

Garda World Security Corporation

Consolidated Financial Statements (unaudited)
For the first quarter ended April 30, 2010

Garda World Security Corporation

Consolidated Balance Sheets and Statements of Deficit

(in thousands of dollars)

Consolidated Balance sheets	As at April 30, 2010 (unaudited) \$	As at January 31, 2010 (audited) \$
ASSETS		
Current assets		
Cash and cash equivalent	16,593	11,857
Accounts receivable (note 5)	123,335	114,612
Revenue to be billed	18,761	22,965
Inventories	7,704	8,018
Prepaid expenses	14,439	12,954
Income taxes refundable	1,428	2,611
Future income taxes	-	94
	<u>182,260</u>	<u>173,111</u>
Property plant and equipment (note 6)	206,042	218,763
Goodwill (note 7)	292,316	303,583
Intangible assets (note 7)	45,059	47,737
Other assets (note 8)	11,221	12,210
Future income taxes	46,072	48,731
	<u>782,970</u>	<u>804,135</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	2,998	9,551
Accounts payable and accrued liabilities	117,263	123,220
Income taxes payable	-	770
Current portion of long-term debt (note 9)	46,398	39,933
	<u>166,659</u>	<u>173,474</u>
Long-term debt (note 9)	549,557	512,356
Future income taxes	6,321	9,703
Other long-term liabilities (note 10)	14,770	64,228
Shareholders' Equity		
Share capital (note 11)	116,201	116,105
Contributed surplus	13,473	12,818
Accumulated other comprehensive loss	(11,413)	(5,606)
Deficit	(72,598)	(78,943)
	<u>45,663</u>	<u>44,374</u>
	<u>782,970</u>	<u>804,135</u>
Consolidated Statements of Deficit		
	Three months ended April 30, 2010 (unaudited) \$	Three months ended April 30, 2009 (unaudited) \$
Deficit beginning of period, as previously reported	(78,943)	(40,724)
Change in accounting policy (note 4)	-	(2,927)
Deficit as restated	(78,943)	(43,651)
Net income for the period	6,345	2,529
Deficit, end of period	<u>(72,598)</u>	<u>(41,122)</u>

See accompanying notes to consolidated financial statements.

Garda World Security Corporation

Consolidated Statements of Income and Comprehensive Income

(unaudited)

(in thousands of dollars except per share amounts)

	Three months ended April 30, 2010	Three months ended April 30, 2009
	\$	\$
Consolidated Statements of Income		
Revenues	272,270	279,231
Operating costs	207,573	203,944
Gross profit	64,697	75,287
Fixed costs, general and administrative expenses	33,793	42,696
Operating profit	30,904	32,591
Stock based compensation (note 11 (b))	690	783
Loss on disposal of property, plant and equipment	195	119
Depreciation and amortization (note 12)	11,884	13,967
Income before the following:	18,135	17,722
Financing expenses (note 13)	13,048	17,935
Change in fair value of derivative instruments	-	(1,050)
Income before recovery of income taxes and discontinued operations	5,087	837
Recovery of income taxes		
Current	(164)	(2,459)
Future	(1,094)	(382)
	(1,258)	(2,841)
Net income from continuing operations	6,345	3,678
Loss from discontinued operations (note 16)	-	(1,149)
Net income for the period	6,345	2,529
Net income per share from continuing operations		
Basic and diluted	0.20	0.12
Net income per share total (note 14)		
Basic and diluted	0.20	0.08

	Three months ended April 30, 2010	Three months ended April 30, 2009
	\$	\$
Consolidated Statements of Comprehensive Income		
Net income for the period	6,345	2,529
Other comprehensive income (loss):		
Loss on translation of self sustaining foreign operations	(5,807)	(998)
Unrealized gains on derivatives	-	2,467
Future income taxes	-	(736)
Comprehensive income for the period	538	3,262

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash flows

(unaudited)

(in thousands of dollars)

