

Garda World Security Corporation

Consolidated Financial Statements (unaudited)
For the first quarter ended April 30, 2008

Garda World Security Corporation

Consolidated Balance Sheets

(in thousands of dollars)

	As at April 30, 2008 \$ (unaudited)	As at January 31, 2008 \$ (audited)
Assets		
Current assets		
Cash	27,421	33,840
Accounts receivable	147,584	156,217
Revenue to be billed	29,665	25,303
Inventories	9,157	7,103
Prepaid expenses	13,303	12,719
Income taxes refundable	13,290	10,030
Future income taxes	8,993	8,691
	249,413	253,903
Property, plant and equipment (note 3)	237,595	240,056
Goodwill (note 4)	381,454	379,745
Service contracts and client relationships (note 10)	52,190	51,998
Other assets (note 5)	17,439	15,814
Future income taxes	12,252	13,858
	950,343	955,374
Liabilities		
Current liabilities		
Bank loans and overdrafts	10,149	9,215
Accounts payable and accrued liabilities	113,782	119,228
Income taxes payable	1,640	1,833
Current portion of long-term debt (note 6)	31,073	32,177
	156,644	162,453
Long-term debt (note 6)	584,383	590,971
Other liabilities (note 7)	56,507	57,620
Future income taxes	24,066	23,886
	821,600	834,930
Shareholders' Equity		
Capital stock (note 8 (c))	114,930	114,798
Contributed surplus (note 9)	6,656	5,837
Accumulated other comprehensive loss (note 12)	(53,637)	(56,615)
Retained earnings	60,794	56,424
	128,743	120,444
	950,343	955,374

Garda World Security Corporation

Consolidated Statements of Retained Earnings

(unaudited)

(in thousands of dollars)

	Three months ended April 30, 2008	Three months ended April 30, 2007
	\$	\$
Balance – Beginning of period	56,424	40,822
Net income for the period	<u>4,370</u>	<u>5,796</u>
Balance – End of period	<u>60,794</u>	<u>46,618</u>

Garda World Security Corporation

Consolidated Statements of Income

(unaudited)

(in thousands of dollars, except per share amounts)

	Three months ended April 30, 2008 \$	Three months ended April 30, 2007 \$
Revenues	295,976	238,016
Operating costs	223,951	190,458
Gross profit	72,025	47,558
Selling and administrative expenses	41,994	28,197
Amortization (note 10)	11,821	6,610
Income before financing expenses and income taxes	18,210	12,751
Financing expenses (note 11)	15,622	5,874
Income before income taxes	2,588	6,877
Provision for future income taxes	61	-
Provision for (recovery of) current income taxes	(1,843)	1,081
Net income for the period	4,370	5,796
Basic net income per share (note 13)	0.14	0.19
Diluted net income per share (note 13)	0.14	0.18

	Three months ended April 30, 2008 \$	Three months ended April 30, 2007 \$
Statements of Comprehensive Income (unaudited)		
Net income for the period	4,370	5,796
Other comprehensive income (loss)		
Unrealized losses on translation of financial statements of self-sustaining foreign operations	1,363	(14,166)
Change in fair value of financial instruments, net of tax recovery of \$1,000	1,615	-
Comprehensive income (loss) for the period	7,348	(8,370)

Garda World Security Corporation

Consolidated Statements of Cash Flows

(unaudited)

(in thousands of dollars)

