

Garda World Security Corporation

Consolidated Financial Statements (unaudited)
For the first quarter ended April 30, 2009

Consolidated Balance Sheets

(in thousands of dollars)

| | As at April 30, 2009 (unaudited) \$ | As at January 31, 2009 (restated note 3) (audited) \$ |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash | 21,440 | 23,993 |
| Accounts receivable (note 5) | 134,030 | 126,271 |
| Revenue to be billed | 18,878 | 21,143 |
| Inventories | 8,206 | 8,125 |
| Prepaid expenses | 13,056 | 14,002 |
| Income taxes refundable | 2,071 | 3,241 |
| Future income taxes | 13,758 | 14,028 |
| Current assets held for sale (note 4) | 19,656 | 27,946 |
| | 231,095 | 238,749 |
| Property, plant and equipment (note 6) | 257,986 | 272,319 |
| Goodwill (note 7) | 329,607 | 335,205 |
| Service contracts and client relationships (note 7) | 53,087 | 56,502 |
| Other assets (note 8) | 12,258 | 12,798 |
| Future income taxes | 30,463 | 28,623 |
| Long-term assets held for sale (note 4) | 40,498 | 41,834 |
| | 954,994 | 986,030 |
| Liabilities | | |
| Current liabilities | | |
| Bank overdrafts | 1,724 | 876 |
| Accounts payable and accrued liabilities | 120,915 | 140,252 |
| Income taxes payable | 249 | 57 |
| Future income taxes | - | 1,203 |
| Current portion of long-term debt (note 9) | 38,935 | 38,108 |
| Current liabilities related to assets held for sale (note 4) | 12,879 | 14,122 |
| | 174,702 | 194,618 |
| Long-term debt (note 9) | 607,783 | 622,894 |
| Other liabilities (note 10) | 94,581 | 93,665 |
| Future income taxes | 12,718 | 13,670 |
| Long-term liabilities related to assets held for sale (note 4) | 267 | 285 |
| | 890,051 | 925,132 |
| Shareholders' Equity | | |
| Capital stock (note 11) | 115,285 | 115,285 |
| Contributed surplus (note 12) | 10,195 | 9,412 |
| Accumulated other comprehensive loss (note 15) | (19,415) | (20,148) |
| Deficit | (41,122) | (43,651) |
| | 64,943 | 60,898 |
| | 954,994 | 986,030 |

Statement of Retained Earnings (Deficit)
(Unaudited)
(in thousands of dollars)

| | Three months ended April 30, 2009 (restated note 3) \$ | Three months ended April 30, 2008 (restated note 3) \$ |
|--|---|--|
| Retained earnings (Deficit) – Beginning of period | | |
| As previously reported | (40,724) | 56,424 |
| Change in accounting policy (note 3) | (2,927) | (1,927) |
| As restated | (43,651) | 54,497 |
| Net income for the period (note 3) | 2,529 | 4,545 |
| Retained earnings (Deficit) – End of period | (41,122) | 59,042 |

Statement of Income
(Unaudited)

(in thousands of dollars except amount per share)

| | Three months ended April 30, 2009 | Three months ended April 30, 2008 (restated note 3) (note 4) |
|---|--|--|
| | \$ | \$ |
| Revenues | 279,231 | 263,617 |
| Operating costs | 203,944 | 197,406 |
| Gross profit | 75,287 | 66,211 |
| Selling and administrative expenses | 43,598 | 36,513 |
| Depreciation and amortization (note 13) | 13,967 | 11,165 |
| Income before financing expenses, income taxes and discontinued operations | 17,722 | 18,533 |
| Unrealized net gains in fair value of derivative financial instruments (note 19) | (1,050) | - |
| Financing expenses (note 14) | 17,935 | 14,755 |
| Income before income taxes and discontinued operations | 837 | 3,778 |
| Recovery of income taxes | (2,841) | (1,443) |
| Net income from continuing operations | 3,678 | 5,221 |
| Net loss from discontinued operations (note 4) | (1,149) | (676) |
| Net income for the period | 2,529 | 4,545 |
| Net income per share from continuing operations | | |
| Basic | 0,12 | 0,16 |
| Diluted | 0,12 | 0,16 |
| Net income per share (note 16) | | |
| Basic | 0,08 | 0.14 |
| Diluted | 0,08 | 0.14 |

Garda World Security Corporation

Statement of Comprehensive Income

(Unaudited)

(in thousands of dollars)

| | Three months ended April 30, 2009 | Three months ended April 30, 2008 (restated note 3) |
|---|--|--|
| | \$ | \$ |
| Net income for the period | 2,529 | 4,545 |
| Other comprehensive income | | |
| Unrealized gains /(losses) on translation of financial statements of self-sustaining foreign operations | (998) | 1,363 |
| Amortization of unrealized losses on fair value of financial instruments, net of taxes of \$736 (note 15) | 1,731 | - |
| Unrealized gain on fair value of financial instruments, net of taxes | - | 1,615 |
| | <hr/> | <hr/> |
| Comprehensive income for the period | 3,262 | 7,523 |