	Three months ended April 30, 2010	Three months ended April 30, 2009
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	6,345	2,529
Non-cash items		
Depreciation of property, plant and equipment (note 12)	10,884	12,931
Amortization of intangible assets (note 12)	1,000	1,576
Stock based compensation (note (11 (b)))	690	783
Amortization of discounts (note 13)	109	-
Amortization of deferred financing costs (note 13)	565	965
Capitalized interest on long-term debt (note 13)	-	403
Future income taxes	(1,094)	(382)
Change in fair value of derivative instruments	-	(1,050)
Loss on disposal of property, plant and equipment	195	119
	18,694	17,874
Net change in non-cash working capital (note 15)	(12,714)	(12,775)
	5,980	5,099
CASH FLOW FROM FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	(6,553)	848
Increase in long-term debt	538,864	-
Repayment of long-term debt	(466,836)	(10,030)
SWAP termination payments (note 10)	(47,441)	-
Increase in revolving facilities	6,193	5,255
Shares issuance (note 11 (a))	61	-
Increase in deferred financing costs	(19,962)	-
Others	(250)	-
	4,076	(3,927)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(5,503)	(4,410)
Proceeds from disposal of property, plant and equipment	847	68
Others	(399)	(32)
	(5,055)	(4,374)
Foreign currency translation on cash	(265)	(521)
Net change in cash and cash equivalent during the period	4,736	(3,723)
Cash and cash equivalent, beginning of the period	11,857	25,190
Cash and cash equivalent, end of the period related to:		
Total cash and cash equivalent including discontinued operations and deposits from customers	16,593	21,467
Discontinued operations	-	(27)
	16,593	21,440

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

(unaudited)

(All amounts are in thousands of dollars except information on number of options 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

The unaudited interim consolidated financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles (Canadian GAAP). These consolidated financial statements were prepared in accordance with the same accounting policies as the audited annual consolidated financial statements for the fiscal year ended January 31, 2010. The unaudited interim consolidated financial statements do not include all the information for complete financial statements and should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in the Corporation's 2010 Annual Report.

3 Changes in accounting policies

Adopted during the current period:

Accounting changes:

In June 2009, the CICA amended Section 1506, "Accounting Changes", to exclude from the scope of this Section changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. This amendment is effective for years beginning after July 1, 2009.

Financial instruments – Recognition and measurement:

In June 2009, the CICA amended Section 3855, "Financial Instruments – Recognition and Measurement", to clarify the application of the effective interest rate method after a debt instrument has been impaired. The amendment also clarifies when an embedded prepayment option is separated from its host debt instrument for accounting purposes.

The adoption of these new standards did not have an impact on the Corporation's consolidated financial statements.

To be adopted in future periods:

Business Combinations:

CICA issued HB 1582, Business Combinations, to establish new standards for accounting for business combinations. It is the Canadian equivalent to IFRS 3 (revised), Business Combinations (January 2008). The section is effective for 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. New HB 1582, HB 1601, Consolidated Financial Statements, and HB 1602, Non-Controlling Interests, are to be implemented concurrently.

This new section requires, amongst others, that most identifiable assets, liabilities, non-controlling interests and goodwill acquired in a business combination be recorded at "full fair value" and acquisition-related costs are recognized as expenses as incurred and that liabilities associated with restructuring or exit activities are recognized only if they meet the definition of a liability as of the acquisition date.

Consolidated Financial Statements:

CICA issued HB 1601, Consolidated Financial Statements, which supersedes the like named HB 1600. This Section applies to interim and annual financial statement for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the preparation of consolidated financial statements. HB 1601 carries forward the consolidated guidance previously included in HB 1600.

Non Controlling Interests:

CICA issued HB 1602, Non-Controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is to be implemented concurrently with HB 1582, Business Combinations. HB 1602 is effective for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. HB 1602 is to be applied retrospectively, with certain exceptions.