	Three months ended April 30, 2008 \$	Three months ended April 30, 2007 \$
Cash flows from		
Operating activities		
Net income for the period	4,370	5,796
Adjustments for		
Stock-based compensation	875	856
Amortization (note 10)	11,821	6,610
Amortization of deferred financing costs	883	411
Gain on sale of assets	190	-
Future income taxes	61	-
Cash flows from operations	<u>18,200</u>	<u>13,673</u>
Change in non-cash working capital items (note 14)	<u>(6,498)</u>	<u>(18,718)</u>
	<u>11,702</u>	<u>(5,045)</u>
Financing activities		
Increase in bank loans and overdrafts	934	10,198
Increase in long-term debt	(174)	548,185
Repayment of long-term debt	(13,261)	(144,427)
Issuance of Class "A" shares, net of shares and special warrants issue expenses	75	-
	<u>(12,426)</u>	<u>413,956</u>
Investing activities		
Additions to property, plant and equipment	(5,979)	(6,680)
Proceeds from disposal of property, plant and equipment	26	43
Business acquisitions, net of cash acquired	-	(396,085)
	<u>(5,953)</u>	<u>(402,722)</u>
Foreign currency translation on cash	<u>258</u>	<u>(567)</u>
Net increase (decrease) in cash during the period	<u>(6,419)</u>	<u>5,622</u>
Cash – Beginning of period	<u>33,840</u>	<u>14,126</u>
Cash – End of period	<u>27,421</u>	<u>19,748</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

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 and interim financial information

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

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and use the same accounting policies and methods used in the preparation of the Corporation most recent annual consolidated financial statements, except for the new accounting policies as disclosed further. All disclosures required for annual financial statements have not been included in these financial statements. These unaudited interim consolidated financial statements should therefore be read in conjunction with the Corporation’s most recent audited annual consolidated financial statements.

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, certain accrued liabilities, self insurance provision and residual value. Actual results could differ from those estimates.

Revenue recognition

Revenues are recognized 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 vehicles and 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.

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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. Revenue and expense items are translated into Canadian dollars at the average monthly rate on which such items are recognized in income. Translation gains and losses are recorded as a component of equity in accumulated other comprehensive income.

Translation of other foreign currency transactions

Monetary items denominated in foreign currencies, other than the Canadian dollar, are translated at period-end exchange rates. Revenue and expense items are translated into Canadian dollars at the average monthly rate on which such items are recognized in income. The resulting exchange gains and losses are included in income for the period.

Cash

Cash includes cash on hand.

Accounts receivable and allowance for doubtful accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Corporation provides an allowance for doubtful accounts using its best estimate of the amount of probable credit losses in its existing accounts receivable. Account balances are written off against the allowance when the Corporation feels it is probable the receivable will not be recovered. The Corporation does not have any off-balance sheet credit exposure related to its customers.

Inventories

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

Aircraft rotables are classified as long-term assets and are valued at the lower of cost or replacement value, cost being determined according to the specific identification method.

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(All amounts are in thousands of dollars except information on options, units and shares)

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	20 and 30 years
Office furniture	Declining balance and straight-line	20% and 5 years
Computer equipment	Declining balance and straight-line	30% and 3 to 5 years
Equipment	Declining balance and straight-line	20% and 4 to 5 years
Vehicles	Declining balance and straight-line	30% and 4 years
Aircraft	Straight-line	12 years with 45% residual
Armored vehicles	Straight-line	6, 10 and 12 years
Uniforms	Straight-line	2 years
Leasehold improvements	Straight-line	5 to 10 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, 2008 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 periods varying from ten (10) to twenty (20) years, which represent their estimated useful lives.

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 three (3) 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.

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(All amounts are in thousands of dollars except information on options, units and shares)

Interest rate swap agreement designated as hedging instrument

The Corporation has entered into an interest rate swap agreement in order to mitigate the changes in cash flow related to the interest rate risk on a portion of its long-term debt. Changes in the fair value of these derivatives are recognized in the statement of comprehensive income, except for any ineffective portion, which is recognized immediately in income.

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 substantially 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.

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

In December 2006, the CICA issued the following standards: Accounting Standards Section 3862 “Financial Instruments – Disclosure” and Accounting Standards Section 3863 “Financial Instruments – Presentation”. These sections replace CICA 3861, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. This Section is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The additional disclosures required as a result of the adoption of these standards have been included in note 15.

