

Garda World Security Corporation

Consolidated Interim Financial Statements (Unaudited)
First Quarter Ended April 30, 2006

Garda World Security Corporation

Consolidated Balance Sheets

	As at April 30, 2006 \$ (Unaudited)	As at January 31, 2006 \$ (Audited)
Assets		
Current assets		
Cash and cash equivalents	35,332,085	23,052,302
Accounts receivable	75,124,253	66,397,600
Revenue to be billed	24,569,808	12,454,306
Inventories	1,910,231	846,108
Prepaid expenses	3,648,162	1,949,325
Future income taxes	1,621,423	1,652,414
	142,205,962	106,352,055
Property, plant and equipment (note 4)	32,854,678	26,185,503
Goodwill (note 5)	153,218,891	94,168,336
Service contracts and client relationships , net of accumulated amortization of \$1,427,265 (As at January 31, 2006 – \$1,003,254)	27,101,287	16,399,220
Deferred charges , net of accumulated amortization of \$783,704 (As at January 31, 2006 – \$657,176)	1,405,388	1,526,023
Deferred financing costs , net of accumulated amortization of \$852,524 (As at January 31, 2006 – \$725,194)	4,556,756	4,532,361
	361,342,962	249,163,498
Liabilities		
Current liabilities		
Bank loans	5,826,369	2,284,283
Accounts payable and accrued liabilities	65,765,085	62,918,589
Income taxes	565,625	3,407,115
Current portion of long-term debt (note 6)	12,379,605	10,650,390
	84,536,684	79,260,377
Long-term debt (note 6)	130,053,465	129,683,369
Future income taxes	12,744,327	12,213,850
	227,334,476	221,157,596
Shareholders' Equity		
Capital stock (note 7)	10,960,926	8,059,926
Special warrants (note 8)	99,801,241	-
Contributed surplus (note 9)	1,761,123	1,260,123
Cumulative translation adjustments (note 10)	(2,787,932)	(1,089,527)
Retained earnings	24,273,128	19,775,380
	134,008,486	28,005,902
	361,342,962	249,163,498

Garda World Security Corporation

Consolidated Statements of Retained Earnings

(Unaudited)

	Three months ended April 30, 2006	Three months ended April 30, 2005
	\$	\$
Retained earnings – Beginning of period	19,775,380	6,356,204
Net income for the period	<u>4,497,748</u>	<u>3,103,688</u>
Retained earnings – End of period	<u>24,273,128</u>	<u>9,459,892</u>

Garda World Security Corporation

Consolidated Statements of Income

(Unaudited)

	Three months ended April 30, 2006 \$	Three months ended April 30, 2005 \$
Sales	137,640,733	51,857,949
Cost of sales	109,111,940	41,419,439
Gross profit	28,528,793	10,438,510
Operating expenses		
Selling and administrative expenses	16,099,552	4,489,740
Amortization of property, plant and equipment	1,846,184	652,776
Amortization of service contracts and client relationships	424,011	165,882
Amortization of deferred charges	126,528	109,893
	18,496,275	5,418,291
Income before financing expenses and income taxes	10,032,518	5,020,219
Financing expenses		
Interest on long-term debt and convertible debentures	3,455,549	200,007
Other interest (revenues)	(17,570)	(11,788)
Amortization of deferred financing costs	127,330	47,862
	3,565,309	236,081
Income before income taxes	6,467,209	4,784,138
Provision for income taxes	1,969,461	1,680,450
Net income for the period	4,497,748	3,103,688
Basic net income per share (note 11)	0.17	0.12
Diluted net income per share (note 11)	0.17	0.12

