Garda World Security Corporation

Management's discussion and analysis of

financial position and results of operations

For the year ended January 31, 2009

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This discussion and analysis of financial position and results of operations ("MD&A") by the management of Garda World Security Corporation (the "Corporation") for the fiscal year ended January 31, 2009 was prepared as of April 29, 2009. The information contained herein takes into account all important events up to this date. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and related notes for the fiscal year ended January 31, 2009.

Introduction

This MD&A provides readers with information essential to understand the Corporation's operating results and financial performance, as well as to evaluate its future prospects. The Corporation's consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles ("GAAP") and have been audited by the Corporation's auditors. All financial information in this MD&A, including amounts in the financial tables, is expressed in thousands of Canadian dollars, except where otherwise indicated. The financial information included in this MD&A also contains certain measures that are not accepted performance measures as per Canadian GAAP. Specifically, the Corporation uses earnings before interest, income taxes, depreciation and amortization ("EBITDA") as well as cash flows from operations to evaluate operational and financial results of each of the business segments of the Corporation.

Forward-Looking Statements

With the exception of historical data, certain information and statements in this report that cover expected results of the Corporation should be considered forward-looking. Such forward-looking statements involve risks, uncertainties and other factors, which may cause actual results, performance or achievements of the Corporation to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Some of the factors contributing to those uncertainties are fluctuations in quarterly and annual results and the ability of the Corporation to reduce its debt leverage in the current credit environment. Other contributing factors are fluctuations of interest rate and foreign exchange rate, government regulations, permits and licenses, capacity to manage growth, collective agreements, additional financing required, insurance, contracts not renewed or terminated, demand for the services offered by the Corporation, industry pricing pressure, as well as market forces, economic cycles and the strength of regional economies where the Corporation conducts its business. The foregoing list of important factors is not exhaustive.

Overview

Garda is a global provider of cash logistics, global risk consulting and physical security services with headquarters in Montreal, Canada. The firm's 50,000 dedicated professionals, among the most highly qualified and best-trained in the industry, serve clients in countries throughout North America, Europe, Latin America, Africa, Asia, and the Middle East. The company's decentralized management philosophy and structure encourages employees to be entrepreneurial and performance-driven in their approach to client service and pursue excellence in all they do. Garda's global experts take the time to fully understand their clients' business goals and objectives in order to customize solutions with strong local engagement that meet their needs. As a result, clients can improve operational performance and reach their corporate obligations. With proven experience and a commitment to ensuring the highest ethical standards in everything the Corporation does, Garda has earned a reputation for integrity, leadership, and uncompromising safety standards. Most importantly, Garda is a firm in which businesses, governments, and individual clients place their trust.

Operating Segments

The Corporation is one of the largest cash logistics, physical security and global risk consulting firms in the world, offering a broad portfolio of services. The company's principal operating segments are: cash logistics and physical security services. We serve clients in countries throughout North America, Europe, Latin America, Africa, Asia, and the Middle East.

Cash Logistics

As North America's second largest cash logistics services provider, the Corporation now garners an estimated 18% market share in the United States, in addition to its estimated existing 17% Canadian market share. Our commitment is to make it easier for our clients to manage and grow their businesses. Garda uses innovative technology and logistical expertise to securely and efficiently move and manage information, cash, and other valuables. Our solutions include a combination of armored transportation services; deposit processing, cash vault, in-store/cash control systems, as well as ATM services. Our strong expertise helps our clients minimize risks, increase their productivity, and add value to their processes and systems. Garda's clientele includes large financial institutions, retailers, the restaurant industry, and government agencies.

We differentiate ourselves by offering enhanced technologies, innovative products and quality of service delivery with a laser-focus tracking of key performance indicators.

Physical Security

Security Guard Services

Garda is a market leader in the Canadian physical security sector. We offer a wide range of premium services to address our clients' needs including security officers to protect people and assets at office buildings, large oil and gas installations, industrial parks, and other high-value locations. Our services also include pre-board security screening in most of the major airports across Canada, asset protection, security and crisis management, patrol response, as well as other tactical and specialized services. We differentiate ourselves by providing premium services to clients who clearly value the importance of security.

Global Risk Consulting Services

Increasingly organizations are expanding outside their core markets to stimulate growth and revenue, but doing business in high-risk or emerging markets that are prone to violence, corruption, and instability requires a comprehensive approach to planning for, managing, and responding to risks. Our global risk consulting group helps clients mitigate risk by providing insight into local business, geopolitical, economic and cultural conditions and their potential impact on operations. Our highly qualified team contributes to the continuity of the business and to the development of new markets for its clientele on local, national and international levels.

Garda's global experts take the time to fully understand their clients' business goals and objectives in order to customize solutions with strong local engagement that meet their needs. As a result, clients can improve operational performance and reach their corporate objectives.

Our local and international services include market entry strategy, project risk assessment, contingency planning, close protection, crisis response, and risk analysis services. We differentiate ourselves by providing a low-profile approach, intelligence focus, the use of local strategic partners and a talented, high-quality team.

Pre-employment Screening Services

Garda's pre-employment screening services assist clients in managing risks, reducing losses, and enhancing security by helping them make informed business decisions. In addition to pre-employment screening services that include relevant reports on a potential employee's legal, financial, and academic background, Garda also offers value-added services to insurance companies, and financial institutions. Business leaders need access to timely and reliable information to make the right decisions at every level of the organization from hiring employees to making financial decisions. Providing the right information to its clients is an important way Garda can help them mitigate their risks.

Overall Performance

During fiscal year 2009, market conditions were defined by the general economic slowdown and the critical credit environment in the United States, as well as the strengthening of the US dollar. We observed that our businesses, in the cash logistics and physical security segments, have performed well in this challenging environment. Revenues, EBITDA and net income adjusted for special items are reconciled to the financial statements in the following table:

	Fiscal 2009			Fiscal 2008		
	REVENUES	EBITDA	NET INCOME	REVENUES	EBITDA	NET INCOME
Adjusted for special items	**1,256,214**	**112,971**	**5,267**	1,165,442	101,650	7,897
Discontinued activities [1]	**(151,426)**	**1,590**	**(24,677)**	(151,278)	(8,604)	3,452
Financial charges, net of taxes [2]	**–**	**–**	**(5,751)**	–	–	–
Goodwill impairment charge (non-cash) [3]	**–**	**–**	**(55,089)**	–	–	–
Unrealized loss on derivative financial instruments (non-cash), net of taxes [4]	**–**	**–**	**(16,898)**	–	–	–
Gain on sale of assets, net of taxes [5]	**–**	**–**	**–**	–	–	4,254
Per financial statements	**1,104,788**	**114,561**	**(97,148)**	1,014,164	93,046	15,603

[1] During the fourth quarter of fiscal 2009, the Corporation decided to divest its CashLINK products and services as well as its US and Mexican Guarding services. Revenues and expenses of the CashLINK products and services and of the US and Mexican Guarding operations for the years ended January 31, 2009 and 2008 have been reclassified from continuing operations to discontinued operations.

[2] The Corporation incurred in 2009 additional professional fees of $8.8 million paid to our lenders under the Amending Agreement executed on September 15, 2008.

[3] As at January 31, 2009, the Corporation performed the required annual impairment tests of its goodwill. As a result of these impairment tests, the Corporation's impairment adjustment (non-cash) in the US cash logistics segment and the global risk consulting services reflect the decline in overall current economic and market conditions, and more specifically in the US cash logistics segment, the overpayment for the acquisition of ATI International in April 2007.

[4] During the fourth quarter of fiscal 2009, the interest rate swap agreement used to mitigate the changes in cash flow related to the interest rate risk on a portion of the long-term debt no longer qualified as an effective hedge and therefore hedge accounting was discontinued prospectively.

[5] On October 31, 2007, the Corporation sold a selection of assets of Garda Holding (formerly Keyfacts Enterprises Canada) and realized a gain of $5,156 before related income taxes of $902.

Revenues adjusted for special items totaled $1,256,214 in fiscal 2009, an increase of $90,772 or 7.8% compared with revenues for fiscal 2008.

In the US cash logistics market, we have experienced a relative stability in our level of activity and a stronger US dollar in the last few months has translated into increased revenues for the last semester of fiscal 2009. In the Canadian cash logistics market, we had a solid performance in fiscal 2009 with a 7% organic growth when compared with fiscal 2008.