Statement of Cash flows
(Unaudited)
(in thousands of dollars)

| | Three months ended April 30, 2009 | Three months ended April 30, 2008 (restated note 3) |
|--|--|--|
| | \$ | \$ |
| Cash flows from | | |
| Operating activities | | |
| Net income for the period | 2,529 | 4,545 |
| Adjustments for | | |
| Stock-based compensation (note 12) | 783 | 875 |
| Depreciation and amortization (note 13) | 14,507 | 11,646 |
| Amortization of deferred financing costs (note 14) | 965 | 883 |
| Unrealized gains in fair value of derivative financial instruments (note 19) | (1,050) | - |
| Loss (gain) on sale of assets | 119 | 190 |
| Future income taxes | (382) | 61 |
| Cash flows from operations | <u>17,471</u> | 18,200 |
| Change in non-cash working capital items (note 17) | <u>(12,775)</u> | (6,498) |
| | <u>4,696</u> | 11,702 |
| Financing activities | | |
| Decrease in bank overdrafts | 848 | 934 |
| Increase in long-term debt | 396 | (174) |
| Repayment of long-term debt | (4,775) | (13,261) |
| Issuance of Class "A" shares, net of share issue expenses | - | 75 |
| | <u>(3,531)</u> | (12,426) |
| Investing activities | | |
| Additions to property, plant and equipment | (4,442) | (5,979) |
| Proceeds from disposal of property, plant and equipment | 68 | 26 |
| | <u>(4,374)</u> | (5,953) |
| Foreign currency translation on cash | <u>(514)</u> | 258 |
| Net decrease in cash during the period | <u>(3,723)</u> | (6,419) |
| Cash – Beginning of period | <u>25,190</u> | 33,840 |
| Cash – End of period related to: | | |
| Total cash including discontinued operations and deposits from customers (note 17) | 21,467 | 27,421 |
| Discontinued operations (note 4) | (27) | - |
| | <u>21,440</u> | 27,421 |

Notes to 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

Basis of presentation

These unaudited interim consolidated financial statements have been prepared under the assumption of going concern in accordance with Canadian generally accepted accounting principles (GAAP) applicable to interim consolidated financial statements, which assume the realization of assets and settlement of liabilities in the normal course of operations. All disclosures required for annual financial statements have not been included in these interim consolidated financial statements and should be read in conjunction with Garda World Security Corporation's annual consolidated financial statements for the year ended January 31, 2009. Other significant accounting policies are as follows:

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 valuation of goodwill and service contracts and client relationships, realization of income tax assets, future cash flows of long-term debt and financial liabilities, certain accrued liabilities, self-insurance provision and residual value of property, plant and equipment. Actual results could differ materially 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 non-cash insurance reserve to cover the estimated retained liability. The non-cash insurance reserve 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.

Notes to Financial Statements (Unaudited)

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

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 the income for the period.

Cash

Cash includes cash on hand and deposits from customers.

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 determines it is probable the receivable will not be recovered.

Inventories

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

Notes to Financial Statements (Unaudited)

(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 depreciation. Depreciation 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 and aircraft rotables | 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 |

Assets under capital lease obligations

Leases that transfer substantially all of the benefits and risks of ownership of the assets to the Corporation are accounted for as capital lease obligations. An asset is recorded together with the related capital lease obligation. Assets under capital lease obligations are amortized over their estimated useful lives at the same rate as other similar assets.

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 the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is not amortized. On an annual basis, a goodwill impairment test is performed on January 31. This test is carried out more frequently if events or changes in circumstances indicate that goodwill might be impaired. A "step I" goodwill impairment test determines whether the fair value of a reporting unit exceeds the net carrying amount of that reporting unit as of the assessment date in order to assess if goodwill should be impaired. If the fair value is greater than the net carrying amount, no impairment is necessary. In the event that the net carrying amount exceeds the fair value, a "Step II" goodwill impairment test must be performed in order to determine the amount of the impairment charge. Fair value of goodwill is estimated in the same way as goodwill is determined at the date of acquisition in a business combination. To accomplish the Step II test, the fair value of the reporting unit's goodwill must be estimated and compared to its carrying value. The excess of the carrying value over the fair value is recorded as an impairment charge in the period (note 7). This methodology contains estimates and judgments that are subjective and uncertain, and thus, may change over time. In

Notes to Financial Statements (Unaudited)

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

future measurements of fair value, adverse changes in discounted cash flows could result in an impairment of goodwill.

Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from business combinations.

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 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 terms of these financings.

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 flows related to the interest rate risk on a portion of its long-term debt. The Corporation formally documents all relationships between the swap agreement and long-term debt and its risk management objective and strategy for using this hedge. The Corporation does not use derivative financial instruments for speculation purposes. Changes in the fair value of these derivatives are recognized in the statement of comprehensive loss, except for any ineffective portion, which is recognized immediately in income. The changes in fair value recognized in other comprehensive loss are reclassified in the consolidated statement of income (loss) under unrealized losses in fair value of derivative financial instruments in the periods during which the cash flows related to the hedge item affect losses.

When the derivative financial instruments no longer qualifies as an effective hedge for accounting purposes, or when the hedging instruments is sold or terminated prior to maturity, if applicable, hedge accounting is discontinued prospectively. Accumulated other comprehensive loss related to a cash flow hedging relationship that ceases to be effective is reclassified in the consolidated statement of loss in the periods during which the cash flows related to the hedged item affect losses. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the related accumulated other comprehensive loss is then immediately reclassified in the consolidated statement of income (loss).

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 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.

Notes to Financial Statements (Unaudited)

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

Financial instruments

Financial assets held for trading, 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 is classified as financial assets held for trading and is measured at fair value. Gains and losses related to periodical revaluation are recorded in net income.
- Accounts receivable and long-term receivables 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 overdrafts, accounts payable and accrued liabilities and long-term debt are classified as other liabilities and are initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method.

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 effects 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.

Change in accounting policy in 2010

Goodwill and intangible assets

In February 2008, the CICA published Section 3064, "Goodwill and Intangible Assets" which replaces section 3062. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangibles assets. It also clarifies the application of the concept of matching costs with revenue so as to eliminate the current practice of recognizing assets items that do not meet the definition of an asset and the recognition criteria for an asset.