HB 1602 replicates the provisions of IAS 27, Consolidated and Separate Financial Statements, other than the disclosure requirements. The key features are: non-controlling interests in subsidiaries are presented in the consolidated balance

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sheet with equity, separate from the parent shareholder's equity. In income statements, non-controlling interest is not deducted in arriving at consolidated net income, but is allocated to the controlling interest and the non-controlling interest according to their percentage ownership.

The Corporation does not expect these three new standards to have a material impact on the Corporation's consolidated financial statements.

International Financial Reporting Standards ("IFRS"):

In 2005, the Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with IFRS. On February 13, 2008, AcSB confirmed that publicly accountable enterprises would be required to apply, and report in accordance with IFRS, in full and without modification, effective in fiscal years beginning on or after January 1, 2011.

4 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 loss, deficit, comprehensive loss and cash flow for the year ended January 31, 2009 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.

The Corporation also reclassified the software from computer equipment to intangible assets. The related depreciation has also been reclassified to amortization of intangible assets. This reclassification has no impact on the Corporation's deficit.

5 Accounts receivable

The Corporation grants credit to its customers under the ordinary course of business. Management believes that the credit risk of accounts receivable is limited due to the following reasons:

- There is a broad base of customers with dispersion across different market segments.
- No single customer accounts for more than 10% of the Corporation's total revenues.
- Approximately 90.1% (January 31, 2010 – 89.6%) of the Corporation trade accounts receivable are less than 120 days old.
- Bad debt write-offs to total revenues have been approximately 0.2% of consolidated revenues for the last 3 years. In light of the above, the allowance for doubtful accounts at April 30, 2010 was \$4.2 million (January 31, 2010 – \$5.1 million). All bad debt expenses are charged to fixed costs, general and administrative expenses.

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

6 Property, plant and equipment

	As at April 30, 2010 (unaudited)		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	233	-	233
Buildings	5,287	472	4,815
Office furniture	3,019	2,171	848
Computer equipment	12,562	8,453	4,109
Equipment	28,802	17,599	11,203
Vehicles	10,846	7,349	3,497
Aircraft and aircraft rotables ⁽¹⁾	128,012	26,920	101,092
Armored vehicles	102,335	46,457	55,878
Uniforms	7,370	4,964	2,406
Leasehold improvements	42,962	21,001	21,961
	<u>341,428</u>	<u>135,386</u>	<u>206,042</u>
	As at January 31, 2010 (audited)		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	246	-	246
Buildings	4,189	472	3,717
Office furniture	3,074	2,150	924
Computer equipment	12,552	8,110	4,442
Equipment	29,526	17,324	12,202
Vehicles	11,071	7,297	3,774
Aircraft and aircraft rotables ⁽¹⁾	131,494	26,049	105,445
Armored vehicles	105,783	44,648	61,135
Uniforms	7,092	4,494	2,598
Leasehold improvements	44,468	20,188	24,280
	<u>349,495</u>	<u>130,732</u>	<u>218,763</u>

⁽¹⁾ All the aircraft are leased to a private air cargo operator. Rental revenues amounted to \$4,499 for the period ended April 30, 2010 (2009 - \$5,693).

As at April 30, 2010, the cost and accumulated amortization for computer equipment, vehicles, armored vehicles and aircraft held under capital leases amounted to \$80,074 and \$27,340 respectively (January 31, 2010 - \$81,737 and \$26,326).

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7 Goodwill and Intangible assets

The changes in the carrying value of goodwill and intangible assets comprise the following:

	Intangible assets	Goodwill
	\$	\$
Balance – January 31, 2009	57,616	335,205
Software addition	1,116	-
Adjustments for assets held for sale	79	2,246
Amortization of intangible assets	(4,496)	-
Effect in exchange rate during the year	(6,578)	(33,868)
Balance – January 31, 2010	47,737	303,583
Software addition	399	-
Amortization of intangible assets	(1,000)	-
Effect in exchange rate during the period	(2,077)	(11,267)
Balance – April 30, 2010	45,059	292,316

Intangible assets are shown in the balance sheet net of accumulated amortization of \$14,649 (January 31, 2010-\$14,274).

