

Garda World Security Corporation

Consolidated Financial Statements (Unaudited)
First Quarter Ended April 30, 2007

Garda World Security Corporation

Consolidated Balance Sheets

	As at April 30, 2007 \$ (Unaudited)	As at January 31, 2007 \$ (Audited)
Assets		
Current assets		
Cash and cash equivalents	19,746,463	14,125,687
Accounts receivable	185,987,521	121,783,216
Revenue to be billed	21,674,677	21,819,844
Inventories	26,539,271	1,051,445
Prepaid expenses	10,540,555	4,965,014
Income taxes refundable	1,651,119	2,001,919
Future income taxes	12,106,278	1,510,091
	278,245,884	167,257,216
Property, plant and equipment (note 4)	221,542,238	50,453,964
Goodwill (note 5)	410,480,409	202,540,360
Service contracts and client relationships , net of accumulated amortization of \$2,690,813 (As at January 31, 2007 – \$2,147,587)	65,352,215	14,445,497
Deferred charges , net of accumulated amortization of \$1,289,847 (As at January 31, 2007 – \$1,163,316)	1,373,455	1,019,883
Deferred financing costs (note 6)	-	4,565,183
Future income taxes	9,440,028	6,073,264
	986,434,229	446,355,367
Liabilities		
Current liabilities		
Bank loans and overdrafts	45,716,428	34,752,706
Accounts payable and accrued liabilities	145,550,472	87,264,900
Current portion of long-term debt (note 6)	30,406,752	15,846,399
	221,673,652	137,864,005
Long-term debt (note 6)	597,922,854	148,055,268
Future income taxes	15,565,136	4,450,175
	835,161,642	290,369,448
Shareholders' Equity		
Capital stock (note 7)	111,723,862	108,922,885
Contributed surplus (note 8)	4,336,235	3,480,325
Accumulated other comprehensive income (note 9)	(11,405,186)	2,760,853
Retained earnings	46,617,676	40,821,856
	151,272,587	155,985,919
	986,434,229	446,355,367

Garda World Security Corporation

Consolidated Statements of Retained Earnings (Unaudited)

	Three months ended April 30, 2007 \$	Three months ended April 30, 2006 \$
Balance – Beginning of period	40,821,856	19,775,380
Net income for the period	<u>5,795,820</u>	<u>4,497,748</u>
Balance – End of period	<u>46,617,676</u>	<u>24,273,128</u>

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Consolidated Statements of Income and Comprehensive Income (Unaudited)

	Three months ended April 30, 2007	Three months ended April 30, 2006
	\$	\$
Sales	238,016,127	137,640,733
Cost of sales	190,458,328	109,111,940
Gross profit	47,557,799	28,528,793
Operating expenses		
Selling and administrative expenses	28,197,046	16,099,552
Amortization of property, plant and equipment	5,940,137	1,846,184
Amortization of service contracts and client relationships	543,226	424,011
Amortization of deferred charges	126,531	126,528
	34,806,940	18,496,275
Income before financing expenses and income taxes	12,750,859	10,032,518
Financing expenses		
Interest on long-term debt	4,787,211	3,455,549
Other interest	676,123	(17,570)
Amortization of deferred financing costs	410,837	127,330
	5,874,171	3,565,309
Income before income taxes	6,876,688	6,467,209
Provision for income taxes	1,080,868	1,969,461
Net income for the period	5,795,820	4,497,748
Basic net income per share (note 10)	0.19	0.17
Diluted net income per share (note 10)	0.18	0.17
Net income for the period	5,795,820	4,497,748
Other comprehensive income		
Unrealized losses on translation of financial statements of self-sustaining foreign operations	(14,166,039)	(1,698,405)
Comprehensive income (loss) for the period	(8,370,219)	2,799,343