Notes to Financial Statements (Unaudited)

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

The requirements will be effective for financial statements relating to fiscal years beginning on or after October 1, 2008 with restatement of prior periods.

The impacts of the adoption of these standards have been included in note 3.

Impact of accounting pronouncements not yet implemented

a) Business combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which replaces Section 1581 of the same name. The Section establishes standards for accounting for a business combination and provides the Canadian equivalent to International Financial Reporting Standard 3 (Revised), "Business Combinations". This Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

b) Consolidated financial statements

In January 2009 the CICA issued Handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IAS 27 (Revised), "Consolidated and Separate Financial Statements". These changes are effective for interim and annual financial statements beginning on January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year.

The Corporation is evaluating the impact of the adoption of these new accounting standards on its consolidated financial statements.

c) International financial reporting standards

In February 2008, the Canadian Accounting Standards Board (CASB) confirmed that Canadian publicly listed companies will be required to use International Financial Reporting Standards (IFRS) in the preparation of financial statements for fiscal years beginning on or after January 1, 2011. In the Corporation's case, the use of IFRS will be required for the interim and annual financial statements dated after February 1, 2011, although this transition date will require the restatement of comparative figures reported for the year ending January 31, 2011. Management has established an IFRS implementation team to develop and IFRS changeover plan. This process is presently in the diagnostic stage, which includes a review of the differences between current Canadian GAAP (as applied by the Corporation) and IFRS, and the analysis of possible options regarding adoption. In fiscal year 2009, a preliminary diagnostic analysis was prepared by external consultants. Once this stage is complete, Management will be able to determine the exact consequences in the change. A comprehensive assessment will then be done to precisely establish the changes to be made to accounting principles and computer systems, training requirements, internal control mechanisms for financial reporting and the repercussions on the Corporation's business activities. The financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Notes to Financial Statements (Unaudited)

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

3 Change in accounting policy – Goodwill and intangible assets

On February 1, 2009, the Corporation adopted this new standard with retrospective application. Accordingly, start-up costs incurred after obtaining certain contracts and advertising costs that were previously capitalized have been expensed as incurred. This change in accounting policy has been applied retroactively, and the consolidated statements of income, retained earnings (deficit) comprehensive income and cash flow for the period ended April 30, 2008 as well as the consolidated balance sheet as at January 31, 2009 have been restated. The effect of this change decreases the retained earnings at the beginning of the year ended January 31, 2009 by \$2,927 and increased the net income for the quarter ended April 30, 2008 by \$175.

The impact of these changes on the previously reported January 31, 2009 consolidated balance sheet is as follows:

| | As at January 31, 2009 | | |
|-----------------------------|---------------------------------|-------------------|----------------------|
| | As previously reported \$ | Restatement \$ | As restated \$ |
| Assets | | | |
| Other assets | 15,725 | (2,927) | 12,798 |
| Shareholders' Equity | | | |
| Retained earnings | (40,724) | (2,927) | (43,651) |

The impact on the consolidated statements of income and comprehensive income for the quarter ended April 30, 2008 is as follows:

| | For the three months ended April 30, 2008 | | |
|---------------------------------------|--|-------------------|----------------------|
| | As previously reported \$ | Restatement \$ | As restated \$ |
| Amortization of deferred charges | 175 | (175) | - |
| Net income from continuing operations | 5,046 | 175 | 5,221 |
| Net income for the period | 4,370 | 175 | 4,545 |
| Basic and diluted income per share | 0.14 | 0.00 | 0.14 |

Notes to Financial Statements (Unaudited)

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

The impact on the consolidated statements of cash flows for the quarter ended April 30, 2008 is as follows:

| | For the three months ended April 30, 2008 | | |
|-------------------------------|--|-------------------|----------------------|
| | As previously reported \$ | Restatement \$ | As restated \$ |
| Net income for the period | 4,370 | 175 | 4,545 |
| Depreciation and amortization | 11,821 | (175) | 11,646 |

4 Operations presented as held for sale and discontinued operations

- a) The US cash logistics business is involved in the manufacturing of smart-safe units, the development and upgrading of the technology used in the product, as well as the installation and servicing of units deployed at its customer locations throughout the United States (the "CashLINK" products and services). On April 20, 2009, the Corporation sold all the assets related to the CashLINK products and services for a cash consideration based on the futures sales of the products and services made by the buyer in conjunction with the cash logistics services during the next five (5) years.
- b) With the January 2006 acquisition of Vance International, the Corporation entered the US market for physical security services, which includes guarding and global risk consulting services. It also acquired a platform to offer high-threat protection services internationally. Subsequently, the Corporation acquired certain assets of Kroll in December 2006 and GSS Global in February 2007 in order to complement and enhance its high-threat protection services. During the fourth quarter of 2009, it was decided to divest the US and Mexican Guarding operations.

Revenues and expenses of CashLINK products and services and of the US and Mexican Guarding operations for the quarters ended April 30, 2009 and 2008 have been reclassified from continuing operations to discontinued operations.