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Notes to Consolidated Financial Statements

(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

b) Capital disclosures

In December 2006, the CICA published Section 1535, “Capital Disclosures”. This new standard establishes disclosure requirements concerning capital such as: qualitative information about its objectives, policies and processes for managing capital; quantitative data about what it regards as capital; whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. This Section is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The additional disclosures required as a result of the adoption of these standards have been included in note 8.

c) Inventories

In June 2007, the CICA published Section 3031, “Inventories”. This Section replaces CICA 3030, establishing standards for the measurement and disclosure of inventories and is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. As at April 30, 2008, the adoption of this section has no significant impact on the consolidated financial statements.

d) General Standards on Financial Statement Presentation

In June 2007, the CICA amended Section 1400, “General Standards on Financial Statement Presentation”. This standard has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. This amendment is effective for interim and annual financial statements relating to fiscal year beginning on or after January 1, 2008.

e) Impact of accounting pronouncement not yet implemented

Goodwill and intangible assets

In February 2008, the CICA published Section 3064, “Goodwill and Intangible Assets” which replaces section 3062. This new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The requirements will be effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Corporation is currently assessing the impact that this accounting pronouncement will have on its consolidated financial statements.

Garda World Security Corporation

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(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

3 Property, plant and equipment

As at April 30, 2008			
	Cost \$	Accumulated amortization \$	Net \$
Land	233	-	233
Buildings	5,177	191	4,986
Office furniture	3,487	1,744	1,743
Computer equipment	16,029	6,844	9,185
Equipment	26,091	8,863	17,228
Vehicles	9,608	4,127	5,481
Aircraft	107,245	9,573	97,672
Armored vehicles	86,604	19,119	67,485
Uniforms	8,176	4,233	3,943
Leasehold improvements	38,548	8,909	29,639
	301,198	63,603	237,595
As at January 31, 2008			
	Cost \$	Accumulated amortization \$	Net \$
Land	231	-	231
Buildings	4,836	185	4,651
Office furniture	3,486	1,585	1,901
Computer equipment	15,506	5,722	9,784
Equipment	25,493	7,406	18,087
Vehicles	7,902	3,699	4,203
Aircraft	105,171	7,466	97,705
Armored vehicles	85,155	15,681	69,474
Uniforms	7,507	3,504	4,003
Leasehold improvements	37,447	7,430	30,017
	292,734	52,678	240,056

As at April 30, 2008, the cost and accumulated amortization for vehicles, armored vehicles and aircraft held under capital leases amounted to \$88,505 and \$11,627 respectively (January 31, 2008 - \$89,658 and \$10,843).

The majority of the aircraft are leased to a third party. Rental revenues totalled \$4,999 for the period ended April 30, 2008 (\$1,559 for the corresponding period last year).

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(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

4 Goodwill

	Three months ended April 30, 2008	Three months ended April 30, 2007
	\$	\$
Balance – Beginning of period	379,745	202,540
Business acquisitions	-	214,908
Effect of change in exchange rates during the period	1,709	(6,968)
Balance – End of period	381,454	410,480

5 Other assets

	As at April 30, 2008	As at January 31, 2008
	\$	\$
Aircraft rotables	7,087	7,047
Deferred charges, net of accumulated amortization of \$1,919 (as at January 31, 2008 – \$1,744)	1,256	1,410
Other	9,096	7,357
	17,439	15,814

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Notes to Consolidated Financial Statements

(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

6 Long-term debt

Long-term debt comprises the following:

	As at April 30, 2008 \$ (unaudited)	As at January 31, 2008 \$ (audited)
Authorized revolving facilities of US\$45,000 and CA\$30,000 (including letters of credit), 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, repayable in full at maturity in April 2012	39,210	43,595
Senior term loan of CA\$200,000, 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	190,000	192,500
Senior term loan of US\$190,000, 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	191,805	190,722
Subordinated term loan of US\$130,000, 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	131,235	130,494
Capital lease obligations, secured by property, plant and equipment, bearing interest at rates ranging from 2.9% to 9.4%, repayable in monthly instalments of a maximum of \$1,821, including principal and interest, maturing at different dates until January 2014	70,039	72,807
Balances of purchase prices payable, bearing interest at rates ranging from 0% to 5%, payable in annual and quarterly instalments until October 2010	4,923	5,618
Other loans	430	239
Deferred financing costs, net of accumulated amortization of \$5,029 (as at January 31, 2008 – \$4,146)	(12,186)	(12,827)
	615,456	623,148
Less: Current portion	31,073	32,177
	584,383	590,971