Garda World Security Corporation

Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended April 30, 2007 \$	Three months ended April 30, 2006 \$
Cash flows from		
Operating activities		
Net income for the period	5,795,820	4,497,748
Adjustments for		
Stock-based compensation (note 7(d))	855,910	501,000
Amortization of property, plant and equipment	5,940,137	1,846,184
Amortization of service contracts and client relationships	543,226	424,011
Amortization of deferred charges	126,531	126,528
Amortization of deferred financing costs	410,837	127,330
Future income taxes	-	813,784
	<u>13,672,461</u>	<u>8,336,585</u>
Change in non-cash working capital items (note 11)	<u>(18,718,346)</u>	<u>(9,893,217)</u>
	<u>(5,045,885)</u>	<u>(1,556,632)</u>
Financing activities		
Deferred financing costs	-	(245,074)
Increase in bank loans and overdrafts	10,198,195	3,542,086
Increase in long-term debt	548,184,595	68,176,419
Repayment of long-term debt	(144,427,281)	(65,708,864)
Issuance of Class "A" shares, net of shares and special warrants issue expenses	-	99,801,241
	<u>413,955,509</u>	<u>105,565,808</u>
Investing activities		
Additions to property, plant and equipment	(6,680,147)	(2,589,795)
Proceeds from disposal of property, plant and equipment	43,317	7,813
Business acquisitions, net of cash and cash equivalents acquired (note 3)	(396,084,953)	(89,141,518)
Deferred charges	-	(5,893)
	<u>(402,721,783)</u>	<u>(91,729,393)</u>
Foreign currency translation on cash	<u>(567,065)</u>	<u>-</u>
Net increase in cash and cash equivalents during the period	5,620,776	12,279,783
Cash and cash equivalents – Beginning of period	<u>14,125,687</u>	<u>23,052,302</u>
Cash and cash equivalents – End of period	<u>19,746,463</u>	<u>35,332,085</u>

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Notes to Consolidated Financial Statements

(Unaudited)

1 Nature of operations

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

2 Significant accounting policies

Consolidation

These consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries and variable interest entities (VIE) where the Corporation is the primary beneficiary.

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.

Revenue recognition

Sales are recognized as revenue when there is persuasive evidence that an agreement exists, when services have been rendered, when the price is fixed or determinable, and when collection is reasonably assured. Revenues are recorded on the basis of cyclical billings and also include revenue accrued in respect of services rendered but as yet unbilled.

Self-insurance

Certain United States subsidiaries are primarily self-insured for worker's compensation. These United States subsidiaries maintain accruals to cover the estimated retained liability. The accrual for self-insurance is determined by management and is based on claims filed and an estimate of claims incurred but not yet reported. Management considers a number of factors, including third party actuary valuations, when making these determinations. The United States subsidiaries maintain third party stop-loss insurance policies to cover certain liability costs in excess of predetermined retained amounts.

Translation of foreign currencies

Self-sustaining foreign operations

Assets and liabilities of self-sustaining foreign subsidiaries are translated into Canadian dollars at period-end exchange rates, and the resulting unrealized exchange gains and losses are included in the accumulated other comprehensive income in shareholders' equity. Revenue and expense items are translated into Canadian dollars at the exchange rate in effect on the date on which such items are recognized in income.

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Translation of other foreign currency transactions

Monetary items denominated in foreign currencies, such as foreign currency debt, are translated at period-end exchange rates. The resulting exchange gains and losses are included in income for the period.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand.

Inventories

Inventories are valued at the lower of cost and replacement cost, cost being determined according to the specific identification method.

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
Aircrafts	Straight-line	10 and 20 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, 2007 and has concluded that no impairment loss should be recognized.

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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 periods varying from twelve (12) to twenty (20) years, which represent their estimated useful lives. The Corporation evaluates the carrying value of these assets in each reporting year 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.

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 using the effective interest rate method over the respective term 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 amounts 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.

Net income per share

Net income per share is determined using the weighted average number of shares outstanding during the period. Diluted net income per share is determined using the treasury stock method to evaluate the dilutive effect of 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.

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Notes to Consolidated Financial Statements

(Unaudited)

Stock options

The Corporation has applied 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.

Changes in accounting policies

a) Financial instruments – recognition and measurement

On February 1, 2007, the Corporation adopted Section 3855 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook, "Financial Instruments – Recognition and Measurement". It exposes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value.

