposit Machines in partnership with security solutions company Gunnebo.

Our Facilities Management team has been restructured and strengthened and the business has achieved a healthy 40% growth. Key achievements include the winning of our first major FM contract in Abu Dhabi and the contract to maintain a portfolio of security assets for the Emirates Group. The team was also highly commended for three categories in this year's FM awards.

The Hospitality business has also been restructured and achieved a 17% growth over last year. One very successful initiative has been the development of the employee absorption programme which offers clients a unique recruitment solution while giving employees increased career development opportunities.

Transguard Security Services continues to grow, with the business now employing just under 5,000 personnel. In the last year the team has developed a number of new service lines, including car park management, security consultancy and risk management services. The team also played a key role in the deployment and ongoing operation of the explosive trace detection (ETD) screening system at Dubai International Airport.

The services we provide to Emirates Group remains a major part of our business and we are exceptionally proud of the support we are able to give to Emirates and dnata. Over the last year we have seen the business grow by more than 20% with over 6,000 personnel now deployed at Dubai International and Dubai World Central airports.

The Manpower and Outsourced Services business is firmly established as one of the largest providers of outsourced workforces in the UAE. In the last financial year the business recorded revenue growth of over 90%, while our specialist end-to-end professional recruitment and resourcing company, Transguard Themis, has developed and expanded the services it provides and achieved year-on-year growth of over 100%.

The rapid growth and expansion of our operational businesses would not be possible without the robust infrastructure that is needed to support them, and in the last 12 months we have continued our commitment to invest in the services, resources, systems and processes that underpin the group.

We have made substantial further investment in information technology, most noticeably in the systems and processes that support our Human Resources (HR) and Human Capital Management (HCM) departments. We have also developed a bespoke Supplier Relationship Management (SRM) system to support our growing Supply Chain Management function and the success of this solution was recognized recently by the MENA Chartered Institute of Procurement & Supply, winning its 2015 'Excellence in SRM' award.

We continue to invest substantially in providing high quality services and facilities to support our 30,000 plus employees. In the last year the Property & Logistics (P&L) teams have mobilized two new high standard accommodation facilities, bringing the total number of facilities they now manage to eighteen, while their employee transportation fleet has grown to more than 270 vehicles that covered over 16 million kilometers last year.

The P&L teams also have the important role of coordinating recreational and leisure facilities and events with the group's welfare teams. Highlights of the last 12 months include hosting heats of the popular UAE-wide talent competition, Camp Ka Champ, and the Annual Transguard Carnival which was attended by almost 5,000 staff members and their families.

As the business continues to grow and as the number of offices and facilities we operate from grows accordingly, it is important that we are able to communicate effectively across the entire group. To this end, we have created a dedicated internal communications team with a specific remit to develop ways in which we can better interact with all members of the group.

Major achievements to date include the launch of an intranet site that is available across the entire network of accommodation facilities, and the development of a suite of employee engagement tools, including surveys, polls and social interaction with real-time feedback capabilities.

Continuous Improvement is intrinsic to our success and the cornerstone of our strategy is the Lean Six Sigma Yellow and Green Belt training programmes. Delivered in-house by the Business improvement Office (BIO), in the last year almost 300 employees have completed Yellow Belt training and over 50 have attended the Green Belt five day training course.

The BIO also manages the group's Business Improvement Award Scheme, which rewards individuals and departments across the business for identifying and implementing processes and initiatives that bring real savings.

"We are currently developing the Health, Safety and Wellness Council which will offer leadership, advice and a conduit for encouraging creativity and innovation in promoting health, safety and emotional and physical wellness."

In the last year the BIO has presented more than 20 awards that represented annualized savings of AED9m.

We have a long-standing commitment to continuously improving safety standards across the business and we have identified education and training as a major contributor to better safety. In the last year we have further invested in our safety training programme, with more than 200 operational supervisors completing the 'Supervisor Safety' training programme and more than 30 managers completing the 'Managing Safely' course. In addition, we are currently developing the Health, Safety and Wellness Council which will offer leadership, advice and a conduit for encouraging creativity and innovation in promoting health, safety and emotional and physical wellness.

Our commitment to Corporate Social Responsibility has been highly commended and we are extremely proud of our award-winning work with Christel House India, a school for underprivileged children in Bangalore. The management training apprenticeship scheme which brings up to six former students to Dubai each year, is now in its fourth year and we are currently developing partnerships with other companies in the region with the intention of rolling out the scheme further.

The financial year 2014-2015 has been an exceptional one for the Transguard Group. We have achieved a revenue in excess of AED 1bn and we now provide fulltime employment to more than 30,000 people. Importantly we have a major new shareholder in Al Hail Holdings. The opportunities the new shareholders will provide are immense and we are extremely optimistic about the future of the group.

It only remains for me to thank each and every one of my colleagues at Transguard for their contribution to our continued success.

Dr Abdulla Al Hashimi
Chief Executive Officer, Transguard Group

"With such a large and diverse workforce it is crucial that we are continually investing in ways to improve employee engagement and achieve our vision as the employer of choice."

Message from the Managing Director
John Nolan

Consolidated revenue and profit for the year ended 31st March 2015 were AED 1,031,538,929 and AED 106,599,138 respectively, representing a revenue growth of 34%. Profit attributable to the owners of the parent company was AED 83,522,996.