Garda World Security Corporation

Notes to Consolidated Financial Statements

(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

7 Other liabilities

	As at April 30, 2008 \$	As at January 31, 2008 \$
Accrued self-insurance provision	13,186	11,438
Fair value of swap on long-term debt to convert from a variable to a fixed average rate of 9.78%, covering 85% of the senior and subordinated term loans	34,429	37,044
Other	8,892	9,138
	<u>56,507</u>	<u>57,620</u>

8 Capital stock

a) Capital risk management

The Corporation has defined its capital as long-term debt, capital stock, contributed surplus and retained earnings, net of cash.

The following table summarizes certain information with respect to the Corporation's capital structure at the end of each period:

	As at April 30, 2008 \$	As at January 31, 2008 \$
Cash	(27,421)	(33,840)
Long-term debt	615,456	623,148
	<u>588,035</u>	<u>589,308</u>
Shareholder's equity excluding accumulated other comprehensive income (loss)	182,380	177,059
	<u>770,415</u>	<u>766,367</u>

The Corporation's objectives when managing capital are:

- to safeguard the Corporation's ability to continue as a going concern in order to provide returns to shareholders;
- to maintain an optimal capital structure with the use of external long-term debt to support future acquisitions as well as the Corporation's internal growth.

The Corporation's objectives and strategy described above have not changed since the previous year. These objectives and strategy are reviewed on a continued basis.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

The Corporation is subject to certain covenants on its credit facilities. The covenants include a Total Leverage ratio consisting of the total debt as at the end of the period divided by the rolling 12 months EBITDA. EBITDA is defined as net income plus interest expense, amortization and depreciation and income taxes. The Corporation monitors the covenants on a monthly basis and the Corporation's Board of Directors reviews the covenants on a quarterly basis. As at April 30, 2008, all covenants of the credit facilities have been met. Other than the covenants required for the credit facilities, the Corporation is not subject to any externally imposed capital requirements.

The Corporation normally finances its fixed assets acquisitions with capital leases.

b) 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

c) Issued and fully paid

Changes in capital stock issued during the three (3) month period ended April 30, 2008 are summarized as follows:

	Number of Class “A” shares	\$
Balance – Beginning of period	31,399,569	114,798
Issued following exercise of options	50,000	132
Balance – End of period	31,449,569	114,930

d) Options

During the three (3) month period ended April 30, 2008, the Corporation granted 400,000 (355,000 for the corresponding period last year) Class “A” share stock options at an exercise price of \$16.98 (\$23.40 for the corresponding period last year). As at April 30, 2008, 2,810,668 stock options were issued and outstanding (2,795,334 as at April 30, 2007).

Garda World Security Corporation

Notes to Consolidated Financial Statements

(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

9 Contributed surplus

	Three months ended April 30, 2008	Three months ended April 30, 2007
	\$	\$
Balance – Beginning of period	5,837	3,480
Stock-based compensation	875	856
Options exercised	(56)	-
	<hr/>	<hr/>
Balance – End of period	6,656	4,336

10 Amortization

	Three months ended April 30, 2008	Three months ended April 30, 2007
	\$	\$
Amortization of property, plant and equipment	11,087	5,940
Amortization of service contracts and client relationships	559	543
Amortization of deferred charges	175	127
	<hr/>	<hr/>
	11,821	6,610

Service contracts and client relationships are shown in the balance sheet net of accumulated amortization of \$5,361 (As at January 31, 2008 – \$4,802).