Garda World Security Corporation

Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended April 30, 2006 \$	Three months ended April 30, 2005 \$
Cash flows from		
Operating activities		
Net income for the period	4,497,748	3,103,688
Adjustments for		
Stock-based compensation (note 7(d))	501,000	134,523
Amortization of property, plant and equipment	1,846,184	652,776
Amortization of service contracts and client relationships	424,011	165,882
Amortization of deferred charges	126,528	109,893
Amortization of deferred financing costs	127,330	47,862
Accrued interest on convertible debentures	-	(8,600)
Future income taxes	813,784	-
	<u>8,336,585</u>	<u>4,206,024</u>
Change in non-cash working capital items (note 12)	(9,893,217)	(7,430,128)
	<u>(1,556,632)</u>	<u>(3,224,104)</u>
Financing activities		
Deferred financing costs	(245,074)	(78,016)
Increase in bank loans	3,542,086	3,738,049
Increase in long-term debt	68,176,419	2,654,303
Repayment of long-term debt	(65,708,864)	(736,197)
Issuance of Class "A" shares	-	73,750
Issuance of special warrants (note 8)	99,801,241	-
	<u>105,565,808</u>	<u>5,651,889</u>
Investing activities		
Additions to property, plant and equipment	(2,589,795)	(810,438)
Proceeds from disposal of property, plant and equipment	7,813	-
Business acquisitions, net of cash and cash equivalents acquired (note 3)	(89,141,518)	(2,500,000)
Deferred charges	(5,893)	(206,923)
	<u>(91,729,393)</u>	<u>(3,517,361)</u>
Net change in cash and cash equivalents during the period	12,279,783	(1,089,576)
Cash and cash equivalents – Beginning of period	23,052,302	9,535,222
Cash and cash equivalents – End of period	35,332,085	8,445,646

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

1 Nature of operations

The Corporation provides security services primarily in Canada and the United States and its activities are carried out through two (2) main segments: physical security and cash handling.

2 Significant accounting policies

The preparation of the unaudited interim financial statements conform with Canadian generally accepted accounting principles (GAAP) and with audited financial statements for the year ended January 31, 2006. For a detailed description of the accounting policies used by the Corporation, refer to the annual report for the year ended January 31, 2006. These interim financial statements do not include all disclosure requirements of Canadian generally accepted accounting principles and applicable to the annual financial statements.

Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries.

Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include the allowance for doubtful accounts, valuation of goodwill and service contracts and client relationships, and certain accrued liabilities. Actual results could differ from those estimates.

Foreign currency translation and self-sustaining foreign operations

During the quarter ended April 30, 2006, the Corporation acquired foreign companies (note 3). The Corporation determined that they were self-sustaining foreign operations, and the current rate method was used to translate the financial statements of those subsidiaries. Under this method, assets and liabilities were translated at the exchange rate in effect at the balance sheet date, and revenues and expenses were translated at the average exchange rate for the period. The resulting currency adjustments are reported in "Cumulative translation adjustments" under shareholders' equity.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

Property, plant and equipment

Property, plant and equipment are recorded at cost, less related accumulated amortization. Amortization is calculated over their estimated useful lives according to the following methods and annual rates or periods:

	Method	Rate/Period
Buildings	Straight-line	30 years
Office furniture	Declining balance	20%
Computer equipment	Declining balance	30%
Equipment	Declining balance	20%
Vehicles	Declining balance and straight-line	30% and 4 years
Armored vehicles	Straight-line	12 years
Uniforms	Straight-line	2 years
Leasehold improvements	Straight-line	5 and 9 years

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of the asset is greater than the undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss is the excess of the carrying value over the fair value.

Goodwill

Goodwill is subject to an annual impairment test on January 31 or more frequently if events or changes in circumstances indicate that it might be impaired. Testing for impairment is accomplished mainly by determining whether projected discounted future cash flows exceed the carrying amount of goodwill. The Corporation performed an impairment test on goodwill as at January 31, 2006 and has concluded that no impairment loss should be recognized.