The last financial year has been a year of great achievement for the Transguard Group and a year in which we have undertaken a major restructure of key areas in the organization.

The restructure is an important part of our ongoing strategy to enable us to focus on the three areas of the business that we believe are intrinsic to our continued success: Customer Engagement; Delivery and Transformation.

We have improved our customer engagement strategy with the introduction of a Chief Sales and Marketing Office covering three key areas: Marketing, Business Development (BD) and Customer Relationship Management (CRM).

The BD team has been significantly increased and is totally focused on winning new business, while the newly created CRM team has the specific remit of developing our existing business and ensuring that the customer is at the centre of everything we do.

In the coming year we are predicting healthy growth across all our established markets, supported by substantial growth in Abu Dhabi and the introduction of a number of new business lines. Looking further forward, we are in the process of finalizing the group's overseas expansion strategy which will see operational businesses being established across the GCC.

Service delivery is critical to our success and 'Service Excellence' is one of the group's five core values. The restructuring of the business has given the operational teams the enhanced resources, improved processes and infrastructure support to allow them to focus exclusively on delivering the quality of services our clients demand and expect.

The continuous improvement initiatives and the work of the Business improvement Office (BIO) are also impacting the operational businesses through improved service delivery methodology, increased efficiency and cost reductions.

As already reported, we have continued to invest substantially in the group's corporate infrastructure and support services.

This continued investment sits at the core of our overarching Transformation Strategy that will give the organization the agility, strength and innovation it needs to meet the demands of the operational business as the group expands and diversifies.

As part of the strategy, this year has seen the launch of the implementation project for the Recruitment 360 System which is a major step towards the full automation of our back office HR processes and ultimately the capacity for massive scalability without impacting on resources or infrastructure.

We have also seen the further development of our enhanced balanced scorecard model at both operational and strategic levels which will provide an invaluable tool in empowering the business and ensuring we align our operations with the vision and strategy of the group.

At the heart of our success are the 30,000 plus fulltime staff members who make up the Transguard Group. With such a large and diverse workforce it is crucial that we are continually investing in ways to improve employee engagement and achieve our vision as the employer of choice.

The Communications and Human Capital Management teams have launched a number of employee initiatives over the last 12 months. The highlight for me was the launch of the Transguard 'Town Hall' meetings where staff members receive updates on the business and have the opportunity to ask questions of the senior management team. The aim is to roll out the Town Hall programme as a regular forum for interaction across the entire business.

A key message at the 'Town Halls' was that the year 2014/2015 had been a very successful year for the group, a year in which we became a business of 30,000 people with a revenue of more than AED 1bn. I would like to reiterate that message and to thank every member of the Transguard team for their contribution in helping us reach these important milestones.

John Nolan
Managing Director, Transguard Group

Transguard Group Services

Our Vision

To be the preferred supplier and the employer of choice in each of the markets in which we operate

Transguard Cash Services

Transguard Cash Services is the recognized market leader in the provision of cash management and ATM services, offering complete end-to-end cash management solutions to banks, financial institutions, major retailers and corporate and VIP customers throughout the region.

Transguard Group Security Services

Transguard Group Security Services (TGSS) offers a comprehensive range of market-leading security services to organisations across the UAE, including manned guarding, CCTV monitoring, asset protection and event security.

Aviation Services

Transguard provides a diverse portfolio of aviation services, including cargo and baggage handling, aircraft cleaning, aviation security and passenger assistance. The company is a key service provider to Emirates Airline and dnata at both Dubai International and Dubai World Central airports.

Facilities Management

Transguard's Facilities Management (FM) teams are specialists in providing the full spectrum of FM services to a diverse range of organizations across the UAE. They can provide individual or bundled soft and hard services, through to totally integrated FM solutions.

Hospitality Staffing Solutions

The Hospitality Staffing teams specialize in providing both manpower and fully managed services to the UAE's hotel and leisure industries. Working with many of the region's leading five star hotels, they provide highly experienced and professional personnel, from front of house staff and housekeepers, to F&B personnel and cleaning professionals.

Manpower and Outsourced Services

Transguard is one of the largest providers of outsourced workforces in the UAE and offers true end-to-end workforce solutions, from initial recruitment and training through to full contract support. We have been supplying fully outsourced workforces since 2001, supporting a wide range of industries including the construction, aviation, hospitality and retail markets.

Transguard Themis

Transguard Themis specializes in providing end-to-end recruitment and resourcing services to professional organizations across the region. Its services include executive recruitment, professional contract staffing and a range of support services, from document attestation to payroll and HR management.

Our Values

Service Excellence - Doing Ordinary Things Extraordinarily Well

We deliver services to consistently high standards that meet and wherever possible exceed our customers' expectations

Continuous Improvement - Working Today for a Better Tomorrow

We continuously improve the quality, standards and efficiency of our services through innovation, technology and acquired experience and knowledge

People - Our Greatest Asset

We recruit people of the highest caliber and we help them to achieve their full potential in an environment that promotes equality, dignity and respect

Communication – The Strength to Speak, the Courage to Listen

We are committed to open, honest and regular communication with all our stakeholders and to promoting a working environment where communication at every level is actively encouraged

Safety – It's No Accident

Safety is our first priority and we will protect our customers, employees, stakeholders and assets through a total commitment to Health and Safety

TRANSGUARD FINANCIAL REPORT

Directors' Report and Consolidated Financial Statements for the year ended 31 March 2015

Transguard Group LLC

Director's Report and Consolidated Financial Statements for the year ended 31 March 2015

Contents	Pages

Transguard Group LLC

Directors' Report for the year ended 31 March 2015

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 2015.