Notes to Financial Statements (Unaudited)

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

Summary of discontinued operations

| | | | Three months ended April 30, 2009 | Three months ended April 30, 2008 |
|--|---|---|--|---|
| | CashLINK Products and Services | US and Mexican Guarding Operations | Total | Total |
| | \$ | \$ | \$ | \$ |
| Revenues | 3,555 | 35,166 | 38,721 | 32,359 |
| Gross profit (loss) | (414) | 6,525 | 6,111 | 5,813 |
| Selling and administrative expenses | 1,003 | 4,736 | 5,739 | 5,481 |
| Depreciation and amortization | 184 | 356 | 540 | 481 |
| Financing expenses | - | 1,207 | 1,207 | 867 |
| Provision (recovery) of income taxes | (559) | 333 | (226) | (340) |
| Net loss from discontinued operations | (1,042) | (107) | (1,149) | (676) |
| Net loss per share from discontinued operations | | | | |
| Basic | (0.03) | 0.00 | (0.04) | (0.02) |
| Diluted | (0.03) | 0.00 | (0.04) | (0.02) |

Notes to Financial Statements (Unaudited)

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

The assets and liabilities of the US and Mexican Guarding operations as at April 30, 2009 (CashLINK and US and Mexican Guarding operations as at January 31, 2009) have been reclassified and are presented as assets held for sale and liabilities related to assets held for sale as follows:

| | As at April 30, 2009 | CashLINK Products and Services | US and Mexican Guarding operations | As at January 31, 2009 |
|--|---------------------------------|--------------------------------------|--|---------------------------|
| | Total | | | Total |
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Current assets | | | | |
| Cash | 27 | - | 1,197 | 1,197 |
| Accounts receivable and other current assets | 19,629 | 6,302 | 20,447 | 26,749 |
| Current assets held for sale | 19,656 | 6,302 | 21,644 | 27,946 |
| Property, plant and equipment | 2,207 | - | 2,437 | 2,437 |
| Goodwill | 36,072 | - | 37,053 | 37,053 |
| Other assets | 2,219 | - | 2,344 | 2,344 |
| Long-term assets held for sale | 40,498 | - | 41,834 | 41,834 |
| | 60,154 | 6,302 | 63,478 | 69,780 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable and other current liabilities | 12,879 | - | 14,122 | 14,122 |
| Current liabilities related to assets held for sale | 12,879 | - | 14,122 | 14,122 |
| Long term debt | - | - | 12 | 12 |
| Other liabilities | 267 | - | 273 | 273 |
| Long-term liabilities related to assets held for sale | 267 | - | 285 | 285 |
| | 13,146 | - | 14,407 | 14,407 |

Notes to Financial Statements (Unaudited)

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

5 Accounts receivable

| | As at April 30, 2009 (unaudited) \$ | As at January 31, 2009 (audited) \$ |
|-------|--|--|
| Trade | 117,822 | 117,415 |
| Other | 16,208 | 8,856 |
| | 134,030 | 126,271 |

6 Property, plant and equipment

| | As at April 30, 2009 (unaudited) | | |
|---|-------------------------------------|-----------------------------------|-------------------------------------|
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Land | 275 | - | 275 |
| Buildings | 3,815 | 420 | 3,395 |
| Office furniture | 3,211 | 1,949 | 1,262 |
| Computer equipment | 16,275 | 10,933 | 5,342 |
| Equipment | 31,931 | 16,147 | 15,784 |
| Vehicles | 10,805 | 6,056 | 4,749 |
| Aircraft and aircraft rotables ⁽¹⁾ | 143,459 | 21,421 | 122,038 |
| Armored vehicles | 108,810 | 37,894 | 70,916 |
| Uniforms | 9,323 | 6,532 | 2,791 |
| Leasehold improvements | 47,785 | 16,351 | 31,434 |
| | 375,689 | 117,703 | 257,986 |
| | | | As at January 31, 2009 (audited) |
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Land | 283 | - | 283 |
| Buildings | 3,594 | 388 | 3,206 |
| Office furniture | 3,174 | 1,887 | 1,287 |
| Computer equipment | 16,142 | 9,919 | 6,223 |
| Equipment | 32,325 | 14,783 | 17,542 |
| Vehicles | 10,167 | 5,449 | 4,718 |
| Aircraft and aircraft rotables ⁽¹⁾ | 145,534 | 19,309 | 126,225 |
| Armored vehicles | 111,175 | 35,190 | 75,985 |
| Uniforms | 8,933 | 5,765 | 3,168 |
| Leasehold improvements | 48,548 | 14,866 | 33,682 |
| | 379,875 | 107,556 | 272,319 |

(1) All the aircrafts are leased to a third party. Rental revenues totalled \$5,693 for the period ended April 30, 2009 (\$4,999 for the corresponding period last year).

Notes to Financial Statements (Unaudited)

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

As at April 30, 2009, the cost and accumulated amortization for computer equipment, vehicles, armored vehicles and aircraft held under capital leases amounted to \$96,360 and \$23,836 respectively (January 31, 2009 – \$98,616 and \$21,335).

7 Goodwill and service contracts and client relationships

The changes in the carrying value of goodwill and service contracts and client relationships comprise the following:

| | Three months ended April 30, 2009 | | Three months ended April 30, 2008 | |
|--|--|------------------------|--|----------------|
| | Service contracts and client relationships \$ | Goodwill \$ | Service contracts and client relationships \$ | Goodwill \$ |
| Balance – beginning of the period | 56,502 | 335,205 | 51,998 | 379,745 |
| Amortization | (937) | - | (559) | - |
| Effect in exchange rates during the period | (2,478) | (5,598) | 751 | 1,709 |
| Balance end of the period | 53,087 | 329,607 | 52,190 | 381,454 |

a) Goodwill

The Corporation performs the required annual impairment test as of January 31 of each year.

Testing for impairment is accomplished by determining whether the fair value of a reporting unit exceeds the book value of the net assets of that reporting unit as at the assessment date. The Corporation tests its goodwill for impairment using a two-step methodology. This methodology contains estimates and judgments that are subjective and uncertain, and thus may change over time.