In the US physical security market, our customer base has a high level of awareness for quality security services and therefore current market conditions have had a minimal impact on the demand for our services. Throughout the fiscal year, we gained sustainable revenues with the long-awaited start of new contracts in emerging markets. In the Canadian physical security market, we experienced an organic growth of 10% in Quebec partially offset by a decrease of 7% in the level of activity for the rest of Canada due to the continued pruning of the lower margin book of business throughout the last fiscal year.

Gross profit rose by 20.8% or $47,776 from $229,227 for fiscal 2008 to $277,003 in fiscal 2009. This increase in gross profit is attributable to the business acquisitions completed during the fiscal year 2008 and the increase in revenues generated by the cash logistics and physical security segments. The gross margin as a percentage of revenues reached unprecedented levels at 25.1% (22.6% for fiscal 2008) mainly due to a performance increase in the US cash logistics business resulting from operational efficiencies, the implementation of cost control measures and the integration of activities since the change in leadership in December 2007.

EBITDA adjusted for special items reached $112,971 (or 9.0% of revenues) in fiscal 2009 compared with $101,650 (or 8.7% of revenues) in fiscal 2008, an increase of $11,321 or 11.1% reflecting a strong operating performance in all business segments. The increase in EBITDA was mainly achieved through an improved performance in the US cash logistics segment resulting from operational efficiencies realized after the change in leadership in December 2007, an improved performance in the US physical security segment related to global risk consulting in emerging markets, and strong organic growth in the Canadian cash logistics segment.

Net income adjusted for special items amounted to $5,267 ($0.17 basic per share and $0.17 diluted per share) for fiscal 2009 compared with a net income of $7,897 ($0.26 basic per share and $0.25 diluted per share) for fiscal 2008, a decrease of $2,630 ($0.08 basic per share and $0.07 diluted per share).

In the second quarter of fiscal 2009, as a result of a lower EBITDA than expected, the Corporation was concerned with its ability to meet the covenants prescribed in its credit facilities as at July 31, 2008. The Corporation initiated discussions with its lenders in order to readdress its financial covenants for the current and subsequent quarters. On September 15, 2008, the Corporation executed an amending agreement to its Credit Facilities Agreement providing for certain changes to conditions of its revolving facilities, senior loans and subordinated loan.

During the subsequent months, the Corporation carried on the review of a number of initiatives to enhance its profitability and financial flexibility. An unsolicited indication of interest to buy an important part of its business, received in early summer 2008, did not ultimately materialize due essentially to the deterioration of the credit environment and general market conditions. Nevertheless, the Corporation identified a number of other scenarios for the monetization of certain of its assets and to enhance its financial flexibility.

One of these opportunities is within the US cash logistics business with the manufacturing of smart-safe units (the "CashLINK" products and services), the development and upgrading of the technology used in the product, as well as the installation and servicing of thousands of units deployed at its customers locations throughout the United States. During the fourth quarter of 2009, it was decided to divest the CashLINK products and services.

Another one of these opportunities is in the divestiture of the US and Mexican Guarding operations which is part of the US physical security segment. With the January 2006 acquisition of Vance International, the Corporation entered the US market for physical security and consulting and investigations services (the "US and Mexican Guarding"), and also acquired an international platform to offer global risk consulting services which include high-threat protection services ("global risk consulting"). Subsequently, the Corporation acquired Kroll in December 2006 and GSS Global in February 2007 in order to grow, complement and enhance its global risk consulting services.

The US and Mexican Guarding operations required large investments to grow in a highly fragmented market. During the fourth quarter of 2009, the Corporation decided to divest its US and Mexican Guarding operations in order to focus on its core drivers for future growth.

The review of opportunities to enhance the profitability and financial flexibility of the Corporation is ongoing. Supported by a strong performance in each of its operational business segments during the third and fourth quarters of fiscal 2009 and the favorable outlook of each of its operational business segments for the coming fiscal year, the Corporation is confident that, in spite of the current difficult credit environment, it will succeed in realizing the full value potential for each opportunity and in achieving the planned reduction in its long-term debt.

As at January 31, 2009, the Corporation performed impairment tests on its goodwill. As a result of these impairment tests, the Corporation recorded a preliminary impairment adjustments (non-cash) in the US cash logistics and US physical security segments reflecting the decline in overall current economic and market conditions, and more specifically in the US cash logistics segment, the overpayment for the acquisition of ATI International in April 2007.

Selected Annual Financial Information

The following table contains selected annual financial information for the last three (3) years. Revenues and expenses of the CashLINK products and services and of the US and Mexican Guarding operations have been reclassified from continuing operations to discontinued operations.

	2009 $	2008 $	2007 $
Revenues from continuing operations	**1,104,788**	1,014,164	521,861
Earnings before interest, income taxes, depreciation and amortization ("EBITDA") from continuing operations	**114,561**	93,046	45,631
Income before financing expenses and income taxes from continuing operations	**7,629**	56,080	34,864
Net income (loss) for the year	**(97,148)**	15,603	21,047
Basic net income (loss) per share	**(3.09)**	0.50	0.73
Diluted net income (loss) per share	**(3.09)**	0.49	0.70
Cash flows from operations	**44,184**	58,505	37,146
Total assets	**988,957**	955,374	444,822
Total long-term debt	**661,002**	623,148	159,336

The relative stability of the current level of activity reinforces our conviction that the physical security and cash logistics industries are less affected by the economic downturn. The Corporation is experiencing limited organic growth which is compensated by better margins. When comparing the fiscal years ended January 31, 2009 and 2008, there is a limited impact caused by the variation in the US dollar conversion rate since the average annual conversion rates are almost identical.

In the US cash logistics market, we have experienced a relative stability in our level of activity and consistently improved our performance since the change in leadership in December 2007. In addition, a stronger US dollar in the last few months has translated into increased revenues for the last semester of fiscal 2009. Looking forward, the banking industry is in turmoil with numerous banks experiencing significant financial difficulties leading to a consolidation of large financial institutions. To date, we have maintained our client base as the industry landscape is changing. We expect that any impact of this consolidation on our level of activity, either due to increased demand for outsourced cash management solutions or to consolidation of branches will take effect over a period of 18 to 24 months. In the Canadian cash logistics market, the banking industry is not experiencing the same turmoil as in the United States. We had a solid performance in fiscal 2009 with a 7% organic growth when compared with fiscal 2008. We anticipate that we will continue and maintain our strong performance in Quebec.

In the US physical security market, our customer base has a high level of awareness for quality security services and therefore the current market conditions has had a minimal impact on the demand for our services. In Q3 2009, we strengthened our revenue stream with the long-awaited start of new contracts. In the Canadian physical security market, we have yet to notice a reduction in the level of activity for our services. We experienced an organic growth of 10% in Quebec partially offset by a decrease of 7% in the level of activity in the rest of Canada due to the continued pruning of lower margin book of business throughout the fiscal year. A slight upward price adjustment and a reduction in labor costs created by increased resources availability in the market contributed in maintaining our performance in this segment during 2009.

In the international market, large infrastructure projects are being initiated in emerging markets resulting in a strong demand for our global risk consulting services. Following a disappointing second quarter caused by the delay in the start of new projects, we delivered a solid performance in the third and fourth quarters of fiscal 2009.

For the year ended January 31, 2009, gross margin from continuing operations reached an unprecedented 25.1% (22.6% in fiscal 2008).

The increase of $21,515 in EBITDA from continuing operations between fiscal year 2009 and 2008 is caused by 1) an improved performance in the cash logistics segment in the United States resulting from the realization of operational efficiencies and the implementation of cost control measures since the change in leadership in December 2007, 2) an improved performance in the US physical security segment related to global risk consulting services in emerging markets, and 3) strong organic growth in the Canadian cash logistics segment.

For the fiscal year 2009, EBITDA adjusted for special items increased by $11,321 or 11.1% compared with the fiscal year 2008.

The comparative EBITDA adjusted for special items is detailed in the following table:

	For the year ended January 31, 2009 $	For the year ended January 31, 2008 $
EBITDA from continuing operations	**114,561**	93,046
Discontinued operations	**(1,590)**	8,604
EBITDA adjusted for special items	**112,971**	101,650

The decrease in income before financing expenses, income taxes, discontinued operations, and net income, is attributable to 1) a goodwill impairment (non-cash) of $55,089, 2) an increase of the selling and administrative expenses resulting from the acquisition of ATI International in fiscal 2008, 3) an increase of depreciation expenses following the acquisition of ATI International, and 4) a gain on sale of assets in 2008. These elements completely offset the reported increase in gross profit for fiscal 2009.