Principal activities

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

Results

The results of the Group for the year ended 31 March 2015 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
- Mike McGeever (resigned on 1 March 2015)
- John Nolan

Non-executive Director

- H.H. Sheikh Ahmed bin Saeed Al-Maktoum
- Hamad Jassim Al Darwish Fakhroo (appointed on 3 July 2014)
- Mohammed Al Shaiba Saleh Ghannam Al Mazrouei (appointed on 3 July 2014)

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 2016.

For and on behalf of the Board

Dr. Abdulla Al Hashimi
Chief Executive Officer
31st May 2015

John Nolan
Managing Director
31st May 2015

Transguard Group LLC

Independent Auditor's Report

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 2015 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 notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the 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 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates
31st May 2015

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2015

Consolidated statement of financial position

	Note	2015 AED	2014 AED
		Year ended 31 March	
ASSETS			
Non-current assets			
Property, plant and equipment	5	74,446,869	66,874,492
Intangible assets	6	27,455,072	23,515,423
Prepayments	9	120,169,561	120,721,969
		222,071,502	211,111,884
Current assets			
Inventories		1,376,093	1,486,746
Trade and other receivables	9	249,256,066	184,399,683
Due from related parties	10	54,893,182	59,607,461
Due from customers on contracts	11	339,545	339,545
Cash and cash equivalents	12	21,278,927	32,633,678
		327,143,813	278,467,113
Total assets		549,215,315	489,578,997
EQUITY AND LIABILITIES			
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		175,064,366	104,601,191
Total equity attributable to owners of the parent		177,320,868	106,857,693
Non-controlling interests		82,060,588	83,516,291
Total equity		259,381,456	190,373,984
LIABILITIES			
Non-current liabilities			
Borrowings	14	24,050,000	39,050,000
Finance lease liabilities	15	869,314	2,147,955
Provision for employees' end of service benefits	19	42,825,968	25,865,811
		67,745,282	67,063,766
Current liabilities			
Trade and other payables	13	146,809,277	134,539,667
Due to related parties	10	3,451,669	4,503,997
Borrowings	14	70,306,845	91,745,284
Finance lease liabilities	15	1,520,786	1,352,299
Total current liabilities		222,088,577	232,141,247
Total liabilities		289,833,859	299,205,013
Total equity and liabilities		549,215,315	489,578,997

These consolidated financial statements were approved by the Board of Directors on 31st May 2015 and signed on its behalf by:

Dr. Abdulla Al Hashimi,
Chief Executive Officer

John Nolan,
Managing Director

The notes on page 8 to 32 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2015

Consolidated income statement

	Note	2015 AED	2014 AED
		Year ended 31 March	
Revenue		1,031,538,929	769,537,739
Direct costs	20	(795,689,318)	(573,549,957)
Gross profit		235,849,611	195,987,782
Administrative expenses	21	(123,335,572)	(109,054,826)
Other income – net	23	146,471	11,794,404
Operating profit		112,660,510	98,727,360
Finance costs – net	24	(5,998,676)	(3,703,300)
Share of loss of investments accounted for using the equity method	7	(62,696)	(40,659,660)
Profit for the year		106,599,138	54,364,400
Profit attributable to:		83,522,996	32,874,832
Owners of the parent		23,076,142	21,489,568
Non-controlling interests		106,599,138	54,364,400

Consolidated statement of comprehensive income

	Note	2015 AED	2014 AED
		Year ended 31 March	
Profit for the year		106,599,138	54,364,400
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit obligations	19	(13,884,138)	(4,083,776)
Total comprehensive income for the year		92,715,000	50,280,624
Attributable to:			
Owners of the parent		70,463,175	29,278,801
Non-controlling interests		22,251,825	21,001,823
		92,715,000	50,280,624

The notes on page 8 to 32 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2015

Transguard Group LLC

Consolidated Financial Statements for the Year ended 31 March 2015

Consolidated statement of changes in equity

	Attributable to owners of the parent						
	Share capital	Legal reserve	Contributed capital	Retained earnings	Total	Non-controlling interests	Total
	AED	AED	AED	AED	AED	AED	AED
Balance at 1 April 2013	300,000	150,000	1,806,502	247,663,418	249,919,920	62,514,468	312,434,388
Profit for the year	-	-	-	32,874,832	32,874,832	21,489,568	54,364,400
Other comprehensive loss:							
Remeasurement of retirement benefit obligations	-	-	-	(3,596,031)	(3,596,031)	(487,745)	(4,083,776)
Total comprehensive income for the year	-	-	-	29,278,801	29,278,801	21,001,823	50,280,624
Transactions with owners							
Dividend relating to 2012 (Note 26)	-	-	-	(21,074,186)	(21,074,186)	-	(21,074,186)
Disposal of a subsidiary (Note 28)	-	-	-	(151,266,842)	(151,266,842)	-	(151,266,842)
Balance at 31 March 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