Service contracts and client relationships

Service contracts and client relationships are recorded at cost less accumulated amortization. These intangible assets are amortized on a straight-line basis over twelve (12) years, which represents their estimated useful life. The Corporation evaluates the carrying value of these assets in each reporting period to determine if there has been an impairment in value that would result in an inability to recover the carrying amount. Such evaluation is based on estimated undiscounted future cash flows. When it is determined that the carrying value of an asset exceeds the recoverable amount, the asset is written down to the net recoverable amount with a charge to income in the period that such a determination is made.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

Deferred charges

Deferred charges include principally start-up costs incurred after obtaining certain contracts and are amortized on a straight-line basis over a period varying from four (4) to five (5) years.

Deferred financing costs

Deferred financing costs include expenses incurred by the Corporation in various financing activities and are amortized on a straight-line basis over the respective terms of these financings.

Future income taxes

The Corporation follows the liability method of accounting for income taxes, under which future income taxes are computed based on the difference between the carrying amount of the various assets and liabilities and their tax basis. The enacted tax rate when these differences will reverse is used to compute future income taxes at the balance sheet dates. Income tax assets are recognized when it is more likely than not that the assets will be realized.

Income per share

Income per share is determined using the weighted average number of shares outstanding during the year. Diluted income per share is determined using the treasury stock method to evaluate the dilutive effect of convertible debentures, special warrants, warrants, stock options and other instruments, when applicable. Under this method, instruments with a dilutive effect, basically when the average market price of a share for the period exceeds the exercise price, are considered to have been exercised at the beginning of the period, and the proceeds received are considered to have been used to redeem common shares of the Corporation at the average market price for the period.

Stock options

The Corporation has applied retroactively, without restating comparative figures, the fair value method of accounting for stock-based compensation awards granted to directors, officers, employees and other key personnel of the Corporation. This method consists of recording an expense in income based on the vesting period of the options granted. The fair value is calculated based on the Black-Scholes option pricing model, which was designed to estimate the fair value of traded options that have no vesting restrictions and are fully transferable. Any consideration paid upon exercise of the options is credited to capital stock.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

3 Business acquisitions

On February 8, 2006, the Corporation acquired all the shares of Chartrand Laframboise, which is located in Montréal and operates in Québec in the consulting and investigations sector.

On February 16, 2006, the Corporation acquired all the shares of Signum Corporate Services, which is located in Toronto and operates in Ontario in the consulting and investigations sector.

On March 9, 2006, the Corporation acquired all the shares of Rentokil Initial Canada, which is located in Toronto and operates in Canada in the physical security segment.

On April 3, 2006, the Corporation acquired all the shares of Security Armored Express which is located in Helena (Montana) and operates in the United States in the cash handling segment.

The above transactions have been accounted for using the purchase method and results of operations of the acquired businesses have been included in the consolidated financial statements since the acquisition date.

The purchase price allocation is as follows:

	Chartrand Laframboise \$	Signum Corporate Services \$	Rentokil Initial Canada \$	Security Armored Express \$	Others \$	Three months ended April 30, 2006 \$	Three months ended April 30, 2005 \$
Net assets acquired (liabilities assumed)							
Current assets	918,485	876,452	19,645,201	1,893,822	-	23,333,960	-
Property, plant and equipment	194,962	137,424	2,080,715	3,259,754	-	5,672,855	544,426
Goodwill	4,517,398	4,077,329	44,297,834	7,500,340	755,912	61,148,813	-
Service contracts and client relationships	-	-	11,074,459	51,619	-	11,126,078	3,912,209
Current liabilities	(744,376)	(405,911)	(11,938,040)	(400,396)	-	(13,488,723)	(956,635)
Future income taxes	(4,271)	18,000	-	-	-	13,729	-
Net assets acquired, net of cash and cash equivalents acquired	4,882,198	4,703,294	65,160,169	12,305,139	755,912	87,806,712	3,500,000
Cash and cash equivalents acquired	287,871	113,847	3,910,211	823,877	-	5,135,806	-
Net assets acquired	5,170,069	4,817,141	69,070,380	13,129,016	755,912	92,942,518	3,500,000
Consideration paid							
Cash payment	4,450,000	3,000,000	66,803,403	10,681,100	755,912	85,690,415	2,500,000
Transaction costs	170,069	317,141	2,266,977	696,916	-	3,451,103	-
Balance of purchase prices payable	-	900,000	-	-	-	900,000	1,000,000
Issuance of Class "A" shares	550,000	600,000	-	1,751,000	-	2,901,000	-
	5,170,069	4,817,141	69,070,380	13,129,016	755,912	92,942,518	3,500,000