The increase in revenues from continuing operations, EBITDA from continuing operations, total assets and total long-term debt during the last three (3) years is essentially attributable to the contribution from thirteen (13) business acquisitions and the financial structure put in place to realize these business acquisitions.

Acquisitions

DATE OF ACQUISITION	CORPORATION NAMES	OPERATING SEGMENT	GEOGRAPHICAL SEGMENT
March 9, 2006	Garda Canada Security Corporation (formerly Rentokil Initial Canada)	Physical Security	Canada
December 7, 2006	Kroll Government Service International and Kroll Security Group	Physical Security	United States and other
April 10, 2007	ATI International	Cash Logistics	United States and other

Bolt-on Acquisitions

DATE OF ACQUISITION	CORPORATION NAMES	OPERATING SEGMENT	GEOGRAPHICAL SEGMENT
February 8, 2006	Chartrand Laframboise	Physical Security	Canada
February 16, 2006	Garda Investigation Services (formerly Signum Corporate Services)	Physical Security	Canada
April 3, 2006	Security Armored Express	Cash Logistics	United States and other
June 30, 2006	Security Armored Car Service	Cash Logistics	United States and other
June 30, 2006	Intertec Security and Hamilton-Wentworth Protection Services	Physical Security	Canada
September 7, 2006	PSI Armored	Cash Logistics	United States and other
October 12, 2006	Cash logistics assets of American Security	Cash Logistics	United States and other
October 31, 2006	Sécurité et Protection Secpro	Physical Security	Canada
October 31, 2006	Nor-web Consultation en Sécurité and Groupe Évolution Investigation	Physical Security	Canada
February 5, 2007	GSS Global	Physical Security	United States and other

Value creation strategy

The Corporation has experienced a sustainable period of growth over the past few years. Since the acquisition of ATI International in April 2007, the Corporation has concentrated mainly on the integration, the realization of operational synergies and the implementation of cost control measures related to the acquisition, as well as on the completion of one brand image throughout the organization. The unified brand image under the Garda name now allows the Corporation to integrate its services in order to improve the offering, strengthen its market position and pursue its growth in the future.

The Corporation is one of the largest cash logistics, physical security and global risk consulting firm in the world. Initially fuelled by vigorous organic growth, the Corporation has, in the past few years, adopted an acquisition-based growth strategy to enter strategic markets and give momentum to the consolidation of the highly fragmented markets in which it is active. In line with this growth strategy, the Corporation made eighteen (18) acquisitions over a period of approximately two years between 2005 and the beginning of 2007. ATI International, the Corporation's most recent acquisition, was a key player in the cash logistics business in the United States and is by far the Corporation's most important acquisition to date.

The Corporation's growth strategy for the next few years will be primarily based on the organic growth of the various operating segments while it will continue to seek opportunities to reduce its long term debt. One of the Corporation's stated long-term objectives is to become the leading North American cash logistics services provider.

Cash logistics

In the Canadian cash logistics market, the Corporation is indisputably ranked first in Quebec, but is proportionally under-represented in the rest of Canada. The Canadian market is already dominated by a few major players. Market shares are fiercely contested in this segment and the Corporation's organic growth in the Canadian market will continue to be modest and largely centered on expanding the services offering.

In the US cash logistics market, the acquisition of ATI International in April 2007, together with the Corporation's acquisitions of cash logistics service providers in the American Midwest in 2006 (United Armored Services, Security Armored Express, Security Armored Car Service, PSI Armored and American Security), propelled the Corporation into the position of third largest cash logistics firm in the United States.

With the current economic conditions and the significant challenges of financial institutions in the banking sector, we expect limited organic growth in the US market in the coming year. We are expecting a strong demand from financial institutions for outsourced cash management solutions which will be offset by the expected decrease in the demand for armoured transportation services in the banking and retail sectors. In the last fiscal year, we have continued to deliver an improved performance and we have realigned our business development and sales groups to better address the US national market. In the coming fiscal year, the Corporation's management will continue to deliver on the realization of operating cost synergies and operational efficiencies while focusing on increasing market share and gross margin. The quality and range of services offered, combined with our national geographic coverage, should allow us to experience strong organic growth in this segment when the economy recovers.

Physical security and other segments

In the Canadian physical security market, the Corporation moved from a strong position in Quebec to consolidate the operations of several companies in the highly fragmented Ontario and Western Canadian markets. The acquisitions of Garda Canada Security Corporation (formerly Rentokil Initial Canada, Intertec Security, Ontario Guard Services and The Signature Group) in 2006 allowed the Corporation to achieve its position as the Canadian market leader. The management team is working on building a national platform to specifically target national accounts. With a focus on value-added services, revenues are to remain steady and we expect an improvement in contribution margins during the next few years.

This segment also includes pre-board security screening services, a market that has grown since 9/11. The Corporation has experienced solid organic growth in this segment in recent years, thanks to major contracts awarded by the Canadian Air Transport Security Authority (CATSA) since 2004 to provide pre-boarding security screening services in 26 Canadian airports. For the second time since its initial contract, the Corporation and CATSA negotiated a two-year contract extension, effective April 1, 2009.

In the US physical security market, the Corporation ranks among the top 10 service providers. The Corporation entered this market with the acquisition of Vance International in 2006. The level of activity of this segment in the United States is stable and contribution margins are slightly higher than in Canada. During Q4 2009, the Corporation decided to exit this market and to sell its US and Mexican Guarding operations.

An overview of the two sub-groups of the physical security segment follows:

Global Risk Consulting Services

Under the name of GardaWorld Consulting, this segment comprises the acquired companies of Kroll Government Service International and Kroll Security Group, Vance International, GSS Global and Chartrand Laframboise. Organic growth in this segment will receive a boost from the expansion of service offerings, mainly from clients in large Fortune 100 companies, in the natural resources sector, humanitarian relief organizations, government agencies, and others. We expect strong growth in this sector for the next few years.

Pre-Employment Screening Services

The Corporation is a market leader in Canada in the pre-employment screening services sector. The Corporation's organic growth in the Canadian market in this segment will experience good organic growth largely centered on expanding the service offerings on a new platform.

Selected segmented information for the year ended January 31, 2009

a) Business segment

	2009 $	2008 $
Revenues		
Physical security and other	**483,063**	480,748
Cash logistics	**621,725**	533,416
	1,104,788	1,014,164
Depreciation of property, plant and equipment		
Physical security and other	**8,627**	5,467
Cash logistics	**41,288**	34,511
	49,915	39,978
Amortization of service contracts and client relationships		
Physical security and other	**505**	325
Cash logistics	**2,880**	2,212
	3,385	2,537
Amortization of deferred charges		
Physical security and other	**302**	302
Cash logistics	**473**	279
	775	581
Income before financing expenses, income taxes and discontinued operations		
Physical security and other	**5,216**	23,141
Cash logistics	**2,413**	32,939
	7,629	56,080
Property, plant and equipment		
Physical security and other	**12,440**	14,331
Cash logistics	**259,879**	232,772
	272,319	247,103
Goodwill		
Physical security and other	**103,563**	155,223
Cash logistics	**231,642**	224,522
	335,205	379,745
Service contracts and client relationships		
Physical security and other	**5,331**	7,373
Cash logistics	**51,171**	44,625
	56,502	51,998
Total assets		
Physical security and other	**255,241**	335,177
Cash logistics	**733,716**	620,197
	988,957	955,374

b) Geographical segment

	2009 $	2008 $
Revenues		
Canada	**482,523**	479,522
United States and other	**622,265**	534,642
	1,104,788	1,014,164
Depreciation of property, plant and equipment		
Canada	**7,950**	6,887
United States and other	**41,965**	33,091
	49,915	39,978
Amortization of service contracts and client relationships		
Canada	**638**	662
United States and other	**2,747**	1,875
	3,385	2,537
Amortization of deferred charges		
Canada	**600**	581
United States and other	**175**	–
	775	581
Income before financing expenses, income taxes and discontinued operations		
Canada	**27,883**	25,792
United States and other	**(20,254)**	30,288
	7,629	56,080
Property, plant and equipment		
Canada	**24,514**	24,603
United States and other	**247,805**	222,500
	272,319	247,103
Goodwill		
Canada	**78,877**	78,877
United States and other	**256,328**	300,868
	335,205	379,745
Service contracts and client relationships		
Canada	**5,694**	5,840
United States and other	**50,808**	46,158
	56,502	51,998
Total assets		
Canada	**158,968**	227,341
United States and other	**829,989**	728,033
	988,957	955,374

Results of operations for the year ended January 31, 2009

During the fourth quarter of fiscal 2009, the Corporation decided to divest the CashLINK products and services and the US and Mexican Guarding operations. As a result of these decisions, revenues and expenses of the CashLINK products and services and of the US and Mexican Guarding operations for the years ended January 31, 2009 and 2008 have been reclassified from continuing operations to discontinued operations.