The Corporation has made the following classifications:

- Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value. Gains and losses related to periodical revaluation are recorded in net income.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.
- Bank loans and overdraft, accounts payable and accrued liabilities and long-term debt are classified as other liabilities and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

The adoption of this Section is done retroactively without restatement of the consolidated financial statements of prior periods. As at February 1, 2007, the impact on the consolidated balance sheet using the effective interest rate method of reclassifying the costs directly attributable to the issuance of the long-term debt was a decrease in assets of \$4,565,183 and a decrease in long-term debt for the same amount. Prior periods were not restated.

The Corporation selected February 1, 2003 as its transition date for embedded derivatives. An embedded derivative is a component of a financial instrument or another contract of which the characteristics are similar to a derivative. This had no impact on the consolidated financial statements.

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b) Comprehensive income

On February 1, 2007, the Corporation adopted Section 1530 of the CICA Handbook, "Comprehensive Income". It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity, which results from transactions and events from sources other than the Corporation's shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses resulting from changes in fair value of certain financial instruments.

The adoption of this Section implied that the Corporation now presents the other comprehensive income as part of the consolidated statements of income. The comparative statements are restated to reflect the application of this Section for changes in the balances for foreign currency translation of self-sustaining foreign operations.

c) Equity

On February 1, 2007, the Corporation adopted Section 3251 of the CICA Handbook, "Equity", replacing Section 3250, "Surplus". It describes standards for the presentation of equity and changes in equity for reporting period as a result of the application of Section 1530, "Comprehensive Income".

d) Hedges

On February 1, 2007, the Corporation adopted Section 3865 of the CICA Handbook, "Hedges". The recommendations of this Section expand the guidelines required by Accounting Guideline 13 (AcG-13), Hedging Relationships. This Section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instruments in the same period as for those related to the hedged item. This had no impact on the consolidated financial statements.

e) Accounting changes

As at February 1, 2007, the Company adopted Section 1506 "Accounting changes". This Section established criteria to be met in order to change, together with the accounting treatment and disclosure required when there is a change in accounting policies, estimates and correction of errors. The adoption of this Section had no impact on the consolidated financial position and results of operations of the Company.

3 Business acquisitions

On February 5, 2007, the Corporation acquired the assets of GSS Global, which is located in the United Kingdom and operates in the United Kingdom and Israel in the consulting and investigations sector.

On April 10, 2007, the Corporation acquired all the shares of ATI International, which is located in Pasadena (California) and operates in the United States in the cash logistics 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.

As at April 30, 2007, the Corporation allocated the purchase price on a preliminary basis to the assets acquired and the liabilities assumed based on management's best estimates of their fair value and taking into account all relevant information available at that time.

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	<u>Physical security and other</u>	<u>Cash logistics</u>	<u>Total</u>
	<u>GSS Global</u>	<u>ATI International</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets acquired (liabilities assumed)			
Current assets	-	101,424,590	101,424,590
Property, plant and equipment	-	171,994,198	171,994,198
Goodwill	7,604,185	207,303,451	214,907,636
Service contracts and client relationships	-	51,825,863	51,825,863
Long-term assets	-	489,617	489,617
Current liabilities	-	(77,505,050)	(77,505,050)
Long-term debt	-	(54,615,305)	(54,615,305)
Future income taxes	-	(7,441,146)	(7,441,146)
Net assets acquired, net of cash and cash equivalents acquired	7,604,185	393,476,218	401,080,403
Cash and cash equivalents acquired	-	(4,321,627)	(4,321,627)
Net assets acquired	7,604,185	389,154,591	396,758,776
Consideration paid			
Cash payment	2,497,725	381,749,325	384,247,050
Transaction costs	111,010	7,405,266	7,516,276
Balance of purchase price payable	2,220,200	-	2,220,200
Issuance of Class "A" shares	2,775,250	-	2,775,250
	7,604,185	389,154,591	396,758,776

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

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(Unaudited)