The Corporation conducts the initial step of the goodwill impairment test, consisting of the determination of fair value, by relying on the discounted cash flow method. Key assumptions include estimated useful life of the long-lived assets, projections of trend price, foreign exchange rates, market supply and demand and weighted average cost of capital. The assumptions used in the calculation models are interrelated. The second step is performed only when the book value exceeds the fair value.

When the Corporation initiated its step-one analysis as at January 31, 2009, it was determined that a comprehensive step-two analysis of goodwill for both the physical security and the cash logistics segments would be required.

With the assistance of an independent valuator, the Corporation is in the process of completing this comprehensive assessment including a detailed calculation of the estimated fair values of recorded and unrecorded intangible assets.

Notes to Financial Statements (Unaudited)

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

Based on a preliminary assessment of the estimated fair value of the net assets of the operations under review, management believes that as at January 31, 2009 and April 30, 2009 the fair value of goodwill in the physical security segment may range from \$90.0 million to \$98.6 million and that the fair value of goodwill in the cash logistics segment may range from \$190.0 million to \$237.0 million.

Accordingly, as required by CICA Handbook Section 3062, in anticipation of completing the comprehensive step-two analysis of goodwill, the Corporation has recorded as at January 31, 2009 a preliminary goodwill impairment charge of \$26.5 million and \$47.6 million for the physical security and cash logistics segments respectively.

The final impairment requirement calculation is expected to be completed in fiscal 2010 and the resulting final adjustments, if any, would result in a non-cash adjustment to the consolidated statement of income (loss).

b) Service contracts and client relationships

As at January 31, 2009, the Corporation performed impairment tests of its significant amortizable intangible assets consisting of service contracts and client relationships and no impairment loss was required.

8 Other assets

| | As at April 30, 2009 (unaudited) | As at January 31, 2009 (audited) (restated note 3) |
|------------------|---|---|
| | \$ | \$ |
| Notes receivable | 7,925 | 8,807 |
| Other | 4,333 | 3,991 |
| | 12,258 | 12,798 |

9 Long-term debt and financial covenant risk

a) Financial covenant risk

The Corporation is subject to certain covenants on its credit facilities. The financial covenants contained in the Credit Facilities Agreement dated April 9, 2007, include a Total Leverage ratio, a Senior Debt Leverage ratio and a Fixed Charge Coverage ratio.

The Corporation's management monitors compliance with the covenants on a monthly basis and the Corporation's Board of Directors reviews compliance with the covenants on a quarterly basis.

Notes to Financial Statements (Unaudited)

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

In anticipation of potentially not meeting certain quarterly financial ratios for fiscal 2009 and into the current year ending January 31, 2010, the Corporation executed on September 15, 2008 an amending agreement to its Credit Facilities. The amending agreement replaces the existing financial covenants effective July 31, 2008 with a minimum adjusted EBITDA requirement to be satisfied at the end of each quarter up to and including October 31, 2009 as follows:

- For the quarter ended July 31, 2008 - \$22.0 million
- For the quarter ended October 31, 2008 - \$27.0 million
- For the quarter ended January 31, 2009 - \$30.5 million
- For the quarter ended April 30, 2009 - \$25.0 million
- For the quarter ending July 31, 2009 - \$25.0 million
- For the quarter ending October 31, 2009 - \$30.0 million

The Corporation has met all its covenants up to April 30, 2009 and expects to meet the above-mentioned adjusted EBITDA covenants.

A minimum month-end working capital requirement has also been introduced, effective October 31, 2008. The amendments also incorporated an increase of 1.5% on the annual interest rate margins on the revolving facilities and senior term loans and an increase of 2.25% plus a capitalized payment-in-kind (PIK) rate of 1% per annum on the subordinated term loan (note 9(b) and (d)). In addition, effective October 31, 2009, the financial covenants revert back to the covenants previously in place under the credit facilities.

In addition, the Corporation has committed that any proceeds or consideration received from divestitures, monetization of certain of its assets and other sources of financing would be applied against the credit facilities.

In order to comply with these covenants, the Corporation will need to execute its plan and realize budgeted EBITDA and cash flow estimates for the next 12 months and will need to finalize the divestiture of the US and Mexican Guarding operations or a transaction of similar impact (note 4). In anticipation of reverting back after October 31, 2009 to the more restrictive covenants of the Credit Facilities Agreement dated April 9, 2007, the Corporation is also pursuing other scenarios for the monetization of certain of its assets and exploring other sources of financing.

The forecast for the next 12 months is based on the assumptions that the Corporation will improve actual sales level, will finalize divestiture of certain assets, and will continue to benefit from synergies and cost reductions resulting from its September 2008 restructuring plan that have resulted in higher operating margins since the later months of fiscal 2009. The Corporation has forecasted currency exchange rates to remain consistent with such as at January 31, 2009.

Management believes it has developed planned courses of actions and identified other opportunities to mitigate operating and liquidity risks to meet its financial covenants for the next 12 months.

Given the current economic situation there is no assurance that management will be able to achieve any or all of the opportunities it has identified, including if events or conditions develop that are not consistent with management's expectations, key budget assumptions and planned courses of actions, and therefore that financial covenants will be met.

In the event that covenants would be breached in the next 12 months and that no further amendments would be negotiated with lenders, the Corporation would then be in default of its credit facilities which could become payable on demand and would then need to be classified as short-term liabilities. Such a default would also trigger an increase of 2% on the annual interest rate.