11 Financing expenses

	Three months ended April 30, 2008	Three months ended April 30, 2007
	\$	\$
Interest on long-term debt	13,705	4,787
Other interest	1,034	676
Amortization of deferred financing costs	883	411
	<hr/>	<hr/>
	15,622	5,874

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(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

12 Accumulated other comprehensive loss

	Three months ended April 30, 2008 \$	Three months ended April 30, 2007 \$
Balance – Beginning of period	(56,615)	2,761
Unrealized gains on translation of financial statements of self-sustaining foreign operations	1,363	(14,166)
Change in fair value of financial instruments, net of tax recovery of \$1,000	1,615	-
Balance – End of period	<u>(53,637)</u>	<u>(11,405)</u>

13 Income per share

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

	Three months ended April 30, 2008	Three months ended April 30, 2007
Net income for the period	<u>\$4,370</u>	\$5,796
Weighted average number of shares outstanding for use in computation of basic income per share	31,402,347	30,762,847
Effect of potentially dilutive securities Stock options	<u>377,654</u>	1,087,331
Weighted average number of shares outstanding for use in computation of diluted income per share	<u>31,780,001</u>	31,850,178
Basic net income per share	<u>\$0.14</u>	\$0.19
Diluted net income per share	<u>\$0.14</u>	\$0.18

During the quarter ended April 30, 2008, 2,130,000 (1,360,000 for the corresponding period last year) Class "A" share stock options with an exercise price varying from \$10.00 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, 2008 the average market price for Class "A" shares of the Corporation.

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14 Change in non-cash working capital items

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

	Three months ended April 30, 2008	Three months ended April 30, 2007
Decrease (increase) in		
Accounts receivable	7,493	(5,557)
Revenue to be billed	(4,308)	369
Inventories	(1,986)	(43)
Prepaid expenses	395	(1,691)
Income taxes refundable	(3,264)	351
Increase (decrease) in		
Accounts payable and accrued liabilities	(4,629)	(12,138)
Income taxes payable	(199)	(9)
	(6,498)	(18,718)

15 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

Financial instruments which potentially subject the Corporation to significant credit risk consist principally of cash, accounts receivable and revenue to be billed.

The Corporation's cash are held with or issued by high-credit quality financial institutions. Therefore, the Corporation considers the risk of non-performance on these instruments to be remote.

The Corporation's credit risk is principally attributable to its trade receivables. The amounts presented in the balance sheet are net of an allowance for doubtful accounts, estimated by the Corporation's management based, in part, on the age of the specific receivable balance and the current and expected collection trends. A provision is established when the likelihood of collecting the account has significantly diminished. The Corporation believes that the credit risk of accounts receivable is limited.

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The distributions of the Corporation's customers and the business risk management procedures have the effect of avoiding any concentration of credit risk. Generally, the Corporation does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Corporation performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible.

Interest rate risk

As at April 30, 2008, the Corporation's interest rate risk is summarized as follows:

Cash	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

In June 2007, the Corporation entered into interest rate swaps that will mature on the same basis as the senior and subordinated term loans. These contracts are designated as hedges of the change in cash flow related to the interest rate risk on a portion of the Company's senior and subordinated term loans. Accordingly, the interest rate was fixed at an average rate of 9.78% for a notional amount of \$513,040. As at April 30, 2008, the fair value of these instruments represented an unrealized loss of \$34,429. As at April 30, 2008 approximately 85% of the Corporation's senior and subordinated term loans were at fixed rates.

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 on the US dollar and the British pound in the net investment in its foreign subsidiaries.

During the first quarter ended April 30, 2008, if the US dollar would have strengthened by \$0.01 on average in comparison to the Canadian dollar, all other variables remaining constant, the impact on the operating income before income taxes for the quarter would have been marginal.

Transactions recorded in US dollars relate exclusively to self-sustaining foreign operations and do not result in foreign exchange gains or losses for the Corporation. In addition, the Corporation contracted a debt denominated in US dollars in the same proportion as the revenue stream from self-sustaining foreign operations. Consequently, the Corporation believes that its exposure to risk from currency fluctuations is low.