The notes on page 8 to 32 are an integral part of these consolidated financial statements

The notes on page 8 to 32 are an integral part of these consolidated financial statements

Transguard Group LLC

Consolidated Financial Statements for the year ended 31 March 2015

Consolidated statement of cash flows

	Note	Year ended 31 March 2015 AED	2014 AED
Cash flows from operating activities			
Profit for the year		106,599,138	54,364,400
Adjustments for:			
Depreciation	5	10,626,437	17,504,255
Amortisation	6	4,169,413	2,877,038
Provision for employees' end of service benefits	22	14,424,656	8,678,350
Provision for impairment of trade receivables	9	7,707,196	8,149,838
Provision / (reversal of provision) for impairment of due from related parties	10	45,321	(140,592)
Share of loss of investments accounted for using equity method	7	62,696	40,659,660
Finance costs – net	24	5,998,676	3,703,300
Loss / (gain) on disposal of property, plant and equipment and intangible assets	23	-	(4,647,640)
Write-off of financial asset at fair value through profit or loss		-	200,000
Operating cash flows before payment of employees' end of service benefits and changes in working capital		149,633,533	131,348,609
Payments of employees' end of service benefits	19	(11,437,657)	(4,846,826)
Changes in working capital:			
Inventories		110,653	886,063
Prepayments – non current		552,408	(120,721,969)
Trade and other receivables before movement in provision for impairment and write-off		(72,563,579)	(63,511,573)
Due from related parties before movement in provision for impairment, accrued finance income and recharge of provision for employees' end of service benefits		4,695,282	11,377,064
Due from customers on contracts		-	15,477
Trade and other payables and accrued finance cost		12,438,251	53,025,372
Due to related parties before movement in dividend payable		(1,052,328)	(7,570,164)
Net cash generated from operating activities		82,376,563	2,053
Cash flows from investing activities			
Additions to property, plant and equipment	5	(18,198,814)	(20,435,490)
Additions to intangible assets excluding goodwill and customer relationships	6	(8,109,062)	(5,617,296)
Proceeds from disposal of property, plant and equipment		-	185,183,006
Net cash (used in)/generated from investing activities		(26,307,876)	159,130,220
Cash flows from financing activities			
Repayment of borrowings	14	(91,745,286)	(171,985,126)
Draw down of borrowings	14	55,306,847	130,795,284
Payment towards finance lease liabilities		(1,110,154)	(37,582,065)
Interest paid		(6,167,317)	(13,640,907)
Dividend paid to Non-controlling interests		(23,707,528)	(31,074,186)
Net cash used in financing activities		(67,423,438)	(123,487,000)
Net (decrease)/increase in cash and cash equivalents		(11,354,751)	35,645,273
Cash and cash equivalents at beginning of year		32,633,678	(3,011,595)
Cash and cash equivalents at end of year	12	21,278,927	32,633,678

The notes on page 8 to 32 are an integral part of these consolidated financial statements

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015

Notes to the consolidated Financial Statements for the year ended 31 March 2015

1 Legal status and activities

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

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

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

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC"). 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

(a) Amendments to standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 April 2014 but are not expected to have a material impact on the Group:

- Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting (effective from 1 January 2014). These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective from 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to IAS 39, 'Financial instruments: recognition and measurement' on novation of derivatives (effective from 1 January 2014). This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group:

- IFRS 9, 'Financial instruments' (effective from 1 January 2018); and
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2017).

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation

(a) Associate

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

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

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

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

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

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

(b) Joint arrangement

The Group applies IFRS 11 to its joint arrangement. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint venture is accounted for using the equity method.

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

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Subsidiaries

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

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

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

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

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (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 acquire 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 statement of comprehensive income.

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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (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.

(c) Customer relationships

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

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 cash equivalents' (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 balance sheet 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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

2 Summary of significant accounting policies (continued)

2.8 Impairment of financial assets

Assets carried at amortised cost

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

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

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

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 and amounts held in bank accounts.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Trade payables

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

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

2.14 Borrowings

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

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

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (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.

(a) Rendering of services

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

(b) Interest income

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

2.18 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (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 lease

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

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

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

2 Summary of significant accounting policies (continued)

2.19 Dividend distribution

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

2.20 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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 2015 and 2014. The analysis calculates the increase/(decrease) on the consolidated income statement of a reasonably possible movement in interest rate:

	2015 AED	2014 AED
Interest cost		
+100 basis points	967,469	1,202,955
-100 basis points	(967,469)	(1,202,955)

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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (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	2015 AED	2014 AED
Banks			
A	*	10,325,969	8,231,005
B	Baa1	4,692,706	16,125,759
C	A2	3,709,341	3,288,446
D	Baa2	782,466	510,301
E	*	328,628	112,164
F	Baa1	354,631	211,483
G	*	305,408	805,603
H	A1	279,839	2,845,980
I	Baa1	246,118	248,518
J	A2	207,230	207,230
K	Aa3	11,350	2,850
		21,243,686	32,589,339