Notes to Financial Statements (Unaudited)

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

Other than the covenants required by its credit facilities, the Corporation is not subject to any externally imposed capital requirements.

b) Long-term debt comprises the following:

| | As at April 30, 2009 (unaudited) \$ | As at January 31, 2009 (audited) \$ |
|--|--|--|
| Authorized revolving facilities of CA\$45,000 (US equivalent) and CA\$30,000 (including letters of credit), bearing interest either at the US or Canadian prime rate plus 3.50%, or at LIBOR or bankers' acceptance rate plus 4.75%, depending on the loan instrument used and the leverage ratio, repayable in full at maturity in April 2012 (note 9(c)) | 32,045 | 27,133 |
| Senior term loan of CA\$200,000, bearing interest either at the US or Canadian prime rate plus 3.50%, or at LIBOR or bankers' acceptance rate plus 4.75%, 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 (note 9(c)) | 175,000 | 178,750 |
| Senior term loan of US\$190,000, bearing interest at the US prime rate plus 3.75%, or at LIBOR plus 5.00%, 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 (note 9(c)) | 226,860 | 233,035 |
| Subordinated term loan of US\$130,000, bearing interest at the US prime rate plus 7.75% plus a payment-in-kind ("PIK") rate of 1%, or at LIBOR rate plus 9.00% plus a PIK rate of 1%, depending on the loan instrument used, repayable in full in April 2014 | 156,206 | 160,061 |
| Capital lease obligations and loans, secured by property, plant and equipment, bearing interest at rates ranging from 0.1% to 9.4%, repayable in monthly instalments of a maximum of \$2,051, including principal and interest, maturing at different dates until January 2015 | 67,117 | 73,193 |
| Balances of purchase prices payable, bearing interest at a rate of 5%, payable in annual and quarterly instalments until October 2010 | 1,500 | 2,050 |
| Deferred financing costs, net of accumulated amortization of \$8,240 (January 31, 2009 - \$7,275) (note 14) | (12,010) | (13,220) |
| | 646,718 | 661,002 |
| Less: Current portion | 38,935 | 38,108 |
| | 607,783 | 622,894 |

c) Trade accounts receivable, revenue to be billed, a general assignment of book debts, as well as a movable hypothec on the universality of present and future assets of the Corporation and its subsidiaries have been pledged as security for the revolving facilities and senior term loans. The Corporation must satisfy certain restrictive covenants.

d) Under the amendment to the credit facilities signed on September 15, 2008, the Corporation must also satisfy certain restrictive covenants to prevent additional margin increases of 1.5% on the revolving facilities and senior term loans, and an additional increase of 5% of the capitalized PIK rate on the subordinated term loan.

Notes to Financial Statements (Unaudited)

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

These elements have been considered in the estimation of the future cash flows required to service the credit facilities in management's assessment of the carrying value of long-term debt as at April 30, 2009 (note 9 b)).

- e) As at April 30, 2009, letters of credit amounting to \$31,794 (\$32,658 as at January 31, 2009) reduced the committed revolving facilities.

10 Other liabilities

| | As at April 30, 2009 (unaudited) | As at January 31, 2009 (audited) |
|--|---|--|
| | \$ | \$ |
| Self-insurance provision | 23,224 | 18,203 |
| Fair value of swap on long-term debt to convert from a variable to a fixed average rate of 5.62%, covering 85% of the senior and subordinated term loans | 60,705 | 64,224 |
| Deferred rent for tenant's improvements | 9,245 | 9,787 |
| Other | 1,407 | 1,451 |
| | 94,581 | 93,665 |

11 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 and bank overdrafts.

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

| | As at April 30, 2009 (unaudited) | As at January 31, 2009 (restated note 3) (audited) |
|---|---|---|
| | \$ | \$ |
| Cash, net of bank overdrafts | (19,716) | (23,117) |
| Long-term debt (net of deferred financing costs) | 646,718 | 661,002 |
| | 627,002 | 637,885 |
| Shareholders' equity excluding accumulated other comprehensive loss | 84,358 | 81,046 |
| | 711,360 | 718,931 |

The Corporation's objectives when managing capital are to:

- safeguard its ability to continue as a going concern in order to provide returns to shareholders; and
- maintain an optimal capital structure with the use of external long-term debt to support its growth.

The Corporation normally finances fixed asset acquisitions through capital leases.

Notes to Financial Statements (Unaudited)

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

The Corporation's management monitors the covenants on a monthly basis and the Corporation's Board of Directors reviews the covenants on a quarterly basis.

The Corporation expects to meet all the covenants under the credit facilities for the next 12 months.

Other than the covenants required by its credit facilities (note 9(a)), the Corporation is not subject to any externally imposed capital requirements.

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

Capital stock issued is summarized as follows:

| | Number of Class "A" shares | \$ |
|-------------------------------------|---|-----------|
| Balance beginning and end of period | 31,477,882 | 115,285 |

d) 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 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.

During the three (3) month period ended April 30, 2009 the Corporation did not grant any Class "A" share stock options (400,000 for the corresponding period last year at an exercise price of \$16.98). As at April 30, 2009 2,471,353 stock options were issued and outstanding (2,810,668 as at April 30, 2008).

Notes to Financial Statements (Unaudited)

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

12 Contributed surplus

| | Three months ended April 30, 2009 | Three months ended April 30, 2008 |
|-------------------------------|--|---|
| | \$ | \$ |
| Balance – Beginning of period | 9,412 | 5,837 |
| Stock-based compensation | 783 | 875 |
| Options exercised | - | (56) |
| | <hr/> | <hr/> |
| Balance – End of period | 10,195 | 6,656 |

13 Depreciation and amortization

| | Three months ended April 30, 2009 | Three months ended April 30, 2008 (restated note 3) |
|--|--|--|
| | \$ | \$ |
| Depreciation of property, plant and equipment | 13,535 | 11,087 |
| Amortization of service contracts and client relationships | 972 | 559 |
| | <hr/> | <hr/> |
| | 14,507 | 11,646 |
| Depreciation and amortization related to discontinued operations (note 4) | (540) | (481) |
| | <hr/> | <hr/> |
| | 13,967 | 11,165 |

Service contracts and client relationships are shown in the balance sheet net of accumulated amortization of \$9,159 (As at January 31, 2009 - \$8,187).