The purchase price allocation is not definite with respect to goodwill, service contracts and client relationships, and future income taxes.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

4 Property, plant and equipment

	As at April 30, 2006		
	Cost \$	Accumulated amortization \$	Net \$
Buildings	1,103,981	13,153	1,090,828
Office furniture	2,193,564	711,171	1,482,393
Computer equipment	4,498,675	1,297,158	3,201,517
Equipment	4,864,715	1,282,824	3,581,891
Vehicles	5,101,789	1,904,029	3,197,760
Armored vehicles	14,264,615	1,658,568	12,606,047
Uniforms	1,628,134	894,111	734,023
Leasehold improvements	8,502,586	1,542,367	6,960,219
	42,158,059	9,303,381	32,854,678
	As at January 31, 2006		
	Cost \$	Accumulated amortization \$	Net \$
Buildings	507,423	3,555	503,868
Office furniture	1,867,396	645,150	1,222,246
Computer equipment	3,762,723	995,472	2,767,251
Equipment	3,304,842	1,105,655	2,199,187
Vehicles	3,497,221	1,571,590	1,925,631
Armored vehicles	10,840,125	1,212,068	9,628,057
Uniforms	1,457,288	727,052	730,236
Leasehold improvements	8,465,131	1,256,104	7,209,027
	33,702,149	7,516,646	26,185,503

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

5 Goodwill

	As at April 30, 2006 \$
Balance – Beginning of period	94,168,336
Business acquisitions (note 3)	61,148,813
Effect of change in exchange rates during the period	<u>(2,098,258)</u>
Balance – End of period	<u>153,218,891</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

6 Long-term debt

Long-term debt comprises the following:

	As at April 30, 2006 \$	As at January 31, 2006 \$
Senior term loan, bearing interest either at the U.S. or Canadian prime rate plus 0.25% to 1.75%, or at LIBOR or the bankers' acceptance rate plus 1.50% to 3.00%, depending on the loan instrument used and the leverage ratio, comprising the same rights and guarantees as the bank loans, repayable in 20 quarterly principal instalments from April 2006 until January 2011	50,000,000	50,000,000
Senior term loan of US\$47,503,887, bearing interest at the U.S. prime rate plus 1.5% to 2.00% or at LIBOR plus 2.75% to 3.25%, depending on the loan instrument used and the leverage ratio, comprising the same rights and guarantees as the bank loans, repayable in full at maturity in January 2012	53,109,345	54,339,697
Subordinated term loan, bearing interest at a fixed rate of 12% plus 3.0% until July 2007 and 5.0% thereafter, repayable in full, including compounded interest in January 2013	24,935,712	24,973,605
Balances of purchase prices payable, bearing interest at rates ranging from 0% to 5%, payable in annual and quarterly instalments until October 2010	6,825,000	6,200,000
Capital lease obligations, secured by property, plant and equipment, bearing interest at rates ranging from 5.1% to 8.8%, repayable in monthly instalments of a maximum of \$244,833, including principal and interest, maturing at different dates until March 2011	7,322,199	4,542,381
Loans, bearing interest at an average rate of 0.1%, secured by vehicles, repayable in monthly instalments of a maximum of \$13,791, including principal and interest, maturing at different dates until November 2008	240,814	278,076
	142,433,070	140,333,759
Less: Current portion	12,379,605	10,650,390
	130,053,465	129,683,369

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

7 Capital stock

- a) Authorized – in unlimited number, without par value

Class “A” shares, voting and participating

Class “B” shares, issuable in one or more series. The directors are authorized to fix the number of shares in each series and to determine the description, rights, privileges, restrictions and conditions attached to the shares of each series