8 Other assets

	As at April 30, 2010 (unaudited) \$	As at January 31, 2010 (audited) \$
Notes receivable	7,916	8,302
Other	3,305	3,908
	11,221	12,210

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9 Long-term debt

	As at April 30, 2010 (unaudited) \$	As at January 31, 2010 (audited) \$
Authorized revolving facilities of CA \$125,000, bearing interest at Canadian prime rate plus 4.00% or at LIBOR or at banker's acceptance plus 5.00% with reduction in relation with the leverage ratio, repayable in full at maturity in March 2013. (note 9 (b) and (c))	30,000	-
Term loan of \$215,000, bearing interest at Canadian prime rate plus 4.00% or at LIBOR or banker's acceptance plus 5.00% with reduction in relation with the leverage ratio, payable in quarterly instalments of \$5,000 from July 31, 2010 to April 30, 2011 and of \$7,500 from July 31, 2011 to March 2013 (note 9 (b) and (c))	215,000	-
Senior note of US \$250,000 bearing interest at a fixed rate of 9.75%, payable in full at maturity in March 2017 (note 9 (a))	248,300	-
Senior note of CA \$75,000 bearing interest at a fixed rate of 9.75%, payable in full maturity in March 2017 (note 9 (a))	73,636	-
Capital leases obligations, secured by property, plant and equipment, bearing interest at rates ranging from nil to 10.39% with an average rate of 7.08%, repayable in monthly instalments of a maximum of \$1,707, including principal and interest, maturing at different dates until November 2014	42,012	45,602
Conditional sales contracts, collateralized by rolling stock, at interest rates varying between nil and 9.2%, payable in monthly instalments of \$290, principal and interest, maturing on various dates through July 2014	5,904	6,130
Balances of purchase prices payable, bearing interest at a rate of 5%, payable in annual and quarterly instalments until October 2010	500	750
Deferred financing costs, net of accumulated amortization	(19,397)	-
Authorized revolving facilities repaid in March 2010	-	24,289
Senior term loan repaid in March 2010	-	144,847
Senior term loan repaid in March 2010	-	180,130
Subordinated term loan repaid in March 2010	-	150,541
	<u>595,955</u>	<u>552,289</u>
Less: Current portion	46,398	39,933
	<u>549,557</u>	<u>512,356</u>

- a) On March 12, 2010, the Corporation completed the refinancing of the majority of its long-term debt and issued US \$250 million and CA \$75 million aggregate amount of 9.75% senior notes due 2017. The US and Canadian dollar Notes were issued at a price of 98,148% of their principal amount, both resulting in an effective yield of 10.125%. The senior notes rank pari-passu and are unsecured. The Corporation has designated its US dollar

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senior note of 250 million \$ as a foreign exchange hedge of its net investment in its U.S. self-sustaining operations. Accordingly, the portion of the gains or losses arising from the translation of the US dollars denominated debt that is determined to be an effective hedge is recognized in Other comprehensive income, counterbalancing gains and losses arising from translation of the Corporation's net investment in its U.S. self-sustaining subsidiaries. Should a portion of the hedging relationship become ineffective, the ineffective portion would be recorded in the consolidated statements of earnings.

During the period ended April 30, 2010 a gain of \$2,036 (2009-NIL) has been recorded in the consolidated statements of comprehensive income related to the translation of the US dollar debt.

- b) The revolving facilities and term loan are secured by a general pledge as well as a movable hypothec on the universality of present and future assets of the Corporation. As part of this credit agreement the Corporation is subject to certain financial covenants which include a total leverage ratio, a senior debt leverage ratio and a fixed charges coverage ratio. As at April 30, 2010, the Corporation respects all those covenants and expects to meet them for the next twelve months.

Standby fees, which vary based on leverage ratio, apply to the unused portion of the credit facilities.