14 Financing expenses

| | Three months ended April 30, 2009 | Three months ended April 30, 2008 |
|--|--|---|
| | \$ | \$ |
| Interest on long-term debt | 15,739 | 12,945 |
| Interest on capital lease obligation | 1,079 | 760 |
| Other interest | 956 | 1,034 |
| Amortization of deferred financing costs | 965 | 883 |
| Capitalized interest on long-term debt | 403 | - |
| | <hr/> | <hr/> |
| | 19,142 | 15,622 |
| Financing expenses related to discontinued operations (note 4) | (1,207) | (867) |
| | <hr/> | <hr/> |
| | 17,935 | 14,755 |

Notes to Financial Statements (Unaudited)

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

15 Accumulated other comprehensive loss

| | As at April 30, 2009 (unaudited) \$ | As at January 31, 2009 (audited) \$ |
|--|--|--|
| Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations | 7,176 | 8,174 |
| Unrealized losses on fair value of financial instrument, net of taxes | (26,591) | (28,322) |
| Balance – End of period | (19,415) | (20,148) |

16 Income per share

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

| | Three months ended April 30, 2009 \$ | Three months ended April 30, 2008 (restated note 3) \$ |
|--|---|--|
| Net income for the period | 2,529 | 4,545 |
| Weighted average number of shares outstanding for use in computation of basic income per share | 31,477,882 | 31,402,347 |
| Effect of potentially dilutive securities stock options | - | 377,654 |
| Weighted average number of shares outstanding for use in computation of diluted income per share | 31,477,882 | 31,780,001 |
| Basic net income per share | \$0.08 | \$0.14 |
| Diluted net income per share | \$0.08 | \$0.14 |

During the quarter ended April 30, 2009, 2,471,353 (2008 – 2,130,000) Class "A" share stock options with an exercise price varying from \$3.00 to \$23.40 per share (\$10.00 to \$23.40 for the corresponding period last year) were excluded in computing the diluted income per share because the effect was anti-dilutive.

Notes to Financial Statements (Unaudited)

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

17 Consolidated statements of cash flows

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

| | Three months ended April 30, 2009 | Three months ended April 30, 2008 |
|--|--|---|
| | \$ | \$ |
| Decrease (increase) in | | |
| Accounts receivable | 1,850 | 7,493 |
| Revenue to be billed | 1,312 | (4,308) |
| Inventories | 409 | (1,986) |
| Prepaid expenses | 567 | 395 |
| Income taxes refundable | (3,451) | (3,264) |
| Increase (decrease) in | | |
| Accounts payable and accrued liabilities | (15,068) | (4,629) |
| Income taxes payable | 1,606 | (199) |
| | (12,775) | (6,498) |

b) Cash is detailed as follows:

| | | |
|-------------------------|---------------|--------|
| Cash on hand | 19,281 | 19,735 |
| Deposits from customers | 2,159 | 7,686 |
| | 21,440 | 27,421 |

18 Contingencies

In the normal course of business, the Corporation is involved in various legal proceedings, the outcome of which cannot be determined at this time and accordingly, no provision has been recorded. The Corporation believes that the resolution of these proceedings will not have a material favorable or unfavorable effect on its financial position and income statement.

One of the divisions of the Corporation is the subject of legal action from a former employee in the amount of US\$3,500 for alleged wrongful termination. Management believes that the Corporation will not incur any significant loss resulting from these proceedings.

Notes to Financial Statements (Unaudited)

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

19 Financial instruments

Fair value

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 is held with or issued by high credit quality financial institutions. Therefore, the Corporation considers the risk of non-performance on this instrument 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.

The distribution 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, 2009, the Corporation's interest rate risk is summarized as follows:

| | |
|--|----------------------|
| Cash | Variable rate |
| Accounts receivable | Non-interest bearing |
| Bank overdrafts | Variable rate |
| Accounts payable and accrued liabilities | Non-interest bearing |
| Long-term debt | See note 9 |

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 5.62% for a notional amount of \$558,066. As at April 30, 2009, the fair value of these instruments represented an unrealized loss of \$60,705. As at April 30, 2009, 85% of the Corporation's senior and subordinated term loans were at fixed rates.

Notes to Financial Statements (Unaudited)

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

In October 2008, the Corporation introduced a monthly LIBOR rate on the variable interest rate paid to the lenders. This change resulted in an ineffectiveness of the hedge relationship for its interest rate swap (derivative financial instrument). As such, the variation in the fair value of the interest rate swap is recognized in the net results since this change occurred. The Corporation will amortize over the remaining period of the long-term debt the derivative loss net of taxes of \$28,322 recognized in the accumulated comprehensive loss as of October 31, 2008.

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 self-sustaining foreign subsidiaries.

During the period ended April 30, 2009, if the US dollar had 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 year would have been marginal and the impact on the comprehensive income would have been an increase of \$3,778.