Summary of discontinued operations

	2009			2008
	CASHLINK PRODUCTS AND SERVICES $	US AND MEXICAN GUARDING OPERATIONS $	TOTAL $	TOTAL $
Revenues	**12,497**	**138,929**	**151,426**	151,278
Gross profit (loss)	**(6,011)**	**26,556**	**20,545**	31,376
Selling and administrative expenses	**–**	**22,135**	**22,135**	22,772
Depreciation and amortization	**952**	**1,280**	**2,232**	974
Goodwill impairment	**9,333**	**9,689**	**19,022**	–
Financing expenses	**–**	**3,779**	**3,779**	2,379
Provision for (recovery of) income taxes	**(2,594)**	**648**	**(1,946)**	1,799
Net income (loss) from discontinued operations	**(13,702)**	**(10,975)**	**(24,677)**	3,452
Net income (loss) per share				
Basic	**(0.43)**	**(0.35)**	**(0.78)**	0.11
Diluted	**(0.43)**	**(0.35)**	**(0.78)**	0.11

Revenues

Results of operations for the year ended January 31, 2009 exclude the revenues and expenses reclassified from continuing operations to discontinued operations.

Revenues for the year ended January 31, 2009 rose to $1,104,788 from $1,014,164 in the previous year, an increase of $90,624 or 8.9%. This increase in revenues results mainly from the additional revenues related to the business acquisitions of ATI International and GSS Global during the first quarter last year.

Revenues in the physical security segment rose to $483,063 in fiscal 2009 from $480,748 in fiscal 2008, an increase of $2,315 or 0.5%. This increase is directly attributable to the increase in revenues in the global risk consulting services in the US physical security segment as well as a better performance of the pre-board security screening services partially offset by a decrease in the pre-employment screening services following the sale of Keyfacts in fiscal 2008. Revenues in the cash logistics segment rose to $621,725 in fiscal 2009 from $533,416 in fiscal 2008, an increase of $88,309 or 16.6%. This increase in revenues is attributable to the acquisition of ATI International in April 2007.

Revenues in Canada rose to $482,523 in fiscal 2009 from $479,522 in fiscal 2008, while revenues in the United States and other rose to $622,265 from $534,642 in fiscal 2008.

Gross profit

Gross profit rose by 20.8% or $47,776 from $229,227 for fiscal 2008 to $277,003 in fiscal 2009. This increase in gross profit is attributable to the business acquisitions completed during the fiscal year 2008 and the increase in revenues generated by the cash logistics and physical security segments. The gross margin as a percentage of revenues reached unprecedented levels at 25.1% (22.6% for fiscal 2008) mainly due to a performance increase in the US cash logistics business resulting from operational efficiencies, the implementation of cost control measures and the integration of activities since the change in leadership in December 2007.

Selling and administrative expenses

Selling and administrative expenses totalled $162,442 (14.7% of revenues) in fiscal 2009, compared with $136,181 (13.4% of revenues) in fiscal 2008. This increase results mainly from additional expenses related to the business acquisition of ATI International during the first quarter of last year.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment rose from $39,978 in fiscal 2008 to $49,915 in fiscal 2009, an increase of $9,937.

Depreciation of property, plant and equipment in the physical security segment rose from $5,467 in fiscal 2008 to $8,627 in fiscal 2009, an increase of $3,160. Depreciation of property, plant and equipment in the cash logistics segment rose from $34,511 in fiscal 2008 to $41,288 in fiscal 2009, an increase of $6,777. This increase is attributed to the additions to property, plant and equipment totalling $24,586 and the acquisition of ATI International in April 2007 which represents 80% of the total amortization of the Corporation.

Depreciation of property, plant and equipment in Canada rose to $7,950 for fiscal 2009 compared with $6,887 for fiscal 2008, while depreciation of property, plant and equipment in the US and other rose to $41,965 for fiscal 2009 compared with $33,091 for fiscal 2008.

The depreciation of property, plant and equipment, in fiscal 2009, is primarily composed of the amortization of vehicles and armored vehicles in the amount of $17,628 ($16,663 in fiscal 2008), uniforms in the amount of $3,453 ($2,826 in fiscal 2008), leasehold improvements in the amount of $6,539 ($4,399 in fiscal 2008), computer equipment in the amount of $2,410 ($3,867 in fiscal 2008) and aircraft equipment in the amount of $9,181($5,248 in fiscal 2008).

Amortization of service contracts and client relationships

The amortization of service contracts and client relationships rose to $3,385 in fiscal 2009 from $2,537 in fiscal 2008, an increase of $848. This amortization is attributable to service contracts and client relationships acquired with the assets of Garda Cash-In-Transit Limited Partnership (formerly Secur) and Garda Holding (formerly Keyfacts), as well as the acquisition of all the shares of Vance International, Garda Canada Security Corporation (formerly Rentokil Initial Canada), Security Armored Express, United Armored Services and ATI International. Service contracts and client relationships are amortized on a straight-line basis over periods varying from ten (10) to twenty (20) years. The amortization of service contracts and client relationships in the physical security segment amounted to $505 for fiscal 2009 compared with $325 in fiscal 2008. Amortization of service contracts and client relationships in the cash logistics segment amounted to $2,880 for fiscal 2009 compared with $2,212 in fiscal 2008. Amortization of service contracts and client relationships in Canada amounted to $638 for fiscal 2009 compared with $662 in fiscal 2008, while amortization of service contracts and client relationships in the United States and other amounted to $2,747 for fiscal 2009 compared to $1,875 in fiscal 2008.

Amortization of deferred charges

The amortization of deferred charges rose to $775 in fiscal 2009 from $581 in fiscal 2008. Deferred charges are comprised mainly of costs related to the operating structure put in place for new contracts in the cash logistics business in Ontario and of costs related to the administrative structure put in place for the contracts with the Canadian Air Transport Security Authority to manage pre-board screening services at the Toronto and Montreal airports. Deferred charges are amortized on a straight-line basis over a period varying from three (3) to five (5) years.

The amortization of deferred charges in the physical security segment amounted to $302 in both fiscal 2009 and fiscal 2008. Amortization of deferred charges in the cash logistics segment amounted to $473 in fiscal 2009 compared with $279 in fiscal 2008. Amortization of deferred charges in Canada rose to $600 in fiscal 2009 compared with $581 in fiscal 2008.

Income before financing expenses, income taxes and discontinued operations

Income before financing expenses, income taxes and discontinued operations amounted to $56,080 in fiscal 2008 compared with an income before financing expenses, income taxes and discontinued operations of $7,629 in fiscal 2009, a decrease of $48,451.

The decrease of the income before financing expenses, incomes taxes and discontinued operations is mainly related to the goodwill preliminary impairment (non-cash) in 2009. The impairment on the US cash logistics segment represents an amount of $47.6 million while the impairment on the global risk consulting services represents an amount of $26.5 million. In 2008, the income before financing expenses and incomes taxes and discontinued operations was increased by $5.2 million due to a gain on the sale of certain assets of Keyfacts.

The physical security segment generated an income before financing expenses, income taxes and discontinued operations of $5,216 or 1.08% of its revenues in fiscal 2009 compared with an income before financing expenses, income taxes and discontinued operations of $23,141 or 4.8% of its revenues in fiscal 2008. The decrease in income before financing expenses, income taxes and discontinued operations as a percentage of the segment's revenues is due to the goodwill impairment (non-cash), and the anticipated lower income before financing expenses and income taxes to be generated from the acquisitions
in the physical security segment in Canada over the last two years.