- c) At the end of each fiscal year, the Corporation has to make a prepayment on the outstanding borrowings under the credit facilities for an amount based on the total leverage ratio and the excess cash flow, as following:
- i. 75% of excess cash flow if the total leverage ratio at such time exceeds 4.25:1
 - ii. 50% of excess cash flow if the total leverage ratio at such time exceeds 3.50:1 but is not more than 4.25:1
 - iii. 25% of excess cash flow if the total leverage ratio at such time exceeds 3.00:1 but is not more than 3.50:1
- d) As at April 30, 2010, letters of credit amounting to \$37,777 reduced the available revolving facilities.
- e) The Corporation's management reviews compliance with the financial covenants on a monthly basis and the Corporation's board of director's reviews compliance with the financial covenants on a quarterly basis.
- f) Principal payments on long-term debt and capital leases obligations over the next five (5) years are as follows:

	Capital payment on long-term debt	Minimum payments on capital leases obligations
2012	26,039	22,627
2013	31,279	12,593
2014	193,400	9,317
2015	646	1,114
2016	40	280
2017 and thereafter	327,900	-
	<u>579,304</u>	<u>45,931</u>

Minimum instalments payable for the subsequent years under capital leases obligations amounting to \$45,931 of which \$3,919 is interest. The current portion of capital leases obligations is \$20,359 (January 31, 2010 - \$21,671).

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(unaudited)

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

10 Other long-term liabilities

	As at April 30, 2010 (unaudited) \$	As at January 31, 2010 (audited) \$
Insurance provision, net of collateral of \$7,523 (January 31, 2010 – \$ 7,523)	6,574	7,911
Fair value of swap on long term debt, repaid in March 2010	-	47,441
Deferred rent for tenant's improvements	7,043	7,653
Other	1,153	1,223
	<u>14,770</u>	<u>64,228</u>

11 Share capital

a) Share Capital

	Number of Class "A" shares	\$
Balance as at January 31, 2009	31,477,882	115,285
Issued following exercise of options (note 11 (b))	<u>119,416</u>	<u>820</u>
Balance as at January 31, 2010	31,597,298	116,105
Issued following exercise of options (note 11 (b))	<u>9,500</u>	<u>96</u>
Balance as at April 30, 2010	<u>31,606,798</u>	<u>116,201</u>

b) 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. Furthermore, if the closing price on the previous trading day of the Toronto Stock Exchange prior to the granting of the options is more than ten percent (10%) below the ten (10) day weighted average trading price ending immediately prior to the granting of the options, then the ten (10) day weighted average price is to be used in calculating the exercise price.

The vesting period ranging from the date of the grant to five (5) years.

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(unaudited)

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

The following table summarizes the Corporation's Class "A" stock option activity during the period:

	As at April 30, 2010 (unaudited)		As at January 31, 2010 (audited)	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Options granted – Beginning of period	2,752,001	11.18	2,471,353	15.17
Granted	-	-	1,165,000	4.59
Exercised	(9,500)	6.42	(119,416)	4.31
Forfeited	(8,334)	8.00	(458,250)	14.33
Cancelled	-	-	(306,686)	16.30
Options granted – End of period	<u>2,734,167</u>	11.20	<u>2,752,001</u>	11.18

As at April 30, 2010, 1,575,904 stock options are exercisable (1,585,404 as at January, 31, 2010)

During the period ended April 30, 2010, the Corporation recorded a stock based compensation charge of \$690 (2009 - \$783) for the options granted since February 1, 2002, with an offsetting credit to contributed surplus.