*Unrated

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

	2015 AED	2014 AED
Trade receivables		
Counterparties without external credit rating		
*Group 1	11,555,754	24,660,977
**Group 2	77,782,474	45,677,380
	89,338,228	70,338,357

*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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (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	Between 1 year and 2 years	Between 2 years and 5 years	Total
	AED	AED	AED	AED
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
At 31 March 2014				
Borrowings	93,730,440	16,370,997	25,066,408	135,167,845
Finance lease liabilities	1,501,954	1,511,316	739,117	3,752,387
Trade and other payables (excluding advances from customers)	133,014,420	-	-	133,014,420
Due to related parties	4,503,997	-	-	4,503,997
	232,750,811	17,882,313	25,805,525	276,438,649

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 cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratio at 31 March 2015 and 2014 was as follows:

	2015	2014
	AED	AED
Borrowings (Note 14)	94,356,845	130,795,284
Finance lease liabilities (Note 15)	2,390,100	3,500,254
Less: cash and cash equivalents (Note 12)	(21,278,927)	(32,633,678)
Net debt	75,468,018	101,661,860
Total equity	259,381,456	190,373,984
Total capital	334,849,474	292,035,844
Gearing ratio	23%	35%

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

4 Critical accounting estimates and judgements

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

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

(a) Impairment of trade and other receivables

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

(b) Depreciation of property, plant and equipment

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

(c) Impairment of property, plant and equipment

Continued 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.

(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.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (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 2013	217,456,080	20,238,836	17,878,497	13,856,085	32,593,276	11,517,757	313,540,531
Additions	-	5,607,888	6,250,380	3,425,132	2,761,434	2,390,656	20,435,490
Transfer	-	114,319	926,354	3,247,575	-	(4,288,248)	-
Disposals*	(213,434,098)	-	(288,104)	(24,574)	(1,124,900)	-	(214,871,676)
As at 31 March 2014	4,021,982	25,961,043	24,767,127	20,504,218	34,229,810	9,620,165	119,104,345
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
Accumulated Depreciation							
At 1 April 2013	28,154,497	8,075,595	6,661,002	8,988,859	17,181,955	-	69,061,908
Charge for the year (Note 20)	6,425,502	1,810,971	2,350,055	2,014,583	4,903,144	-	17,504,255
Disposals*	(33,164,073)	-	(250,874)	(24,574)	(896,789)	-	(34,336,310)
As at 31 March 2014	1,415,926	9,886,566	8,760,183	10,978,868	21,188,310	-	52,229,853
Charge for the year (Note 20)	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
Net book value							
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
As at 31 March 2014	2,606,056	16,074,477	16,006,944	9,525,350	13,041,500	9,620,165	66,874,492

* During the year ended 31 March 2014, labour camps having net book value of AED 180,270,025 (Cost: AED 213,434,098 and accumulated depreciation: AED 33,164,073) were sold under a sale and operating leaseback arrangement on 26 January 2014 against the cash consideration of AED 185,000,000. Rentals paid in respect of operating lease arrangement are included in prepayments.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

5 Property, plant and equipment (continued)

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:

	2015	2014
	AED	AED
Cost	5,670,449	5,397,707
Accumulated depreciation	(2,514,150)	(1,278,259)
Net book value	3,156,299	4,119,448

During the current year, the Group entered into new finance lease arrangements to purchase assets costing AED 272,742 (2014: AED 1,919,199). Additional details relating to finance leases are given in Note 15.

Change in useful life of Motor vehicles

During the year, the useful life for motor vehicles was increased by 1 year. The opening net book value has been depreciated over the remaining useful life. The change in estimate has been accounted for prospectively in light of criteria set out by IAS 8. Had the motor vehicles been depreciated on the basis of the original useful lives, the depreciation charge for the year ended 31 March 2015 would have been higher by AED 1,317,334.

6 Intangible assets

	Computer software	Capital work in progress	Goodwill	Customer relationships	Total
	AED	AED	AED	AED	AED
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
Cost					
At 1 April 2013	18,471,822	5,459,873	-	-	23,931,695
Additions*	4,148,892	1,468,404	128,904,573	28,417,614	162,939,483
Transfer	4,950,874	(4,950,874)	-	-	-
Disposals*	-	-	(128,904,573)	(28,417,614)	(157,322,187)
As at 31 March 2014	27,571,588	1,977,403	-	-	29,548,991
Accumulated amortisation					
At 1 April 2013	3,156,530	-	-	-	3,156,530
Charge for the year (Note 20)	2,877,038	-	-	-	2,877,038
As at 31 March 2014	6,033,568	-	-	-	6,033,568
Net book value as at 31 March 2014	21,538,020	1,977,403	-	-	23,515,423

* Additional information regarding goodwill and customer relationships is disclosed in Notes 27 and 28.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

7 Investments accounted for using equity method

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

	2015 AED	2014 AED
Associate	-	40,444,336
Joint venture	62,696	215,324
	62,696	40,659,660

(a) Investment in associate

Movement in the investment in an associate:

	2015 AED	2014 AED
Opening balance	-	24,347,651
Share of loss for the year (see below)	-	(24,347,651)
Closing balance	-	-

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

On 22 March 2014, the Group obtained control of Plafond Fit Out LLC by acquiring further 49% of the controlling interest in Plafond Fit Out LLC. Information related to business combination is disclosed in Note 27.