The cash logistics segment generated an income before financing expenses, income taxes and discontinued operations of $2,413 or 0.39% of its revenues in fiscal 2009 ($32,939 or 6.2% of its revenues in fiscal 2008). The decrease in income before financing expenses, income taxes and discontinued operations as a percentage of the segment's revenues is due to the goodwill impairment (non-cash) and the anticipated lower income before financing expenses and income taxes generated from the ATI International operations. Income before financing expenses, income taxes and discontinued operations in Canada amounted to $27,883 in fiscal 2009 compared with $25,792 in fiscal 2008, while loss before financing expenses, income taxes and discontinued operations in the United States and other increased to $20,254 in fiscal 2009 compared with an income before financing expenses, income taxes and discontinued operations of $30,288 in fiscal 2008.

Unrealized losses on fair value of derivative financial instruments

The unrealized losses on fair value a derivative financial instruments of $23,998 consist in the decline in fair value of the interest rate swap in the last quarter of 2009.

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 most of its long-term debt. The Corporation formally documented all relationships between the swap agreement and its long-term debt as well as 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.

It was determined that following a change in the terms of our long-term debt, the derivative financial instrument no longer qualifies as an effective hedge for accounting purposes and therefore, hedge accounting is discontinued prospectively. Accumulated other comprehensive losses 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.

Financing expenses

Financing expenses increased by $18,961 to $73,176 in fiscal 2009, from $54,215 in the previous fiscal year.

The increase in financing expenses is caused by 1) additional non-recurring bank and professional fees of $8.8 million paid to our lenders under the Amending Agreement executed on September 15, 2008, and 2) an increase of our interest rate margins during the second semester of the fiscal year 2009.

In fiscal 2009, interest on long-term debt totalled $59,410 ($45,469 in fiscal 2008), interest on the balances of purchase prices totalled $130 ($159 in fiscal 2008) and interest on capital lease obligations totalled $4,430 ($5,164 in fiscal 2008).

The amortization of deferred financing costs increased by $947, from $2,512 in fiscal 2008 to $3,459 for fiscal 2009. Deferred financing costs include expenses incurred by the Corporation in various financing activities and are amortized using the effective interest rate method over the respective terms of these financings.

Income (loss) before income taxes and discontinued operations

Loss before income taxes amounted to $89,545 for fiscal 2009, compared with income before income taxes and discontinued operations of $1,865 for the previous year. The EBITDA contributed $114,561 to the income before income taxes but was reduced by depreciation and amortization totalling $51,843, by financing expenses of $73,176, unrealized losses of fair value of derivative financial instruments of $23,998 and by the goodwill impairment (non-cash) of $55,089. In 2008, the income before taxes included a gain on sale of assets of $5,156.

Recovery of income taxes

The Corporation recorded a recovery of income taxes of $17,074 for fiscal 2009, compared with a recovery of income taxes of $10,286 for fiscal 2008. The effective income tax rate conforms with the Corporation's income tax policy as well as its financing structure that was put in place for the acquisition of ATI International.

Net income (loss) for the year

Net loss for the year was $97,148 ($3.09 basic and diluted per share) for fiscal 2009, compared with a net income of $15,603 ($0.50 basic per share and $0.49 diluted per share) for 2008, a decrease of $112,751 ($3.60 basic per share).

Cash flows

Cash position of the Corporation amounted to $23,993 at the end of fiscal 2009, a decrease of $9,847 compared with a cash position of $33,840 at the end of fiscal 2008. This reduction mainly resulted from the net impact of 1) the cash flows from operations of $44,184 consistent with the EBITDA level of the business units, net of the financing expenses, goodwill impairment (non-cash) and the recovery of income taxes, 2) the positive variance of $35,466 in non-cash working capital items driven by the tight monitoring and management of working capital, 3) the net repayment of $67,933 in revolving facilities and senior term loan, and 4) the addition of $22,266 to property, plant and equipment (net of the proceeds from disposals).

Operating activities

Cash flows from operations amounted to $44,184 for fiscal 2009, compared with $58,505 for the previous fiscal year. This decrease of $14,321 or 24.5% is mainly attributable to the higher interest charges in fiscal 2009.

Changes in non-cash working capital items generated cash of $35,466 during fiscal 2009, compared to cash used in the amount of $21,555 in the previous fiscal year.

Operating activities generated cash of $79,650 during fiscal 2009, compared to cash generated in the amount of $36,950 in the previous fiscal year.

Financing activities

Cash used from financing activities was $67,933 for fiscal 2009, compared with cash generated for an amount of $401,477 for the previous fiscal year. During fiscal 2008, the Corporation contracted $610,769 of new debt to restructure its debt and finance the acquisition of ATI International in April 2007. An amount of $69,600 ($180,549 in fiscal 2008) was applied to repay long-term debt in fiscal 2009.

Investing activities

Cash used in investing activities amounted to $22,266 during fiscal 2009, compared with $417,718 for fiscal 2008. During the fiscal year, $24,586 ($28,272 in fiscal 2008) was used to acquire property, plant and equipment. The Corporation used $4,240 ($3,189 in fiscal 2008) to renew part of its fleet of vehicles, mainly $3,468 ($4,108 in fiscal 2008) for the purchase of uniforms, $1,828 ($2,639 in fiscal 2008) for the acquisition of computer equipment, $8,326 ($3,597 in fiscal 2008) for aircraft engine overhaul and $3,041 ($5,202 in fiscal 2008) for the acquisition of leasehold improvements. The Corporation allocated $398,709 in fiscal 2008 for the business acquisitions completed during the year.

Financial situation

Assets held for Sale

The assets and liabilities of the CashLINK products and services and the US and Mexican Guarding operations as at January 31, 2009 have been reclassified and are presented as assets and liabilities held for sale as follows:

			2009
	CASHLINK PRODUCTS AND SERVICES $	US AND MEXICAN GUARDING OPERATIONS $	TOTAL $
Current assets			
Cash	–	1,197	1,197
Accounts receivables and other current assets [(1)]	6,302	20,447	26,749
Current assets held for sale	6,302	21,644	27,946
Property, plant and equipment	–	2,437	2,437
Goodwill	–	37,053	37,053
Other long-term assets	–	2,344	2,344
Long-term assets held for sale	–	41,834	41,834
	6,302	63,478	69,780
Current liabilities			
Accounts payable and other liabilities	–	14,122	14,122
Current liabilities related to assets held for sale	–	14,122	14,122
Long-term debt	–	12	12
Other liabilities	–	273	273
Long-term liabilities related to assets held for sale	–	285	285
	–	14,407	14,407

[(1)] Includes items of long-term nature, which have been reclassified as short-term due to the closing of the transactions before the issuance of the financial statements.

Working capital

Working capital, excluding the current portion of long-term debt, amounted to $82,239 as at January 31, 2009, compared with $123,627 as at January 31, 2008. This decrease is mainly attributable to the fluctuation in accounts receivable, accounts payable and the assets and liabilities held for sale.

Property, plant and equipment

Property, plant and equipment amounted to $272,319 as at January 31, 2009, compared with $247,103 as at January 31, 2008, an increase of $25,216. This increase is explained by additions to property, plant and equipment in the amount of $33,550 net of amortization, the reclassification of assets held for sale for an amount of $4,069, the amortization of property, plant and equipment for an amount of $47,683 and the positive effect of change in exchange rates of $43,418 during the fiscal year.

As at January 31, 2009, property, plant and equipment in the physical security segment rose to $12,440 compared with $14,331 as at January 31, 2008, while property, plant and equipment in the cash logistics segment rose to $259,879 as at January 31, 2009 compared with $232,772 as at January 31, 2008. As at January 31, 2009 property, plant and equipment in Canada rose to $24,514 compared with $24,603 as at January 31, 2008, while property, plant and equipment in the United States and other rose to $247,805 as at January 31, 2009 compared with $222,500 as at January 31, 2008.

Goodwill and Service contracts and client relationships

Goodwill amounted to $335,205 as at January 31, 2009 compared with $379,745 as at January 31, 2008, a decrease of $44,540. This decrease of goodwill is mainly related to the effect of impairment of $74,111, the transfer to the assets held for sale of $40,918, the positive effect of change in exchange rates during the fiscal year of $68,471 and the net increases of $2,018 in the purchase prices of previous acquisitions.

