

Pushing out the boundaries in the world of security

Head Office

Garda World Security Corporation
705 Bourget Street
Montreal, Quebec H4C 2M6
Tel.: (514) 937-7487
Fax: (514) 937-1160

Investor Relations

Stéphan D. Crétier
Chairman and Chief Executive Officer
scretier@garda.ca

Yani Gagnon

Vice-President and Chief Financial Officer
ygagnon@garda.ca

Stock Information

Listing: Canadian Venture Exchange
Ticker symbol: GW
Shares outstanding: 23,185,832
Public float: 12,915,864
52-week high/low: \$1.45/ 0.60
Recent price (at Sept. 26, 2001): \$0.90

Transfer Agent and Registrar

CIBC Mellon Trust Company

Auditors

PricewaterhouseCoopers LLP

Notes to Interim Consolidated Financial Statements

Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada on a basis consistent with those followed in the most recent audited financial statements. These statements do not include all the information required by generally accepted accounting principles and should therefore be read in conjunction with the audited consolidated financial statements included in the Corporation's Annual Report for the year ended January 31, 2001.

Capital Stock

	Number of Class A shares	\$
Balance as at January 31, 2001	20,907,260	3,671,244
Shares issued/warrants exercised	2,278,572	1,969,709
Balance as at July 31, 2001	23,185,832	5,640,953

This report may contain forward-looking statements, which involve risks and uncertainties. Because of various factors, actual results may differ materially from those indicated.

Financial Highlights (unaudited)

For the six-month period ended	July 31, 2001	July 31, 2000
	\$	\$
Sales	34,098,776	27,259,754
EBITDA	1,585,253	1,896,136
Net earnings	38,548	661,951
Net earnings per share before goodwill amortization	0.02	0.04
EBITDA per share	0.08	0.10
Weighted average number of outstanding shares	20,945,231	18,856,609

MESSAGE TO OUR SHAREHOLDERS

Garda stays focused on growth

Our second quarter was marked by continued high internal growth as well as the arrival of an important new shareholder, Natcan Investment Management Inc. (NATCAN), through its Fonds d'investissements RÉA inc.

Second-quarter sales amounted to \$17,887,161 compared with \$14,127,786 during the same period last year, an increase of more than 26%. For the six-month period, sales grew more than 25% to \$34,098,776 from \$27,259,754 in the previous year. This steady increase is attributable to continued internal growth of approximately 15% and the acquisition of Ontario-based Rison Services Ltd. in October 2000.

EBITDA amounted to \$821,379 (\$0.04 per share) in the second quarter of fiscal 2002 compared with \$971,723 (\$0.05 per share) in the same quarter last year. For the six-month period, EBITDA amounted to \$1,585,253 (\$0.08 per share) in fiscal 2002 compared with \$1,896,136 (\$0.10 per share) in fiscal 2001. This change is attributable to our strategic acquisitions and geographic expansion, which have resulted in a higher fixed cost structure. Higher amortization and interest expense is mainly the result of our strategic and organic growth. The provision for income taxes reflects a draw-down of the future income taxes asset and will not result in a cash disbursement.

The improvement in working capital as well as the increase in capital assets and shareholders' equity between January 31, 2001 and July 31, 2001 are attributable to our growth and to our QSSP-eligible private placement with NATCAN representing 1,750,000 Class A shares issued. Also, in July 2001, 528,572 warrants were exercised. The current portion of convertible debentures payable at July 31, 2001 represents the amounts payable from December 2001 to July 2002.

Outlook

More than a week has elapsed since the tragic events which took place on September 11, 2001 in the United States. This was one of the darkest moments in that country's history and there are no words to describe the horror, the grief and the sympathy that we share with all Americans.

Of course, nothing will ever be the same. Our concept of security has changed forever to be replaced by a heightened sense of insecurity. As a security provider, our business is sure to benefit from this change in attitude and the increased demand for our services. Strategically positioned in the Canadian market, we are prepared and ready to meet the additional demand for security from Canadian companies.