- b) Issued and fully paid

Changes in capital stock issued during the quarter ended April 30, 2006 are summarized as follows:

	Number of Class “A” shares	\$
Balance – Beginning of period	25,911,889	8,059,926
Issued following business acquisitions (note 3)	147,758	2,901,000
Balance – End of period	26,059,647	10,960,926

- c) Options

The Corporation has adopted an Incentive Stock Option Plan (the “Plan”) for Class “A” shares whereby a maximum of 10% of the issued Class “A” shares are reserved for and offered as stock options to directors, officers, employees and other key personnel of the Corporation. The Plan provides that the terms of the option and the option price shall be established by the directors and the competent stock market authorities subject to price restrictions and other requirements.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

The following table summarizes the Corporation's Class "A" stock options' activity:

	As at April 30, 2006		As at April 30, 2005	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Options granted – Beginning of period	1,545,000	3.67	1,251,500	1.54
Granted	890,000	15.25	85,000	8.00
Exercised	-	-	(86,500)	0.85
Forfeited	-	-	(10,000)	3.00
Options granted – End of period	<u>2,435,000</u>	<u>7.90</u>	<u>1,240,000</u>	<u>2.02</u>

The following table summarizes information about Class "A" share stock options outstanding and exercisable as at April 30, 2006:

Exercise price \$	Options outstanding			Options exercisable		
	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$	
0.85	285,000	2.00	0.85	285,000	0.85	
1.00	150,000	2.19	1.00	100,000	1.00	
1.25	50,000	2.67	1.25	50,000	1.25	
1.50	170,000	2.67	1.50	100,000	1.50	
1.60	300,000	2.69	1.60	300,000	1.60	
3.00	110,000	3.18	3.00	-	-	
3.55	50,000	3.30	3.55	50,000	3.55	
4.75	15,000	3.47	4.75	-	-	
8.00	85,000	3.83	8.00	-	-	
8.50	220,000	4.11	8.50	-	-	
8.60	25,000	4.04	8.60	-	-	
10.00	15,000	4.22	10.00	-	-	
14.00	70,000	4.58	14.00	-	-	
15.00	745,000	4.80	15.00	-	-	
15.18	100,000	4.79	15.18	-	-	
16.30	25,000	4.79	16.30	-	-	
23.40	20,000	4.92	23.40	-	-	
	<u>2,435,000</u>	<u>3.63</u>	<u>7.90</u>	<u>885,000</u>	<u>1.37</u>	

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

- d) During the quarter ended April 30, 2006, the Corporation granted 890,000 (85,000 for the corresponding quarter last year) Class “A” share stock options at exercise prices ranging from \$15.00 to \$23.40 (\$8.00 for the corresponding quarter last year).

The fair value of options granted was estimated on the date of the grant using the Black-Scholes option pricing model on the basis of the following assumptions:

Expected dividend rate	0%
Volatility	59%
Expected life of options	5 years
Risk-free interest rate	3.00%
Number of options	890,000
Fair value of options	\$7,171,251

During the quarter ended April 30, 2006, the Corporation recorded to net income a stock-based compensation cost of \$501,000 (\$134,523 for the corresponding quarter last year) for the options granted since February 1, 2002. The counterpart has been credited to contributed surplus (note 9).

8 Special warrants

On March 30, 2006, the Corporation concluded a private placement for the issuance of 4,500,000 special warrants at a price of \$23.40 per special warrant for total net proceeds of \$100,035,000. Each special warrant will entitle the holder to acquire one (1) Class “A” share without payment of additional consideration, until the first of the following two (2) dates: (i) March 30, 2007 and (ii) six (6) days following the reception of a visa of the prospectus qualifying the titles. In the event that the Corporation cannot deliver the prospectus by June 1, 2006, the holder of special warrants will be entitle to receive from the Corporation 1.1 Class “A” shares (in lieu of one (1) Class “A” share otherwise receivable) without payment of additional consideration. The net proceed of the private placement in the amount of \$100,035,000 was used by the Corporation to repay the outstanding bridge loan related to the acquisition of Rentokil Initial Canada completed on March 9, 2006, to pay the acquisition of Security Armored Express completed on April 3, 2006, to undertake further business development, and for working capital purposes.