	SERVICES CONTRACTS AND CLIENTS RELATIONSHIPS $	GOODWILL $
Balance – January 31, 2007	14,445	202,540
Business acquisition	44,032	223,347
Disposal of assets of Garda Holding (formerly Keyfacts Entreprise Canada)	–	(2,657)
Amortization	(2,537)	–
Effect of exchange rate during the year	(3,942)	(43,485)
Balance – January 31, 2008	51,998	379,745
New service contracts	**492**	**–**
Adjustments [(1)]	**–**	**2,018**
Adjustment for assets held for sale [(2)]	**(2,127)**	**(40,918)**
Amortization	**(3,385)**	**–**
Impairment charge	**–**	**(55,089)**
Impairment charge for assets held for sale	**–**	**(19,022)**
Effect of exchange rate during the year	**9,524**	**68,471**
Balance – January 31, 2009	**56,502**	**335,205**

(1) During the fourth quarter of 2009, the Corporation adjusted the change in the purchase prices of previous acquisitions.

(2) As at January 31, 2009, the Corporation reclassified certain assets, including service contracts and client relationships and goodwill, as assets held for sale. These amounts are net of impairment.

Goodwill

The Corporation performs the required annual impairment test as of January 31 of each year. As at January 31, 2008, the Corporation had $380 million of goodwill, of which $155 million was related to the physical security segment and $225 million to the cash logistic segment.

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.

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 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 a preliminary goodwill impairment charge (non-cash) of $26.5 million and $47.6 million for the physical security and cash logistics segments respectively. These amounts include $9.3 million and $9.7 million relating to the CashLINK and US and Mexican Guarding operations respectively, in light of their pending disposition.

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).

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 represents their estimated useful life.

Service contracts and client relationships amounted to $56,502 as at January 31, 2009 compared with $51,998 as at January 31, 2008, an increase of $4,504. This increase in service contracts and client relationships is mainly attributable to the strengthening of the US dollar partially offset by the reclassification of $2,127 in service contracts and client relationships as assets held for sale and the amortization for the year amounting to $3,385.

As at January 31, 2009 service contracts and client relationships in the physical security segment amounted to $5,331 compared with $7,373 as at January 31, 2008, while service contracts and client relationships in the cash logistics segment amounted to $51,171 as at January 31, 2009 compared with $44,625 as at January 31, 2008. As at January 31, 2009 service contracts and client relationships in Canada amounted to $5,694 compared with $5,840 as at January 31, 2008, while service contracts and client relationships in the United States and other amounted to $50,808 as at January 31, 2009 compared with $46,158 as at January 31, 2008.

Total assets

The Corporation's total assets were $988,957 as at January 31, 2009 compared with $955,374 as at January 31, 2008.

Long-term debt

The Corporation's long-term debt (excluding deferred financing costs) was $674,222 as at January 31, 2009, compared with $635,975 as at January 31, 2008, an increase of $38,247. This increase is mainly due to the strengthening of the US dollar during the fiscal year. As at January 31, 2009, the Corporation's long-term debt is composed of authorized revolving loans of $27,133 ($43,595 as at January 31, 2008), a senior term loan in the amount of $178,750 ($192,500 as at January 31, 2008), a US currency senior term loan equivalent to $233,035 ($190,722 as at January 31, 2008), a US currency subordinated term loan equivalent to $160,601 ($130,494 as at January 31, 2008), balances of purchase prices payable totalling $2,726 ($5,857 as at January 31, 2008) and loans and capital lease obligations in the amount of $72,517 ($72,807 as at January 31, 2008).

The Corporation contracted $11,105 ($610,769 during fiscal 2008) in long-term debt, while repayments on long-term debt amounted to $69,600 ($180,549 during fiscal 2008).

In 2009, the Corporation also deducted from the long-term debt the deferred financing costs in the amount of $13,220 ($12,827 as at January 31, 2008).

In June 2007, the Corporation entered into financial instruments (swaps) on its long-term debt to convert from a variable interest rate to a fixed average interest rate of 5.62% covering 85% of the senior and subordinated debt.

On September 15, 2008, the Corporation executed an Amending Agreement to its Credit Facilities Agreement providing certain changes to conditions of its revolving facilities, senior term loans and subordinated term loan. The Amending Agreement replaces, effective July 31, 2008, the existing financial covenants with a new minimum adjusted EBITDA requirement to be satisfied at the end of each quarter up to October 31, 2009, at which point the financial covenants revert back to the covenants previously in place under the credit facilities.

As part of those amendments the annual interest rate margins on the revolving facilities and senior term loans were increased by 1.5% and the annual interest rate margins on the subordinated term loan were increased by 2.25% plus a capitalized payment-in-kind (PIK) of 1% per annum.

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.

These elements have been considered in estimating the future cash flows required to service the credit facilities in management's assessment of the carrying value of long-term debt as at January 31, 2009.

Based on its plan to reduce its long-term debt and the projected performance for fiscal 2010 supported by the strong performance of its operational business segments during the third and fourth quarters of fiscal 2009, the Corporation expects to meet all the covenants under the credit agreement for next year.

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

The payments required for commitments and obligations on the long-term debt and capital and operating leases over each of the next five (5) years are as follows:

	PRINCIPAL PAYMENTS ON LONG-TERM DEBT	FUTURE MINIMUM PAYMENTS ON CAPITAL LEASE OBLIGATIONS	MINIMUM PAYMENTS ON OPERATING LEASES
2010	20,328	26,992	25,758
2011	24,783	24,439	27,361
2012	28,864	22,759	13,789
2013	134,634	17,212	10,367
2014	233,035	14,556	3,677

Shareholders' equity

Shareholders' equity totalled $63,825 as at January 31, 2009, compared with $120,444 as at January 31, 2008. This decrease of $56,619 is mainly due to the net impact of the net loss of $97,148 created by the goodwill impairment (non-cash), the issuance of capital stock of $487 following the exercise of options, the stock based compensation charge of $3,757 and option costs of $182 included in contributed surplus, and by the positive impact and by the variation of accumulated other comprehensive loss totalling $36,467 for the year ended January 31, 2009.

Capital stock and stock options

As at January 31, 2009, there were 31,477,882 Class "A" shares issued and outstanding (31,399,569 as at January 31, 2008). During fiscal 2009, 78,313 Class "A" shares were issued following the exercise of options.

During fiscal 2009, the Corporation granted 603,000 stock options to its directors, officers, employees and other key personnel at exercise price from 4.00 to 16.98 per share, compared with 1,010,000 stock options granted the fiscal year before. As at January 31, 2009, there were 2,471,353 stock options outstanding to purchase Class "A" shares (2,485,668 as at January 31, 2008). As a result, the Corporation recorded to net income a stock-based compensation charge of $3,757 for the options granted since February 1, 2002.

As at January 31, 2009, the options granted had a weighted average exercise price of 15.17 per share ($13.69 as at January 31, 2008), and a weighted average remaining contractual life of 2.82 years (3.12 years as at January 31, 2008).

The Board of Directors of the Corporation may, by resolution, grant options to directors, officers, employees of, and service providers to the Corporation and 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.

Prior to October 2008, the options attributed by the Board of Directors were subject to a retaining period of three (3) years. One-third (1/3) of the options can be exercised on the expiry of this retention period and one-third (1/3) of the options can be exercised during each of the following two (2) years. On October 7, 2008, the Board of Directors attributed 203,000 options for which one-quarter (1/4) can be exercised from the date of the grant, then an additional one-quarter (1/4) at the end of each of the following three (3) years.

Risks and uncertainties

The Corporation is subject to various risks and uncertainties as a result of its operations. Risks that could affect the Corporation's profitability are regularly identified, measured and supervised.

Growth management

The significant growth of the Corporation over the past years has forced management to upgrade its operational and administrative structures, as well as its management information systems. In order to ensure that growth is managed effectively, the Corporation's management has implemented the following action plan: 1) identify expert, accountable managers to head up each operating segment; 2) assign experienced management team members to the operations of ATI International, the Corporation's latest acquisition; 3) recruit experienced outside managers to upgrade administrative structures and management information systems.

Integrating acquisitions and operations

In recent years, the Corporation has been highly successful in integrating its acquisitions over short periods of time. Lower costs and a competitive edge in the future arising from the integration of acquisitions and operations have a significant impact on the Corporation's results. Physical security in Canada, following numerous acquisitions since 2005, and cash logistics in the United States, following the acquisition of companies in the US Midwest since 2005 and ATI International in April 2007, represent critical integration segments for the Corporation and continue to be a priority for our management.