(b) Investment in joint venture

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

The Group has a 55% equity shareholding with equivalent voting power in the joint venture, Transguard SPS LLC. Transguard SPS is a private company and there is no quoted market price available for its shares.

Carrying value of investment in joint venture using equity accounting method amounts to Nil as at 31 March 2015 (2014: Nil).

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

Summarised statement of financial position

	2015 AED	2014 AED
Statement of financial position		
Current liabilities	(619,899)	(505,906)
Net liabilities	(619,899)	(505,906)
Statement of comprehensive income		
Revenue	259,770	227,392
Expenses	(110,419)	(132,871)
Other expenses	(263,344)	(486,020)
Loss for the year	(113,993)	(391,499)

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

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

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

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 has a 51% controlling interest in the subsidiary. The Company has the sole right to manage and the power to govern the financial and operating policies of the subsidiary.

Subsidiary company	Percentage 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	99%	51%	Providing white-collar recruitment services.	UAE

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

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

8 Investment in subsidiaries (continued)

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

Summarised balance sheet

	Transguard Cash LLC		Transguard Themis LLC	
	2015	2014	2015	2014
	AED	AED	AED	AED
Current				
Assets	144,612,816	146,314,222	15,142,293	7,808,795
Liabilities	(26,841,463)	(22,611,231)	(8,223,808)	(4,561,628)
Total current assets - net	117,771,353	123,702,991	6,918,485	3,247,167
Non-current				
Assets	49,768,579	46,527,023	180,890	93,236
Liabilities	(6,696,505)	(5,761,196)	(3,456,479)	(426,060)
Total non-current assets/(liabilities) - net	43,072,074	40,765,827	(3,275,589)	(332,824)
Net assets	160,843,427	164,468,818	3,642,896	2,914,343

Summarised income statement

	Transguard Cash LLC		Transguard Themis LLC	
	2015	2014	2015	2014
	AED	AED	AED	AED
Revenue	194,139,399	185,895,481	87,069,864	45,589,382
Profit for the year	41,998,402	40,713,254	4,238,653	2,312,124
Other comprehensive loss	(623,793)	(909,596)	(1,045,757)	(67,239)
Total comprehensive income	41,374,609	39,803,658	3,192,896	2,244,885
Total comprehensive income allocated to non-controlling interests	20,687,305	19,901,829	1,564,519	1,099,994

Summarised cash flows

	Transguard Cash LLC		Transguard Themis LLC	
	2015	2014	2015	2014
	AED	AED	AED	AED
Cash flow from operating activities				
Net cash generated from operating activities	11,180,384	11,190,399	107,931	95,785
Net cash used in investing activities	(11,110,818)	(11,189,538)	(107,931)	(95,785)
Net increase in cash and cash equivalents	69,566	861	-	-
Cash and cash equivalents at beginning of year	46,113	45,252	-	-
Cash and cash equivalents at end of year	115,679	46,113	-	-

The information above represents amounts before intercompany eliminations.

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

9 Trade and other receivables

	2015	2014
	AED	AED
Trade receivables	112,478,523	90,891,367
Provision for impairment of trade receivables	(23,140,295)	(20,553,010)
Trade receivables – net	89,338,228	70,338,357
Prepayments	170,119,057	158,090,634
Advances to suppliers	8,304,054	1,153,931
Other receivables	101,664,288	75,538,730
	369,425,627	305,121,652
Long term portion of prepayments	(120,169,561)	(120,721,969)
	249,256,066	184,399,683

The Group's customers are based in the UAE. At 31 March 2015, five customers (2014: five customers) accounted for 22% (2014: 25%) 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 2015, trade receivables of AED 30,128,060 (2014: AED 24,259,302) were fully performing. Trade receivables of AED 34,052,886 (2014: AED 33,455,094) 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:

	2015	2014
	AED	AED
Up to 3 months	33,387,504	29,962,502
3 to 6 months	586,811	2,355,773
Over 6 months	78,571	1,136,819
	34,052,886	33,455,094

As of 31 March 2015, trade receivables of AED 48,297,577 (2014: AED 33,176,971) were impaired. The amount of provision was AED 23,140,295 (2014: AED 20,553,010). 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:

	2015	2014
	AED	AED
Up to 3 months	26,340,651	16,894,897
3 to 6 months	7,408,621	4,183,648
Over 6 months	14,548,305	12,098,426
	48,297,577	33,176,971

The carrying amount of the Group's trade receivables and other receivables at 31 March 2015 and 2014 are denominated in AED. Movement in the Group's provision for impairment of trade receivables are as follows:

	2015	2014
	AED	AED
Opening balance	20,553,010	12,403,172
Provision for impairment of trade receivables (Note 21)	7,707,196	8,149,838
Amounts written off as uncollectable	(5,119,911)	-
Closing balance	23,140,295	20,553,010

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

9 Trade and other receivables

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 2015 and 2014. The Group does not hold any collateral as security. The other classes within trade and other receivables do not contain impaired assets.

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").