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(unaudited)

(All amounts are in thousands of dollars except information on options, units and shares)

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they come due. The following are the contractual maturities of financial liabilities as at April 30, 2008.

	Carrying amount \$	Contractual cash flows \$	Less than a year \$	Between one (1) and two (2) years \$	More than two (2) years \$
Accounts payable and accrued liabilities	113,782	113,782	113,782	-	-
Long-term debt, excluding deferred financing costs	627,642	627,642	34,116	37,636	555,890
Bank loans and overdrafts	10,149	10,149	10,149	-	-
	<u>751,573</u>	<u>751,573</u>	<u>158,047</u>	<u>37,636</u>	<u>555,890</u>

The Corporation is confident that the future cash flows from operations, cash and availability under credit facilities will be adequate to support these financial liabilities.

16 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 risks 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.

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(All amounts are in thousands of dollars except information on options, units and shares)

a) Business segment

	Three months ended April 30, 2008 \$	Three months ended April 30, 2007 \$
Revenues		
Physical security and other	151,753	154,581
Cash logistics	144,223	83,435
	<u>295,976</u>	<u>238,016</u>
Amortization of property, plant and equipment		
Physical security and other	1,691	1,044
Cash logistics	9,396	4,896
	<u>11,087</u>	<u>5,940</u>
Amortization of service contracts and client relationships		
Physical security and other	150	116
Cash logistics	409	427
	<u>559</u>	<u>543</u>
Amortization of deferred charges		
Physical security and other	76	76
Cash logistics	99	51
	<u>175</u>	<u>127</u>
Income before financing expenses and income taxes		
Physical security and other	5,887	8,451
Cash logistics	12,323	4,300
	<u>18,210</u>	<u>12,751</u>
	As at April 30, 2008 \$	As at January 31, 2008 \$
Property, plant and equipment		
Physical security and other	15,357	14,331
Cash logistics	222,238	225,725
	<u>237,595</u>	<u>240,056</u>
Goodwill		
Physical security and other	155,657	155,223
Cash logistics	225,797	224,522
	<u>381,454</u>	<u>379,745</u>
Service contracts and client relationships		
Physical security and other	7,249	7,373
Cash logistics	44,941	44,625
	<u>52,190</u>	<u>51,998</u>
Total assets		
Physical security and other	325,778	335,177
Cash logistics	624,565	620,197
	<u>950,343</u>	<u>955,374</u>

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(All amounts are in thousands of dollars except information on options, units and shares)

b) Geographical segment

	Three months ended April 30, 2008 \$	Three months ended April 30, 2007 \$
Revenues		
Canada	119,203	116,350
United States and other	176,773	121,666
	<u>295,976</u>	<u>238,016</u>
Amortization of property, plant and equipment		
Canada	1,903	1,410
United States and other	9,184	4,530
	<u>11,087</u>	<u>5,940</u>
Amortization of service contracts and client relationships		
Canada	153	165
United States and other	406	378
	<u>559</u>	<u>543</u>
Amortization of deferred charges		
Canada	162	127
United States and other	13	-
	<u>175</u>	<u>127</u>
Income before financing expenses and income taxes		
Canada	5,514	6,879
United States and other	12,696	5,872
	<u>18,210</u>	<u>12,751</u>
	As at April 30, 2008 \$	As at January 31, 2008 \$
Property, plant and equipment		
Canada	24,789	24,603
United States and other	212,806	215,453
	<u>237,595</u>	<u>240,056</u>
Goodwill		
Canada	78,877	78,877
United States and other	302,577	300,868
	<u>381,454</u>	<u>379,745</u>
Service contracts and client relationships		
Canada	6,177	5,840
United States and other	46,013	46,158
	<u>52,190</u>	<u>51,998</u>
Total assets		
Canada	216,218	227,341
United States and other	734,125	728,033
	<u>950,343</u>	<u>955,374</u>

Garda World Security Corporation

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(All amounts are in thousands of dollars except information on options, units and shares)

17 Comparative figures

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