4 Property, plant and equipment

	As at April 30, 2007		
	Cost \$	Accumulated amortization \$	Net \$
Land	255,896	-	255,896
Buildings	4,774,760	112,372	4,662,388
Office furniture	4,589,591	1,603,469	2,986,122
Computer equipment	13,724,766	2,315,365	11,409,401
Equipment	21,687,535	2,911,036	18,776,499
Vehicles	6,263,854	2,933,802	3,330,052
Aircrafts	72,422,475	1,682,701	70,739,774
Armored vehicles	80,776,094	5,933,898	74,842,196
Uniforms	5,752,623	2,581,937	3,170,686
Leasehold improvements	34,746,063	3,376,839	31,369,224
	244,993,657	23,451,419	221,542,238

	As at January 31, 2007		
	Cost \$	Accumulated amortization \$	Net \$
Land	271,317	-	271,317
Buildings	3,006,422	86,566	2,919,856
Office furniture	2,434,716	978,738	1,455,978
Computer equipment	7,880,212	2,290,755	5,589,457
Equipment	7,967,185	2,171,503	5,795,682
Vehicles	5,944,209	2,630,203	3,314,006
Aircrafts	519,511	142,689	376,822
Armored vehicles	24,413,478	4,219,863	20,193,615
Uniforms	4,868,166	2,066,298	2,801,868
Leasehold improvements	10,304,366	2,569,003	7,735,363
	67,609,582	17,155,618	50,453,964

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Notes to Consolidated Financial Statements

(Unaudited)

5 Goodwill

	As at April 30, 2007 \$
Balance – Beginning of period	202,540,360
Business acquisitions (note 3)	214,907,636
Effect of change in exchange rates during the period	<u>(6,967,587)</u>
Balance – End of period	<u>410,480,409</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, 2007 \$	As at January 31, 2007 \$
Senior term loan, bearing interest either at the U.S. or Canadian prime rate plus 1.00% to 2.00%, or at LIBOR or the bankers' acceptance rate plus 2.25% 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 20 quarterly principal instalments from July 2007 until April 2012	200,000,000	-
Senior term loan of US\$190,000,000, bearing interest at the U.S. prime rate plus 1.75% to 2.25% or at LIBOR plus 3.00% to 3.50%, 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 April 2013	210,919,000	-
Subordinated term loan of US\$130,000,000, bearing interest at the U.S. prime rate plus 5.50%, or at LIBOR rate plus 6.75%, depending on the loan instrument used, repayable in full in April 2014	144,313,000	-
Balances of purchase prices payable, bearing interest at rates ranging from 0% to 5%, payable in annual and quarterly instalments until February 2012	6,695,200	5,330,400
Capital lease obligations, secured by property, plant and equipment, bearing interest at rates ranging from 3.9% to 8.8%, repayable in monthly instalments of a maximum of \$1,120,649, including principal and interest, maturing at different dates until January 2014	80,552,060	10,271,179
Loans, bearing interest at an average rate of 0.1%, secured by vehicles, repayable in monthly instalments of a maximum of \$10,359, including principal and interest, maturing at different dates until March 2010	226,036	227,344
Senior term loan, refinanced during the quarter	-	43,000,000
Senior term loan of US\$78,291,887, refinanced during the quarter	-	92,149,551
Subordinated term loan, refinanced during the quarter	-	12,923,193
Deferred financing costs, net of accumulated amortization of \$2,045,080	(14,375,690)	-
	628,329,606	163,901,667
Less: Current portion	30,406,752	15,846,399
	597,922,854	148,055,268

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(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 three (3) month period ended April 30, 2007 are summarized as follows:

	Number of Class “A” shares	\$
Balance – Beginning of period	30,644,313	108,922,885
Issued following business acquisitions (note 3)	<u>125,590</u>	<u>2,800,977</u>
Balance – End of period	<u>30,769,903</u>	<u>111,723,862</u>

- c) Options

The board of directors of the Corporation may, by resolution, grant options to directors, officers, employees of, and service providers to, the Corporation and of its subsidiaries, provided that the total number of shares issued under the plan does not exceed ten percent (10%) of the common shares issued by the Corporation. The exercise price of the options is determined by the board of directors or the governance committee at the time of the grant of an option. The exercise price of the options shall not be lower than the closing price of the shares on the last trading day of the Toronto Stock Exchange prior to the time of the grant. The maximum period during which an option may be exercised is five (5) years from the date on which it is granted.