	2015 AED	2014 AED
Due from related parties		
Dnata and entities related to Dnata	55,823,079	60,588,691
Affiliates	54,578	88,570
	55,877,657	60,677,261
Less: provision for impairment of due from related parties	(984,475)	(1,069,800)
	54,893,182	59,607,461

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

	2015 AED	2014 AED
Opening balance	1,069,800	1,210,392
Provision/(reversal of provision) for impairment of due from related parties (Note 21)	45,321	(140,592)
Amounts written-off as uncollectable	(130,646)	-
Closing balance	984,475	1,069,800
Due to related parties		
Dnata and entities related to Dnata	3,451,669	4,503,997

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.

	2015 AED	2014 AED
Sales to affiliates	317,587,627	232,158,449
Purchases from affiliates	4,366,086	4,761,863
Sale of labour camps to affiliate	-	185,000,000
Royalty fees to dnata	-	83,333
Rent and utilities payment to affiliates	13,594,414	6,608,674
Interest earned on outstanding balances with associate	-	7,971,759
Liability transferred to affiliate (Note 23)	-	5,817,903

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

10 Related party balances and transactions (continued)

	2015 AED	2014 AED
Key management compensation		
Salaries and other benefits	9,391,099	8,887,871
End of service	247,709	164,067
	9,638,808	9,051,938

11 Due from customers on contracts

	2015 AED	2014 AED
Aggregate cost incurred and profits recognised on contracts in progress at the year end	5,898,516	5,898,516
Progress billings	(5,558,971)	(5,558,971)
	339,545	339,545

12 Cash and cash equivalents

	2015 AED	2014 AED
Cash on hand	35,241	44,339
Cash at bank	21,243,686	32,589,339
	21,278,927	32,633,678

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

13 Trade and other payables

	2015 AED	2014 AED
Trade payables	29,621,170	33,773,404
Provision for leave salary and leave passage	33,019,039	25,326,675
Advances from customers	9,188,952	1,525,247
Other payables and accruals	74,980,116	73,914,341
	146,809,277	134,539,667

14 Borrowings

	2015 AED	2014 AED
Non-current		
Borrowings	24,050,000	39,050,000
Current		
Borrowings	70,306,845	91,745,284
Total borrowings	94,356,845	130,795,284

The maturity of the borrowings is as follows:

Less than 1 year	70,306,845	91,745,284
Between 1 and 2 years	14,050,000	15,000,000
Between 2 and 5 years	10,000,000	24,050,000
	94,356,845	130,795,284

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

14 Borrowings (continued)

Bank borrowings bear an effective interest rate of 4.01% annually (2014: 4.56% annually)

Total borrowings include secured borrowings of AED 38,676,171 (2014: AED 33,157,295). Bank borrowings are secured by the plant and machinery and motor vehicles of the Group.

The Group has undrawn facilities amounting to AED 239,262,462 (2014: AED 247,220,961).

The movement in borrowings is as follows:

	2015 AED	2014 AED
Opening balance	130,795,284	171,985,126
Additions during the year	55,306,847	130,795,284
Payments during the year	(91,745,286)	(171,985,126)
Closing balance	94,356,845	130,795,284

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

15 Finance lease liabilities

	Computer and office equipment AED
At 31 March 2015	
Gross lease liabilities - minimum lease payments	
Less than one year	1,609,482
Between 1 and 5 years	893,130
Less:	2,502,612
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
At 31 March 2014	
Gross lease liabilities - minimum lease payments	
Less than one year	1,501,954
Between 1 and 5 years	2,250,433
Less:	3,752,387
Future finance charges on finance leases	(252,133)
Net lease liabilities	3,500,254
Present value of finance leases is as follows:	
Less than one year	1,352,299
Between 1 and 5 years	2,147,955
Net lease liabilities	3,500,254

16 Share capital

Share capital comprises 300 authorised, issued and paid up shares of AED 1,000 each amounting to AED 300,000 (2014: AED 300,000).

17 Legal reserve

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

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

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:

	2015 AED	2014 AED
Present value of employees' end of service benefits	42,825,968	25,865,811

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

	2015 AED	2014 AED
Opening balance	25,865,811	17,634,971
Charge for the year (see note below)	14,513,676	8,993,890
Remeasurement of retirement benefit obligations	13,884,138	4,083,776
Benefits paid	(11,437,657)	(4,846,826)
Closing balance	42,825,968	25,865,811

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

	2015 AED	2014 AED
Current service cost	13,607,062	8,308,924
Interest cost	906,614	684,966
	14,513,676	8,993,890

Charge of AED 14,424,656 (2014: AED 8,678,350) was included in 'direct costs' and 'administrative expenses' amounting to AED 12,293,482 (2014: AED 6,219,695) and AED 2,131,174 (2014: AED 2,458,655) 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:

	2015 AED	2014 AED
Valuation discount rate	5% per annum	4.5% per annum annum
Salary increase rate	2.5% per annum	2% per annum

Sensitivity analysis of financial assumptions:

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

	Impact on employees' end of service benefits liability		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 15.51%	Increase by 19.47%
Salary increase rate	1%	Increase by 19.78%	Decrease by 15.99%

Sensitivity analysis of demographic assumptions:

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

	Impact on employees' end of service benefits liability		
	Change in assumption	Increase in assumption	Decrease in assumption
Withdrawal rate	10%	Decrease by 1.52%	Increase by 1.59%
Death rate	1 year	Decrease by 0.19%	Increase by 0.17%