The final prospectus was deposited on May 26, 2006. Following this deposit, the automatic exercise procedure of the special warrants issued, as per the Special Warrant Indenture dated March 30, 2006, resulted in the issuance of 4,500,000 Class “A” shares of the Corporation, on June 7, 2006.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

Changes in special warrants issued during the quarter ended April 30, 2006 are summarized as follows:

	Number of special warrants	\$
Balance – Beginning of period	-	-
Issued following the conclusion of a private placement	4,500,000	100,035,000
Special warrants issue expenses	-	<u>(233,759)</u>
Balance – End of period	<u>4,500,000</u>	<u>99,801,241</u>

9 Contributed surplus

	As at April 30, 2006 \$
Balance – Beginning of period	1,260,123
Stock-based compensation (note 7(d))	<u>501,000</u>
Balance – End of period	<u>1,761,123</u>

10 Cumulative translation adjustments

	As at April 30, 2006 \$
Balance – Beginning of period	(1,089,527)
Effects of changes in exchange rates during the year on net investment in self-sustaining foreign subsidiaries	<u>(1,698,405)</u>
Balance – End of period	<u>(2,787,932)</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

11 Income per share

The following table reconciles basic and diluted net income per share:

	Three months ended April 30, 2006 \$	Three months ended April 30, 2005 \$
Net income for the period for use in computation of diluted income per share	<u>4,497,748</u>	3,103,688
Weighted average number of shares outstanding for use in computation of basic income per share	25,997,722	25,264,669
Effect of potentially dilutive securities Stock options	<u>1,232,431</u>	869,546
Weighted average number of shares outstanding for use in computation of diluted income per share	<u>27,230,153</u>	26,134,215
Basic net income per share	<u>0.17</u>	0.12
Diluted net income per share	<u>0.17</u>	0.12

During the quarter ended April 30, 2006, the 890,000 (85,000 for the corresponding quarter last year) Class "A" share stock options with an exercise price varying from \$15.00 to \$23.40 (\$8.00 for the corresponding quarter last year) were excluded in computing the diluted income per share because the aggregate of the exercised price and the related future stock-based compensation cost exceeded for the quarter ended April 30, 2006 the average market price for Class "A" shares of the Corporation.

Moreover, special warrants are excluded in computing the diluted income per share because the special warrants subscription unit price exceeded for the quarter ended April 30, 2006 the average market price for Class "A" shares of the Corporation.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

12 Change in non-cash working capital items

The change in non-cash working capital items is determined as follows:

	Three months ended April 30, 2006 \$	Three months ended April 30, 2005 \$
Decrease (increase) in		
Accounts receivable	12,684,155	(4,642,255)
Revenue to be billed	(12,115,502)	3,062,106
Inventories	30,581	(19,711)
Prepaid expenses	(662,181)	(178,419)
Future income taxes	30,991	-
Decrease in		
Accounts payable and accrued liabilities	(3,750,842)	(5,329,202)
Income taxes	(6,110,419)	(322,647)
	<u>(9,893,217)</u>	<u>(7,430,128)</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

13 Financial instruments

Fair value of financial instruments

The Corporation has estimated the fair value of its financial instruments based on current interest rates, market value and current pricing of financial instruments with similar conditions. Unless otherwise indicated, the carrying value of these financial instruments is considered to approximate their fair value.

Credit risk

The Corporation performs ongoing credit reviews of all its customers and records an allowance for doubtful accounts when accounts are determined to be uncollectible.