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(unaudited)

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

12 Depreciation and amortization

	Three months ended April 30, 2010	Three months ended April 30, 2009
	\$	\$
Depreciation of property, plant and equipment	10,884	12,931
Amortization of intangible assets	1,000	1,576
	<u>11,884</u>	<u>14,507</u>
Depreciation and amortization related to discontinued operations (note 16)	-	(540)
	<u>11,884</u>	<u>13,967</u>

13 Financing expenses

	Three months ended April 30, 2010	Three months ended April 30, 2009
	\$	\$
Interest on long-term debt	11,112	15,951
Interest on capital lease obligation	936	1,079
Other interest	326	744
Amortization of deferred financing costs (note 9)	565	965
Amortization of discounts	109	-
Capitalized interest on long-term debt	-	403
	<u>13,048</u>	<u>19,142</u>
Financing expenses related to discontinued operations (note 16)	-	(1,207)
	<u>13,048</u>	<u>17,935</u>

14 Income per share

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

	Three months ended April 30, 2010	Three months ended April 30, 2009
	\$	\$
Net income for the period	<u>6,345</u>	<u>2,529</u>
Weighted average number of shares outstanding - Basic	31,601,303	31,477,882
Weighted average number of dilutive options	226,825	-
Weighted average number of shares outstanding - diluted	<u>31,828,128</u>	<u>31,477,882</u>
Basic and diluted net income per share	<u>\$ 0.20</u>	<u>\$ 0.08</u>

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

15 Consolidated statements of cash flows

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

	Three months ended April 30, 2010	Three months ended April 30, 2009
	\$	\$
Decrease (increase) in		
Accounts receivable	(12,300)	1,850
Revenue to be billed	4,047	1,312
Inventories	(54)	409
Prepaid expenses	(1,933)	567
Income taxes refundable	1,087	(3,451)
Increase (decrease) in		
Accounts payable and accrued liabilities	(2,797)	(15,068)
Income taxes payable	(764)	1,606
	<u>(12,714)</u>	<u>(12,775)</u>

b) Additional information:

Interest paid	12,374	16,341
Income taxes received	(158)	(814)

As at	As at
April 30, 2010	April 30, 2009

c) Cash and cash equivalent is detailed as follows:

Cash on hand	13,385	19,281
Deposits from customers	3,208	2,159
	<u>16,593</u>	<u>21,440</u>

16 Business disposal and discontinued operations

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 future sales of the products and services made by the buyer in conjunction with the cash logistics services during the next five (5) years.

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. On June 2, 2009, the Corporation concluded the sale of its US and Mexican Guarding operations for a total cash consideration of US \$44.25 million.

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

Summary of discontinued operations

	Three months ended April 30, 2010	Three months ended April 30, 2009
Revenues	-	38,721
Operating expenses	-	32,610
Gross profit	-	6,111
Fixed costs, general and administrative expenses	-	5,739
Depreciation and amortization	-	540
Loss before the following:	-	(168)
Interest on long-term debt	-	1,207
Loss before recovery of income taxes	-	(1,375)
Recovery of income taxes	-	(226)
Loss from discontinued operations	-	(1,149)
Net loss per share		
Basic and diluted	-	(0.04)

17 Pension plans

The Corporation has established defined contribution pension plans for a certain number of its unionized and non-unionized employees in Canada and the United States. In addition, the Corporation also contributes to a registered retirement savings plan for various employees. The pension expense for these plans is represented by the Corporation's contribution. For the three month period ended April 30, 2010, the pension expense for these plans amounted to \$1,164 (April 30, 2009 - \$772).

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.

Garda World Security Corporation

Notes to Consolidated Financial Statements

(unaudited)

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

19 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: the Corporation offers its clients a fully integrated approach to managing the supply chain of cash, from ATM and point-of-sale services, through armored transportation, deposit processing, cash vault services, in-store cash control systems and check imaging. This business segment is operated using a combination of armored vehicles, cargo aircraft, deposit processing systems, high-speed currency processing systems and cash vault.