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

	As at April 30, 2007		As at April 30, 2006	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Options granted – Beginning of period	2,485,334	9.60	1,545,000	3.67
Granted	355,000	23.40	890,000	15.25
Forfeited	(45,000)	21.74	-	-
Options granted – End of period	<u>2,795,334</u>	<u>11.16</u>	<u>2,435,000</u>	7.90

The following table summarizes information about Class "A" share stock options outstanding and exercisable as at April 30, 2007:

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	275,000	1.00	0.85	275,000	0.85	
1.00	150,000	1.19	1.00	116,667	1.00	
1.25	40,000	1.67	1.25	40,000	1.25	
1.50	155,334	1.67	1.50	108,666	1.50	
1.60	300,000	1.69	1.60	300,000	1.60	
3.00	110,000	2.18	3.00	50,000	3.00	
4.75	15,000	2.47	4.75	-	-	
8.00	75,000	2.83	8.00	-	-	
8.50	205,000	3.11	8.50	-	-	
8.60	25,000	3.04	8.60	-	-	
10.00	15,000	3.22	10.00	-	-	
14.00	70,000	3.58	14.00	-	-	
15.00	590,000	3.80	15.00	-	-	
15.18	90,000	3.79	15.18	-	-	
16.30	25,000	3.79	16.30	-	-	
23.40	655,000	4.58	23.40	-	-	
	<u>2,795,334</u>	3.03	11.16	<u>890,333</u>	1.34	

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- d) During the three (3) month period ended April 30, 2007, the Corporation granted 355,000 (890,000 for the corresponding period last year) Class "A" share stock options at an exercise price of \$23.40 (\$15.00 to \$23.40 for the corresponding period 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	35%
Expected life of options	5 years
Risk-free interest rate	3.60%
Number of options	355,000
Fair value of options	\$2,592,197

During the three (3) month period ended April 30, 2007, the Corporation recorded to net income a stock-based compensation cost of \$855,910 (\$501,000 for the corresponding period last year) for the options granted since February 1, 2002. The counterpart has been credited to contributed surplus (note 8).

8 Contributed surplus

	As at April 30, 2007 \$
Balance – Beginning of period	3,480,325
Stock-based compensation (notes 2 and 7(d))	<u>855,910</u>
Balance – End of period	<u>4,336,235</u>

9 Accumulated other comprehensive income

	As at April 30, 2007 \$
Balance – Beginning of period	2,760,853
Unrealized losses on translation of financial statements of self-sustaining foreign operations	<u>(14,166,039)</u>
Balance – End of period	<u>(11,405,186)</u>

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10 Income per share

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

	Three months ended April 30, 2007 \$	Three months ended April 30, 2006 \$
Net income for the period	<u>5,795,820</u>	4,497,748
Weighted average number of shares outstanding for use in computation of basic income per share	30,762,847	25,997,722
Effect of potentially dilutive securities Stock options	<u>1,087,331</u>	1,232,431
Weighted average number of shares outstanding for use in computation of diluted income per share	<u>31,850,178</u>	27,230,153
Basic net income per share	<u>0.19</u>	0.17
Diluted net income per share	<u>0.18</u>	0.17

During the quarter ended April 30, 2007, 1,360,000 (890,000 for the corresponding period last year) Class "A" share stock options with an exercise price of \$15.00 to \$23.40 (\$15.00 to \$23.40 for the corresponding period 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, 2007 the average market price for Class "A" shares of the Corporation.