Interest rate risk

As at April 30, 2006, the Corporation's interest rate risk is summarized as follows:

Cash and cash equivalents	Variable rate
Accounts receivable	Non-interest bearing
Bank loans	Variable rate
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	See note 6

Foreign exchange risk

The Corporation has operating activities outside Canada, namely in the United States, Mexico, England and Iraq, through its wholly owned subsidiaries. It is therefore exposed to foreign exchange rate risks in the net investment in its foreign subsidiaries.

14 Segmented information

The Corporation provides security services primarily in Canada and the United States, and its activities are carried out through two (2) main reportable segments:

- i) physical security and other: security officer services, airport pre-board screening services, investigation and consulting services, pre-employment screening and other.
- ii) cash handling: armored cash transportation, automated teller machine maintenance, cash logistics services, and the supply of safes and locks.

Activities carried on through other segments are not significant and are included in the physical security and other segment.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

The accounting policies of the reportable segments are the same as those used for the consolidated financial statements.

a) Business segment

	Three months ended April 30, 2006 \$	Three months ended April 30, 2005 \$
Sales		
Physical security and other	109,701,199	37,035,805
Cash handling	27,939,534	14,822,144
	<u>137,640,733</u>	<u>51,857,949</u>
Amortization of property, plant and equipment		
Physical security and other	659,498	199,582
Cash handling	1,186,686	453,194
	<u>1,846,184</u>	<u>652,776</u>
Amortization of service contracts and client relationships		
Physical security and other	312,501	54,372
Cash handling	111,510	111,510
	<u>424,011</u>	<u>165,882</u>
Amortization of deferred charges		
Physical security and other	75,570	58,935
Cash handling	50,958	50,958
	<u>126,528</u>	<u>109,893</u>
Income before financing expenses and income taxes		
Physical security and other	7,000,138	2,788,615
Cash handling	3,032,380	2,231,604
	<u>10,032,518</u>	<u>5,020,219</u>
Additions to property, plant and equipment		
Physical security and other	1,939,204	312,628
Cash handling	650,591	497,810
	<u>2,589,795</u>	<u>810,438</u>
	As at April 30, 2006 \$	As at January 31, 2006 \$
Goodwill		
Physical security and other	128,868,814	76,603,954
Cash handling	24,350,077	17,564,382
	<u>153,218,891</u>	<u>94,168,336</u>
Total assets		
Physical security and other	292,626,161	176,334,000
Cash handling	68,716,801	72,829,498
	<u>361,342,962</u>	<u>249,163,498</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

b) Geographical segment

	Three months ended April 30, 2006 \$	Three months ended April 30, 2005 \$
Sales		
Canada	83,892,227	51,857,949
United States and other	53,748,506	-
	<u>137,640,733</u>	<u>51,857,949</u>
Amortization of property, plant and equipment		
Canada	1,038,484	652,776
United States and other	807,700	-
	<u>1,846,184</u>	<u>652,776</u>
Amortization of service contracts and client relationships		
Canada	424,011	165,882
United States and other	-	-
	<u>424,011</u>	<u>165,882</u>
Amortization of deferred charges		
Canada	126,528	109,893
United States and other	-	-
	<u>126,528</u>	<u>109,893</u>
Income before financing expenses and income taxes		
Canada	6,923,122	5,020,219
United States and other	3,109,396	-
	<u>10,032,518</u>	<u>5,020,219</u>
Additions to property, plant and equipment		
Canada	1,287,938	810,438
United States and other	1,301,857	-
	<u>2,589,795</u>	<u>810,438</u>
	As at April 30, 2006 \$	As at January 31, 2006 \$
Goodwill		
Canada	65,323,874	11,956,403
United States and other	87,895,017	82,211,933
	<u>153,218,891</u>	<u>94,168,336</u>
Total assets		
Canada	186,593,871	83,873,100
United States and other	174,749,091	165,290,398
	<u>361,342,962</u>	<u>249,163,498</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

15 Comparative figures

Certain comparative figures have been restated to conform to the new presentation adopted in the current quarter.