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

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

Garda World Security Corporation

Notes to Consolidated Financial Statements

(unaudited)

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

a) Business segment

	Three months ended April 30, 2010 \$	Three months ended April 30, 2009 \$
Revenues		
Physical security and other	137,201	121,052
Cash logistics ⁽²⁾	135,069	158,179
	<u>272,270</u>	<u>279,231</u>
Depreciation of property, plant and equipment ⁽¹⁾		
Physical security and other	1,329	1,804
Cash logistics ⁽³⁾	9,555	11,127
	<u>10,884</u>	<u>12,931</u>
Amortization of intangible assets ⁽¹⁾		
Physical security and other	158	175
Cash logistics	842	1,401
	<u>1,000</u>	<u>1,576</u>
Income before financing expenses, income taxes, discontinued operations and change in fair value of derivative instruments		
Physical security and other	6,870	6,072
Cash logistics ⁽⁴⁾	11,265	11,650
	<u>18,135</u>	<u>17,722</u>
	As at April 30, 2010 (unaudited) \$	As at January 31, 2010 (audited) \$
Property, plant and equipment		
Physical security and other	9,955	10,408
Cash logistics ⁽⁵⁾	196,087	208,355
	<u>206,042</u>	<u>218,763</u>
Goodwill		
Physical security and other	96,504	97,630
Cash logistics	195,812	205,953
	<u>292,316</u>	<u>303,583</u>
Intangible assets		
Physical security and other	5,672	5,591
Cash logistics	39,387	42,146
	<u>45,059</u>	<u>47,737</u>
Total assets ⁽¹⁾		
Physical security and other	241,542	234,061
Cash logistics ⁽⁶⁾	541,428	570,074
	<u>782,970</u>	<u>804,135</u>

1. Includes amounts relating to discontinued operations

2. The Corporation owns a fleet of cargo aircraft that are leased on a long-term basis to an American private air cargo operator. Revenues includes lease payment of \$4,499 for the period ending April 30, 2010 (2009 - \$5,693) that are linked to operating profits generated by the air cargo operator. For the period ending April 30, 2010, the total revenues and operating costs of the operator were respectively \$22,501 and \$18,002 (2009 - \$30,212 and \$24,519)

3. Includes depreciation of aircraft for the period ending April 30, 2010 of \$2,440 (2009 - \$2,737)

4. Includes income before financing expenses, income taxes and discontinued operations related to air cargo for the period ending April 30, 2010 \$2,059 (2009 - \$2,956)

5. Includes aircraft and aircraft rotables of \$101,092 as at April 30, 2010 (January 31, 2010 - \$105,445)

6. Includes aircraft inventories, aircraft and aircraft rotables of \$106,410 as at April 30, 2010 (January 31, 2010 - \$111,049). The total assets of the private air cargo as at April 30, 2010 are \$6,426 (January 31, 2010 - \$9,954)

Garda World Security Corporation

Notes to Consolidated Financial Statements

(unaudited)

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

b) Geographical segment

	Three months ended April 30, 2010 \$	Three months ended April 30, 2009 \$
Revenues		
Canada	135,839	118,206
United States and other	136,431	161,025
	<u>272,270</u>	<u>279,231</u>
Depreciation of property, plant and equipment⁽¹⁾		
Canada	1,757	1,757
United States and other	9,127	11,174
	<u>10,884</u>	<u>12,931</u>
Amortization of intangible assets⁽¹⁾		
Canada	281	149
United States and other	719	1,427
	<u>1,000</u>	<u>1,576</u>
Income before financing expenses, income taxes, discontinued operations and change in fair value of derivative instruments		
Canada	10,342	6,897
United States and other	7,793	10,825
	<u>18,135</u>	<u>17,722</u>
	As at April 30, 2010 (unaudited) \$	As at January 31, 2010 (audited) \$
Property, plant and equipment		
Canada	22,002	22,673
United States and other	184,040	196,090
	<u>206,042</u>	<u>218,763</u>
Goodwill		
Canada	78,877	78,877
United States and other	213,439	224,706
	<u>292,316</u>	<u>303,583</u>
Intangible assets		
Canada	6,160	6,100
United States and other	38,899	41,637
	<u>45,059</u>	<u>47,737</u>
Total assets⁽¹⁾		
Canada	213,194	204,720
United States and other	569,776	599,415
	<u>782,970</u>	<u>804,135</u>

(1) Includes amounts relating to discontinued operations

20 Comparative figures

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