Strategic alternatives

In April 2007, the Corporation completed the largest acquisition in its history, using debt financing of $625 million with a syndicate of banks that includes ten (10) financial institutions. This long-term debt was used to finance the acquisition of ATI International and restructure the previous facility, as well as being also available for the financing of future acquisitions. Over the last few months, the Corporation carried on the review of a number of initiatives to enhance its profitability and financial flexibility. An unsolicited indication of interest to buy an important part of its business, received in early summer 2008, did not ultimately materialize essentially due to the deterioration of the credit environment and general market conditions.

Nevertheless, the Corporation has identified a number of other scenarios for the monetization of certain of its assets and the identification of other sources of financing. Accordingly, the Corporation has decided to divest its US and Mexican Guarding operations in its US physical security segment.

Market competition

The Corporation operates in highly competitive sectors. As a market leader, the Corporation intends to concentrate on developing its clientele in more profitable sectors, focusing on clients who want and appreciate the value-added services offered by the Corporation.

Government regulations

The Corporation's operations are subject to various government regulations, at the national, federal, provincial and municipal levels. These regulations affect taxes, labor, safety in the workplace, the environment and all other aspects that might have an impact on the Corporation's operations and performance. No government regulations have affected the Corporation materially and negatively during fiscal 2009. Moreover, the Corporation is not aware of any current regulations that could materially impact the results of fiscal 2010.

Collective bargaining

The Corporation's employees, are governed by a total of some eighty (80) collective agreements. The Corporation will have to renegotiate some of these collective agreements in the coming months. However, there is nothing at the present time that indicates that the outcome of the negotiations could significantly impact the financial results of the operating segments affected by the renewal of these collective agreements.

Interest rate fluctuations

The Corporation's financing consists of loans bearing interest at variable rates. To protect itself against interest rate fluctuation risks, the Corporation uses financial instruments such as swaps to fix the interest rates on its borrowings. Amongst other things, using financial instruments allows the Corporation to maintain a balanced level of debt at a fixed rate.

Currency fluctuations

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.

Credit risk

The Corporation sells the majority of its services in North America and its revenues are generated on a contractual basis and received on a recurring basis from one year to another. Due to the large number of clients the Corporation deals with and their geographic and economic distribution, the credit risk concentration to which the Corporation is exposed remains limited.

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.

In anticipation of potentially not meeting certain quarterly financial ratios for the current year and into the 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 ending 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 January 31, 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. 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 any proceeds or consideration received from divestitures, monetization of certain of its assets and other sources of financing to 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 fiscal 2010 and will need to finalize the divestiture of the US and Mexican Guarding operations or a transaction of similar impact. 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 budgets for fiscal 2010 are 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 fiscal 2010.

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 are breached in fiscal 2010 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.

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

Liquidity risk

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. 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 of an amount of $10.6 million as at January 31, 2009.

The following table presents the contractual maturities of financial liabilities as at January 31, 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	140,252	140,252	140,252	–	–
Long-term debt and interest, net of deferred financing costs	674,222	971,622	110,532	117,065	744,025
Bank overdrafts	876	876	876	–	–
Accounts payables and accrued liabilities related to assets held for sale	14,122	14,122	14,122	–	–
	829,472	1,126,872	265,782	117,065	744,025

Other available sources of funding available to the Corporation include monetization of certain of its assets and the identification of other sources of financing.

Selected Quarterly Financial Information

The following table contains selected quarterly financial information for the last eight (8) quarters:

2009 (Unaudited)	**Q4** $	**Q3** $	**Q2** $	**Q1** $
Revenues	**290,724**	**281,534**	**268,913**	**263,617**
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	**32,646**	**29,008**	**23,209**	**29,698**
Net income (loss) for the period from continuing operations	**(76,315)**	**1 558**	**262**	**5,140**
Basic earnings before interest, income taxes, depreciation and amortization (EBITDA) per share	**1.02**	**0.92**	**0.74**	**0.95**
Basic net income (loss) per share	**(2.44)**	**(0.04)**	**(0.01)**	**0.16**
Diluted net income (loss) per share	**(2.44)**	**(0.04)**	**(0.01)**	**0.16**

2008 (Unaudited)	Q4 $	Q3 $	Q2 $	Q1 $
Revenues	260,237	274,405	277,749	201,773
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	32,918	22,940	19,995	17,193
Net income (loss) for the period from continuing operations	6,141	3,711	(2,920)	5,218
Basic earnings before interest, income taxes, depreciation and amortization (EBITDA) per share	1.06	0.75	0.65	0.56
Basic net income (loss) per share	0.20	0.12	(0.09)	0.17
Diluted net income (loss) per share	0.20	0.12	(0.09)	0.17

Results of operations for the fourth quarter ended January 31, 2009

Revenues and expenses of the CashLINK products and services and of the US and Mexican Guarding operations for the years ended 31, 2009 and 2008 have been reclassified from continuing operations to discontinued operations.

Revenues

Revenues for the fourth quarter ended January 31, 2009 were $290,724 compared with $260,237 for the corresponding period in the previous year, an increase of $30,487 or 11.7%.

Revenues for the physical security segment totalled $121,447 ($114,873 for the corresponding quarter last year), an increase of $6,574. Revenues in the cash logistics segment amounted to $169,277 for the fourth quarter of fiscal 2009 ($145,364 for the corresponding period last year), an increase of $23,913. The increase in revenues results mainly from the impact of the significant strengthening of the US dollar in Q4 2009 compared with Q4 2008.

Revenues in Canada were $120,219 for the fourth quarter ended January 31, 2009 compared with $113,907 for the corresponding quarter last year, while revenues in the United States and other rose to $170,506 for the fourth quarter ended January 31, 2009 compared with $146,330 for the corresponding quarter last year.

Gross profit

Gross profit increased by 15.8% or $10,512, from $66,712 in the fourth quarter of fiscal 2008 to $77,224 in the same quarter of fiscal 2009. Gross profit as a percentage of revenues increased to 26.6% for the quarter ended January 31, 2009 from 25.6% the same quarter in the previous year.

Selling and administrative expenses

Selling and administrative expenses totalled $44,591 (15.3% of revenues) for the fourth quarter ended January 31, 2009, compared with $33,794 (13.0% of revenues) for the same period in the previous year. This increase in selling and administrative expenses as a percentage of revenues is attributed to the administrative structure related to the business acquisition in the cash logistics segment completed during the last twenty seven (27) months.

Depreciation of property, plant and equipment

Amortization of property, plant and equipment rose from $11,125 in the fourth quarter ended January 31, 2008 to $13,743 for the corresponding quarter in 2009, an increase of $2,618. The amortization of property, plant and equipment in the physical security segment increased by $308 from $1,307 in the fourth quarter ended January 31, 2008 to $1,615 for the corresponding quarter in 2009. Amortization of property, plant and equipment in the cash logistics segment rose from $9,818 in the fourth quarter ended January 31, 2008 to $12,128 for the corresponding quarter in 2009, an increase of $2,310.

Amortization of property, plant and equipment in Canada rose to $1,985 for the fourth quarter ended January 31, 2009 compared with $1,932 for the corresponding quarter in 2008, while amortization of property, plant and equipment in the United States and other rose to $11,758 for the fourth quarter ended January 31, 2009 compared with $9,194 for the corresponding quarter in 2008.

Amortization of service contracts and client relationships

Amortization of service contracts and client relationships rose to $932 for the fourth quarter ended January 31, 2009 from $90 in the corresponding quarter in 2008. The amortization expense in fiscal 2008 is explained by the adjustment in the amortization of service contracts and client relationships in the fourth quarter ended January 31, 2009 following the completion of certain purchase price allocations in both segments of operation.

The amortization of service contracts and client relationships in the physical security segment amounted to $146 for the fourth quarter ended January 31, 2009 compared with $59 in the corresponding quarter in 2008. Amortization of service contracts and client relationships in the cash logistics segment amounted to $786 for the fourth quarter ended January 31, 2009 compared with $31 in the corresponding quarter in 2008.

Amortization of service contracts and client relationships in Canada rose to $148 for the fourth quarter ended January 31, 2009 compared with $153 in the corresponding quarter in 2008, while amortization of service contracts and client relationships in the United States and other amounted to $784 for the fourth quarter ended January 31, 2009 compared with a negative amount of $63 in the corresponding quarter in 2008.

Amortization of deferred charges

The amortization of deferred charges rose to $254 for the fourth quarter ended January 31, 2009 from $146 in the corresponding quarter in 2008, an increase of $108.