Stéphan Crétier, MBA

Chairman of the Board and Chief Executive Officer

Consolidated Statements of Income and Retained Earnings *(unaudited)*

For the period ended	July 31, 2001 6 months	July 31, 2000 6 months	July 31, 2001 3 months	July 31, 2000 3 months
	\$	\$	\$	\$
Sales	34,098,776	27,259,754	17,887,161	14,127,786
Cost of sales	30,360,856	24,042,057	15,921,527	12,448,845
Gross profit	3,737,920	3,217,697	1,965,634	1,678,941
Operating expenses				
General, selling and administrative	2,152,667	1,321,561	1,144,255	707,218
Amortization of capital assets	328,654	192,431	168,462	97,343
Amortization of goodwill	394,994	134,670	197,497	68,585
	2,876,315	1,648,662	1,510,214	873,146
Income from operations	861,605	1,569,035	455,420	805,795
Financial expenses				
Interest and premium on convertible debentures	457,335	457,334	228,668	228,667
Other interest	165,722	44,750	86,627	32,576
	623,057	502,084	315,295	261,243
Earnings before income taxes	238,548	1,066,951	140,125	544,552
Provision for income taxes	200,000	405,000	110,000	205,000
Net earnings for the period	38,548	661,951	30,125	339,552
Retained earnings (deficit) – Beginning of period	64,664	(423,264)	73,087	(100,865)
Retained earnings – End of period	103,212	238,687	103,212	238,687
Net earnings per share	–	0.04	–	0.02

Consolidated Balance Sheets

As at	July 31, 2001 <i>(unaudited)</i>	January 31, 2001 <i>(audited)</i>	As at	July 31, 2001 <i>(unaudited)</i>	January 31, 2001 <i>(audited)</i>
	\$	\$		\$	\$
ASSETS			LIABILITIES		
Current assets			Current liabilities		
Accounts receivable			Bank loans and overdrafts	3,934,243	4,712,904
Trade	8,701,935	7,983,318	Accounts payable and accrued liabilities	6,559,069	7,550,202
Other	88,257	498,802	Deferred revenue	50,000	50,000
Inventories	132,818	110,535	Current portion of convertible debentures	1,078,488	269,622
Work in progress	3,004,225	2,636,860	Current portion of long-term debt	69,748	432,361
Prepaid expenses	219,869	218,300		11,691,548	13,015,089
Income taxes recoverable	112,856	133,237	Long-term debt	90,381	90,381
	12,259,960	11,581,052	Convertible debentures	3,478,558	4,106,090
Balance of selling price, bearing interest at 8%, recoverable at the latest on December 1, 2002	200,000	200,000		15,260,487	17,211,560
Capital assets	1,329,652	1,320,382	Shareholders' equity		
Goodwill, at amortized cost	6,309,934	6,704,928	Capital Stock	5,640,953	3,671,244
Deferred financing costs	140,000	176,000	Retained earnings	103,212	64,664
Future income taxes	765,106	965,106		5,744,165	3,735,908
	21,004,652	20,947,468		21,004,652	20,947,468

Consolidated Statements of Cash Flows *(unaudited)*

For the period ended	July 31, 2001 6 months	July 31, 2000 6 months	July 31, 2001 3 months	July 31, 2000 3 months
	\$	\$	\$	\$
Operating activities				
Net earnings for the period	38,548	661,951	30,125	339,552
Items not affecting cash				
Amortization of capital assets and goodwill	723,648	327,101	365,959	165,928
Future income taxes	200,000	405,000	110,000	205,000
Amortization of deferred financing costs	36,000	36,000	18,000	18,000
Accrued premium on convertible debentures	181,334	181,334	90,668	90,667
Cash flows from operations	1,179,530	1,611,386	614,752	819,147
Net change in non-cash working capital items	(1,670,041)	(3,147,802)	(2,418,100)	(1,917,129)
	(490,511)	(1,536,416)	(1,803,348)	(1,097,982)
Investing activities				
Acquisition of capital assets	(337,924)	(275,511)	(205,760)	(126,324)
Business combinations	–	(377,801)	–	(83,600)
	(337,924)	(653,312)	(205,760)	(209,924)
Financing activities				
Issuance of capital stock, net of related expenses	1,969,709	–	1,969,709	–
Net change in bank loans and overdrafts	(778,661)	2,393,337	179,248	1,595,370
Increase in long-term debt	–	348,000	–	98,000
Repayment of long-term debt	(362,613)	(504,184)	(139,849)	(346,698)
	828,435	2,237,153	2,009,108	1,346,672
Increase in cash	–	47,425	–	38,766
Cash – Beginning of period	–	50,736	–	59,395
Cash – End of period	–	98,161	–	98,161