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

20 Direct costs

	2015 AED	2014 AED
Staff costs (Note 22)	580,494,781	408,681,249
Rent	90,117,933	56,317,417
Fuel and transportation	42,404,056	34,110,375
Operations cost	24,998,079	22,492,652
Visa and immigration	16,070,937	11,797,794
Depreciation and amortisation (Note 5 & 6)	14,795,850	20,381,293
Repairs and maintenance	12,259,793	9,037,684
Communication expenses	4,613,362	2,536,250
Insurance	3,973,709	3,585,919
Contract costs	3,963,076	1,436,975
Skip and waste removal	13,993	21,230
Others	1,983,749	3,151,119
	795,689,318	573,549,957

21 Administrative expenses

	2015 AED	2014 AED
Staff costs (Note 22)	89,560,340	79,030,306
Provision for impairment of trade receivables and due from related parties (Note 9 & 10)	7,752,517	8,009,246
License fees	4,842,702	3,518,427
Rent	4,747,191	4,551,033
Information technology expenditure	2,298,915	471,381
Fees and subscriptions	2,292,222	2,702,009
Stationery and supplies	2,111,830	2,300,978
Business travel	1,471,424	871,741
Marketing expenses	1,328,636	1,668,704
Office maintenance	268,245	216,444
Others	6,661,550	5,714,557
	123,335,572	109,054,826

22 Staff costs

	2015 AED	2014 AED
Salaries and wages	588,271,492	427,529,288
Leave salary and passage	41,570,074	34,179,248
End of service benefits (Note 19)	14,424,656	8,678,350
Other benefits	25,788,899	17,324,669
	670,055,121	487,711,555
Staff costs are allocated as follows:		
Direct costs (Note 20)	580,494,781	408,681,249
Administrative expenses (Note 21)	89,560,340	79,030,306
	670,055,121	487,711,555

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

23 Other income – net

	2015 AED	2014 AED
Foreign exchange losses	(13,829)	(58,739)
Gain on disposal of property, plant and equipment	-	4,647,640
Liability transferred to affiliate (Note 10)	-	5,817,903
Other income	160,300	1,387,600
	146,471	11,794,404

24 Finance costs – net

	2015 AED	2014 AED
Finance income	-	(8,936,057)
Finance costs	5,998,676	12,639,357
Finance costs - net	5,998,676	3,703,300

25 Contingencies and Commitments

	2015 AED	2014 AED
Guarantees	11,488,381	26,748,655
Letters of credit	6,675,210	3,435,380

The above were issued by bank 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:

	2015 AED	2014 AED
Not later than 1 year	47,770,290	22,030,999
Later than 1 year and not later than 5 years	114,416,169	53,772,666
Over 5 years	32,375,080	44,375,080
	194,561,539	120,178,745

26 Dividends

During the year, dividend of Nil (2014: dividend in respect of the year ended 31 March 2012 of AED 70,247.29 per share amounting to AED 21,074,186) has been approved by the Board of Directors.

27 Business combination

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

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

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

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

27 Business combination (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

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

The fair value of the acquired identifiable assets in the above table represents both the provisional and final fair valuation. Management had assessed the fair value using discounted cash flow techniques.

The group recognised no gain as a result of measuring at fair value its 51% non-controlling interest in Plafond Fit Out LLC held before the business combination. The revenue and contributed profit included in the consolidated income statement for the year ended 31 March 2014 contributed by Plafond Fit Out LLC was Nil.

Had Plafond Fit Out LLC been consolidated from 1 April 2013, the consolidated income statement for the year ended 31 March 2014 would have showed revenue of AED 80,046,572 and loss of AED 79,302,620 with respect to Plafond Fit Out LLC.

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

28 Disposal of a subsidiary

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

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

	2015 AED
Carrying amount of controlling interests disposed of	(151,266,843)
Consideration received	1
Decrease in parent's equity	(151,266,842)

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (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 2015			
Financial assets			
Due from related parties	54,893,182	-	54,893,182
Trade and other receivables (excluding prepayments and advances to suppliers)	191,002,516	-	191,002,516
Due from customers on contract	339,545	-	339,545
Cash and cash equivalents	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
At 31 March 2014			
Financial assets			
Due from related parties	59,607,461	-	59,607,461
Trade and other receivables (excluding prepayments and advances to suppliers)	145,877,087	-	145,877,087
Due from customers on contract	339,545	-	339,545
Cash and cash equivalents	32,633,678	-	32,633,678
	238,457,771	-	238,457,771
Financial liabilities			
Borrowings	-	130,795,284	130,795,284
Finance lease liabilities	-	3,500,254	3,500,254
Trade and other payables (excluding advances from customers)	-	133,014,420	133,014,420
Due to related parties	-	4,503,997	4,503,997
	-	271,813,955	271,813,955

Transguard Group LLC

Notes to the Consolidated Financial Statements for the year ended 31 March 2015 (continued)

Transguard Group LLC
P.O. Box 22630 - Emirates Group Security Building,
Airport Freezone, Dubai, United Arab Emirates
T. +971 (4) 703 0500 F. +971 (4) 299 5644
Email. info@transguardgroup.net

www.transguardgroup.com