The amortization of deferred charges in the physical security segment amounted to $76 for the fourth quarter ended January 31, 2009 and 2008. Amortization of deferred charges in the cash logistics segment amounted to $178 for the fourth quarter ended January 31, 2009 compared with $70 in the corresponding quarter in 2008.

Amortization of deferred charges in Canada rose to $131 for the fourth quarter ended January 31, 2009 compared with $162 in the corresponding quarter in 2008.

Income (loss) before financing expenses, income taxes and discontinuing operations

Income before financing expenses, income taxes and discontinued operations decreased from $21,557 in the fourth quarter of 2008 to a loss of $37,388 in the fourth quarter of 2009, a decrease of $58,945.

The loss before financing expenses, income taxes and discontinued operations in the physical security segment contributed $9,341 or 7.7% of the segment revenues for the fourth quarter ended January 31, 2009 compared with $2,246 or 2.0% of the segment revenues in the fourth quarter of the previous year. The cash logistics segment contributed $28,047 or 16.6% of the segment loss before financing expenses, income taxes and discontinued operations in the fourth quarter ended January 31, 2009 compared with $19,319 or 13.3% of the segment revenues for the corresponding quarter of the previous year. In both segments, the decrease in income before financing expenses, income taxes and discontinued operations is explained by the goodwill impairment (non-cash) of $74,111.

Income before financing expenses, income taxes and discontinued operations in Canada increased to $9,555 for the fourth quarter ended January 31, 2009 compared with $1,735 for the corresponding quarter last year, while loss before financing expenses, income taxes and discontinued operations in the United States and other rose to $46,943 for the fourth quarter ended January 31, 2009 compared with $19,822 for the corresponding quarter last year. The increase in income before financing expenses, income taxes and discontinued operations as a percentage of the segment revenues is due to the realization of synergies related to the integration activities following the acquisition of ATI International in April 2007.

For the quarter ended January 31, 2009 the EBITDA adjusted for special items decreased by $2,084 or 6.1% compared with the quarter ended January 31, 2008.

The comparative EBITDA adjusted for special items is detailed in the following table:

For the quarters ended January 31, 2009 and 2008	**2009** $	2008 $
EBITDA from continuing operations	**32,646**	32,918
Discontinued activities		
CashLINK	**(1,853)**	–
US Guarding	**1,306**	1,265
EBITDA adjusted for special items	**32,099**	34,183

Unrealized losses on fair value of derivative financial instruments

The unrealized losses on fair value of a derivative financial instruments of $23,998 consist in the decline in fair value of the interest rate swap in the last quarter of 2009.

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 most of its long-term debt. The Corporation formally documented all relationships between the swap agreement and its long-term debt as well as 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.

It was determined that following a change in the terms of our long-term debt, the derivative financial instrument no longer qualifies as an effective hedge for accounting purposes and therefore, hedge accounting is discontinued prospectively. Accumulated other comprehensive losses 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.

Financing expenses

Financing expenses increased by $5,705 to $20,477 for the quarter ended January 31, 2009, from $14,772 in the corresponding quarter of the previous year. This increase is mainly attributable to the net impact of the increase in our annual interest rate margins and the additional financial and professional fees of $4.8 million paid to our lenders under the Amending Agreement in, the strengthening of the US dollar, and the off-setting impact of the repayment of long-term debt.

The amortization of deferred financing costs increased by $273 from $684 in the fourth quarter of 2008 to $957 in the fourth quarter of 2009.

Income (loss) before income taxes and discontinued operations

Loss before income taxes and discontinued operations amounted to $82,820 in the fourth quarter of 2009, compared with an income before income taxes and discontinued operations of $6,101 for the corresponding quarter last year, a decrease of $88,921.

Recovery of income taxes

The Corporation recorded a recovery of income taxes of $6,504 or 5.8% of loss before income taxes for the fourth quarter ended January 31, 2009, compared with a recovery of income taxes of $39 or 0.6% of income before income taxes for the corresponding quarter last year.

Net income (loss) for the period

Net loss for the fourth quarter ended January 31, 2009 amounted to $98,354 ((3.09) basic and diluted per share), compared with a net income of $7,153 ($0.23 basic per share and $0.22 diluted per share) for the corresponding quarter in the previous year, a decrease of $105,507.

Cash flows

Operating activities

Cash flows from operations rose to $900 for the fourth quarter ended January 31, 2009, compared with $24,780 for the corresponding quarter last year.

Changes in non-cash working capital items generated cash of $25,800 during the fourth quarter ended January 31, 2009, compared with cash used of $14,039 in the corresponding quarter last year.

Financing activities

Cash used from financing activities was $27,502 in the fourth quarter ended January 31, 2009, compared with cash used of $22,863 for the corresponding quarter last year. During the fourth quarter ended January 31, 2009, the Corporation contracted on $1,045 of new debt to purchase fixed assets ($4,178 in the corresponding quarter last year).

Investing activities

Cash used from investing activities amounted to $3,683 during the fourth quarter ended January 31, 2009, compared with cash generated of $12,607 in the corresponding quarter last year. During the fourth quarter ended January 31, 2009, $5,137 ($5,987 in the corresponding quarter last year) was used to acquire property, plant and equipment.

Significant Accounting Policies

The Corporation prepares its consolidated financial statements in conformity with Canadian generally accepted accounting principles, which require 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 reported periods. Significant estimates include the allowance for doubtful accounts receivable, valuation of goodwill, service contracts and client relationships, certain accrued liabilities, self-insurance provision and residual value of property, plant and equipment. Actual results could differ from these estimates.

Changes in Accounting Policies in 2009

a) Financial instruments

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

The additional disclosures required as a result of the adoption of these standards have been included in the financial statements in note 22.

b) Capital disclosures

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

The additional disclosures required as a result of the adoption of these standards have been included in the financial statements in note 12.

c) Inventories

In June 2007, the CICA published Section 3031, "Inventories". This Section replaces CICA 3030, establishing standards for the measurement and disclosure of inventories and is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The implementation of this section had no significant impact on the consolidated financial statements.

d) General Standards on Financial Statements Presentation

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

Changes in Accounting Policies in 2008

a) Financial instruments – recognition and measurement

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

The Corporation has made the following classifications:

- Cash is classified as financial assets held for trading and are measured at fair value. Gains and losses related to periodical revaluation are recorded in net income.
- Accounts receivable 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 subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

As at February 1, 2007, the impact on the consolidated balance sheet of reclassifying the costs directly attributable to the issuance of the long-term debt was a decrease in assets of $4,565 and a decrease in long-term debt for the same amount.

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

b) Comprehensive income

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

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

c) Equity

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

d) Hedges

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

e) Accounting changes

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

Impact of accounting pronouncement not yet implemented

Goodwill and intangible assets

In February 2008, the CICA published Section 3064, "Goodwill and Intangible Assets" which replaces section 3062. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible 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. 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 Corporation is currently assessing the impact of initial application of this standard.

Business combination

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 on the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

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.

International financial reporting standards

In February 2008, the Canadian Standards Accounting 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 an IFRS changeover plan. This process is presently in 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. During the year, a preliminary diagnostic analysis was prepared by external consultants. Once this stage is complete, Management will be able to determine the exact consequences of 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.

Attestations

In compliance with the Canadian Securities Administrators' National Instrument 52-109 ("NI 52-109''), we have filed certificates signed by the Chief Executive Officer ("CEO'') and the Chief Financial Officer ("CFO'') that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure controls and procedures

The CEO and CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- Material information relating to the Corporation has been made known to them; and
- Information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and CFO, on the effectiveness of our disclosure controls and procedures. Based on this evaluation, the CEO and CFO concluded that the disclosure controls and procedures are effective.

Internal controls over financial reporting

The Company's management including the CEO and CFO have given the mandate to management and other employees to design, document and evaluate our disclosure controls and procedures as well as our internal controls and procedures over financial reporting. An evaluation of the design and operating effectiveness of the disclosure controls and internal controls over financial reporting was conducted as at January 31, 2009. The design and evaluation of internal controls was completed using the framework and criteria established in "Internal Control – Integrated Framework" issued by Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation we have concluded demonstrating that our disclosure controls and procedures as well as our internal controls over financial reporting were effective to provide reasonable assurance that information related to our consolidated results and decisions to be made based on those results were appropriate.