Garda World Security Corporation

Notes to Consolidated Financial Statements (Unaudited)

11 Change in non-cash working capital items

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

	Three months ended April 30, 2007	Three months ended April 30, 2006
	\$	\$
Decrease (increase) in		
Accounts receivable	(5,556,586)	12,684,155
Revenue to be billed	368,687	(12,115,502)
Inventories	(43,060)	30,581
Prepaid expenses	(1,690,521)	(662,181)
Income taxes refundable	350,800	30,991
Decrease in		
Accounts payable and accrued liabilities	(12,138,484)	(3,750,842)
Income taxes	(9,182)	(6,110,419)
	<u>(18,718,346)</u>	<u>(9,893,217)</u>

12 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, 2007, the Corporation's interest rate risk is summarized as follows:

Cash and cash equivalents	Variable rate
Accounts receivable	Non-interest bearing
Bank loans and overdrafts	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 the Middle East, through its wholly owned subsidiaries. It is therefore exposed to foreign exchange rate risks in the net investment in its foreign subsidiaries.

Garda World Security Corporation

Notes to Consolidated Financial Statements

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13 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 guard services, airport pre-board screening services, consulting and investigation/global risk services, enterprise intelligence services and other.
- ii) cash logistics: armored transportation services, deposit processing, cash vault, in-store/cash control systems and ATM services.

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

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

Garda World Security Corporation

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(Unaudited)

a) Business segment

	Three months ended April 30, 2007 \$	Three months ended April 30, 2006 \$
Sales		
Physical security and other	154,581,477	109,701,199
Cash logistics	83,434,650	27,939,534
	238,016,127	137,640,733
Amortization of property, plant and equipment		
Physical security and other	1,044,400	659,498
Cash logistics	4,895,737	1,186,686
	5,940,137	1,846,184
Amortization of service contracts and client relationships		
Physical security and other	116,167	312,501
Cash logistics	427,059	111,510
	543,226	424,011
Amortization of deferred charges		
Physical security and other	75,570	75,570
Cash logistics	50,961	50,958
	126,531	126,528
Income before financing expenses and income taxes		
Physical security and other	8,450,590	7,000,138
Cash logistics	4,300,269	3,032,380
	12,750,859	10,032,518
	As at April 30, 2007 \$	As at January 31, 2007 \$
Property, plant and equipment		
Physical security and other	10,264,340	9,867,916
Cash logistics	211,277,898	40,586,048
	221,542,238	50,453,964
Goodwill		
Physical security and other	162,536,482	160,747,152
Cash logistics	247,943,927	41,793,208
	410,480,409	202,540,360
Service contracts and client relationships		
Physical security and other	6,114,929	6,348,002
Cash logistics	59,237,286	8,097,495
	65,352,215	14,445,497
Total assets		
Physical security and other	321,414,610	322,591,638
Cash logistics	665,019,619	123,763,729
	986,434,229	446,355,367

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

b) Geographical segment

	Three months ended April 30, 2007 \$	Three months ended April 30, 2006 \$
Sales		
Canada	116,349,835	83,892,227
United States and other	121,666,292	53,748,506
	238,016,127	137,640,733
Amortization of property, plant and equipment		
Canada	1,409,837	1,038,484
United States and other	4,530,300	807,700
	5,940,137	1,846,184
Amortization of service contracts and client relationships		
Canada	165,177	424,011
United States and other	378,049	-
	543,226	424,011
Amortization of deferred charges		
Canada	126,531	126,528
	126,531	126,528
Income before financing expenses and income taxes		
Canada	6,878,644	6,923,122
United States and other	5,872,215	3,109,396
	12,750,859	10,032,518
	As at April 30, 2007 \$	As at January 31, 2007 \$
Property, plant and equipment		
Canada	21,054,760	20,299,163
United States and other	200,487,478	30,154,801
	221,542,238	50,453,964
Goodwill		
Canada	80,283,888	80,282,034
United States and other	330,196,521	122,258,326
	410,480,409	202,540,360
Service contracts and client relationships		
Canada	6,868,672	6,997,016
United States and other	58,483,543	7,448,481
	65,352,215	14,445,497
Total assets		
Canada	199,381,209	194,246,851
United States and other	787,053,020	252,108,516
	986,434,229	446,355,367

Garda World Security Corporation

Notes to Consolidated Financial Statements

(Unaudited)

14 Comparative figures

Certain comparative figures have been reclassified to conform to the new presentation adopted in the current period.