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 cash flow stream from self-sustaining foreign operations. Consequently, the Corporation believes that its exposure to risk from currency fluctuations is low.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they become due or can only do so at excessive cost. The Corporation manages this risk by maintaining detailed cash flows and long-term operating and strategic plans. The following are the contractual maturities of financial liabilities as at April 30, 2009.

| | Carrying amount \$ | Contractual cash flows \$ | Less than one (1) year \$ | Between one (1) and two (2) years \$ | More than two (2) years \$ |
|--|--------------------------|---------------------------------|------------------------------------|---|-------------------------------------|
| Accounts payable and accrued liabilities | 120,915 | 120,915 | 120,915 | - | - |
| Long-term debt and interests, excluding deferred financing costs | 658,728 | 923,497 | 109,204 | 108,899 | 705,394 |
| Bank overdrafts | 1,724 | 1,724 | 1,724 | - | - |
| Accounts payables and accrued liabilities related to assets held for sale | 13,146 | 13,146 | 12,879 | 267 | - |
| | <u>794,513</u> | <u>1,059,282</u> | <u>244,722</u> | <u>109,166</u> | <u>705,394</u> |

Notes to Financial Statements (Unaudited)

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

Cash flows from operations are the principal source of funding for the Corporation.

The adequacy of liquidity is assessed in view of operational needs, maturity profile of indebtedness and interest payable (note 9). Under the Amending Agreement executed September 15, 2008, there has been an increase in the annual interest rate margins charged to the Corporation going forward, and the Corporation has committed that any proceeds or consideration received from the sale of certain assets, or sources of funding other than cash flows from operations, be applied against the credit facilities.

For the upcoming quarters, the Corporation's Credit Agreement imposes borrowing restrictions with regard to its revolving credit facility. The Corporation is confident that the future cash flows from operations, cash and availability under the revolving facilities will allow for the realization of assets and settlement of liabilities in the normal course of business as they come due.

The Corporation has unused credit facility in the amount of \$9.5 million as at April 30, 2009.

20 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 security screening services, consulting and investigation/global risk consulting services, pre-employment screening 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.

Notes to Financial Statements (Unaudited)

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

a) Business segment

| | Three months ended April 30, 2009 | Three months ended April 30, 2008 (restated note 3) |
|---|--|--|
| | \$ | \$ |
| Revenues | | |
| Physical security and other | 121,052 | 118,828 |
| Cash logistics | 158,179 | 144,789 |
| | 279,231 | 263,617 |
| Depreciation of property, plant and equipment ⁽¹⁾ | | |
| Physical security and other | 1,807 | 1,691 |
| Cash logistics | 11,728 | 9,396 |
| | 13,535 | 11,087 |
| Amortization of service contracts and client relationships ⁽¹⁾ | | |
| Physical security and other | 175 | 150 |
| Cash logistics | 797 | 409 |
| | 972 | 559 |
| Income before financing expenses, income taxes and discontinued operations | | |
| Physical security and other | 4,331 | 4,966 |
| Cash logistics | 13,391 | 13,567 |
| | 17,722 | 18,533 |
| | As at April 30, 2009 | As at January 31 2009 (restated note 3) |
| | (unaudited) | (audited) |
| | \$ | \$ |
| Property, plant and equipment | | |
| Physical security and other | 12,074 | 12,440 |
| Cash logistics | 245,912 | 259,879 |
| | 257,986 | 272,319 |
| Goodwill | | |
| Physical security and other | 97,963 | 103,563 |
| Cash logistics | 231,644 | 231,642 |
| | 329,607 | 335,205 |
| Service contracts and client relationships | | |
| Physical security and other | 5,156 | 5,331 |
| Cash logistics | 47,931 | 51,171 |
| | 53,087 | 56,502 |
| Total assets ⁽¹⁾ | | |
| Physical security and other | 302,949 | 254,767 |
| Cash logistics | 652,045 | 731,263 |
| | 954,994 | 986,030 |

⁽¹⁾ includes amounts relating to assets held for sale

Notes to Financial Statements (Unaudited)

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

b) Geographical segment

| | Three months ended April 30, 2009 | Three months ended April 30, 2008 (restated note 3) |
|---|--|--|
| | \$ | \$ |
| Revenues | | |
| Canada | 118,206 | 119,203 |
| United States and other | 161,025 | 144,414 |
| | 279,231 | 263,617 |
| Depreciation of property, plant and equipment ⁽¹⁾ | | |
| Canada | 1,757 | 1,903 |
| United States and other | 11,778 | 9,184 |
| | 13,535 | 11,087 |
| Amortization of service contracts and client relationships ⁽¹⁾ | | |
| Canada | 149 | 153 |
| United States and other | 823 | 406 |
| | 972 | 559 |
| Income before financing expenses, income taxes and discontinued operations | | |
| Canada | 6,887 | 5,678 |
| United States and other | 10,835 | 12,855 |
| | 17,722 | 18,533 |
| | As at April 30, 2009 (unaudited) | As at January 31, 2009 (audited) (restated note 3) |
| | \$ | \$ |
| Property, plant and equipment | | |
| Canada | 24,041 | 24,514 |
| United States and other | 233,945 | 247,805 |
| | 257,986 | 272,319 |
| Goodwill | | |
| Canada | 78,877 | 78,877 |
| United States and other | 250,730 | 256,328 |
| | 329,607 | 335,205 |
| Service contracts and client relationships | | |
| Canada | 5,546 | 5,694 |
| United States and other | 47,541 | 50,808 |
| | 53,087 | 56,502 |
| Total assets ⁽¹⁾ | | |
| Canada | 212,469 | 158,494 |
| United States and other | 742,525 | 827,536 |
| | 954,994 | 986,030 |

⁽¹⁾ includes amounts relating to assets held for sale

Notes to Financial Statements (Unaudited)

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

21 Comparative figures

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