Company Registration No. 04541965 (England and Wales)

Aegis Defence Services Limited

Annual report and financial statements for the year ended 31 January 2017

WEDNESDAY

L6HCF4FE

LD3 18/10/2017 #86

COMPANIES HOUSE

20/10/17

100

Aegis Defence Services Limited

Company information

Directors	The Rt Hon Sir Nicholas Soames MP (Chairman) Graham Binns CBE DSO MC Sylvia White Oliver Westmacott
Secretary	Oliver Westmacott
Company number	04541965
Registered office	1 London Bridge London SE1 9BG
Independent auditors	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE
Bankers	Coutts & Co 440 Strand London WC2R 0QS
Solicitors	King & Wood Mallesons S J Berwin 10 Queen Street Place London EC4R 1BE

Contents

Strategic report
For the year ended 31 January 2017

The directors present the strategic report and financial statements for the year ended 31 January 2017.

Our corporate vision is to be the leading provider of business solutions and security services in the world. Admired for our entrepreneurial spirit; trusted to overcome today's complexities.

Our mission is to protect and support our clients, securing their place in a complex world by consistently delivering quality services and value, while growing our business profitably.

Review of the business

Revenue increased from £43m in the previous period to £47m mainly as a result of continued growth in our core markets. The benefits of the restructuring that took place in 2016 flowed through with a reduction in Administration expenses of £20m in 2017.

As in previous years our markets reflect the changing needs of our customers and the often rapid developments in operating conditions. Although the political circumstances and the nature of the operational risks facing our customers continues to evolve, the Board believes that our core customers' strategy of outsourcing the management of operational risk in pursuit of their strategic aims, will continue. The Board believes that demand for the Company's services will therefore continue across all the Company's target markets albeit at changing and variable levels of demand and profitability.

The Company continuously monitors operating conditions and revises its operating practices and procedures in the light of developments as they occur. The Company recognises its responsibilities to clients, staff and the communities in which it operates and will not engage in circumstances in which it cannot assure adequate service and protection levels.

The Company continues to invest its operating profits to develop the range and scope of services offered to the market. This revenue investment encompasses overheads and expansion costs as well as start-up costs incurred in commencing operations on new projects in new territories, and the support of these operations whilst they establish themselves.

As noted under the Principal Risks and Uncertainties, the Company is exposed to the impact of changes in the Sterling/US Dollar exchange rate. The strengthening of the US Dollar resulted in a positive impact on the Company's results.

Principal risks and uncertainties

The Board, through delegation to Oversight Board, has established a risk management framework for ensuring that the major risks facing the Company are identified, evaluated and actively managed and that the Company delivers services to the highest standards of quality and professionalism. Risks are reviewed continuously. It is not possible to mitigate fully all risks to which the Company is exposed but the ability to manage such risks and advise others on similar risks is considered a key strength of the Company.

The Company operates in extremely hostile environments on a worldwide basis. This gives rise to exceptional operating risks and the Company therefore adopts extensive and detailed risk mitigation strategies and tactics that address physical threats to customers and personnel. The Company mitigates commercial risk through entering into contract forms that recognise the distinctive environments in which it operates and by arranging appropriate insurance.

In line with its commitment to the ICOC process, and it's PSC-1 and ISO 18788 accreditations, the Company continuously reviews and updates its policies and procedures with regards to its support for and promotion of human rights in the countries in which it operates. In addition to the special risks arising from the nature of the Company's business, the Board considers that the major risk factors impacting on the Company's business include:

Concentrated exposure to a limited number of customers and territories

Although the Company's business is dominated by a small number of major customers, operating principally in the Middle East and near Asia, the Company continues to work to reduce this dominance and associated risk through diversifying its customer and contract base.

Foreign exchange

The Company invoices its principal customers in US dollars. The majority of its direct costs arising are denominated in US dollars but a significant proportion of overhead costs are denominated in UK Sterling. The Company is therefore exposed to the impact of changes in the Sterling/US Dollar exchange rate. The Company seeks to mitigate this risk by matching currencies of costs and income wherever possible and taking short term currency hedging positions where these are appropriate. The increased cost exposure and revenue generation from the US office has diminished this exposure and will continue to do so going forward.

Ability to attract and retain qualified personnel

The Company's contracts frequently specify minimum qualifications for personnel engaged on contracts. This requires the availability of appropriate personnel at acceptable cost. The Company seeks to mitigate this risk by investing continuously in recruitment initiatives and providing competitive remuneration packages for personnel.

Loss of reputation

The Group's business is dependent upon being held in high regard by its customers, the communities in which it operates and its personnel. The Board seeks to protect the Company's reputation by ensuring that the Company is only associated with activities that are appropriate and legal, by only engaging with reputable customers and suppliers and by operating only in those conditions where the Company understands and can contain physical threats, and by rigorous vetting of personnel.

Regulation
The Company continues to engage in a range of initiatives to bring greater credibility, oversight and regulation to the private security sector.

Key performance indicators
It is part of our mission to grow our business profitably. We use turnover, turnover growth rate and gross profit percentage to measure our financial performance.

Other non-financial operating metrics are monitored by the Board and by local management in different parts of the business with an emphasis on service delivery, personnel welfare, health and safety, environmental impacts and human rights.

The Board is satisfied, on the basis of customer and staff feedback received, as well as on other non-financial measures, that the Company is meeting and/or exceeding its goals in these key areas.

On behalf of the board

Sylvia White
Director
16 October 2017

Directors' report
For the year ended 31 January 2017

The directors present their annual report and financial statements for the year ended 31 January 2017. Comparative figures are in respect of the 13 month period ended 31 January 2016.

Principal activities
The principal activities of the company are the identification and mitigation of risk on behalf of governments and corporates worldwide, geo-political risk analysis, investigation and security consultancy.

Results and dividends
The results for the year are set out on page 8.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

The Rt Hon Sir Nicholas Soames MP (Chairman)	
Graham Binns CBE DSO MC	
Sylvia White	
Kevin Torlage	(Resigned 24 March 2016)
Oliver Westmacott	

Auditors
Saffery Champness LLP have expressed their willingness to remain in office as auditors of the company.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors
Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

Sylvia White
Director
16 October 2017

Independent auditors' report
To the members of Aegis Defence Services Limited

We have audited the financial statements of Aegis Defence Services Limited for the year ended 31 January 2017 set out on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 January 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Michael Di Leto (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

16 October 2017

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Aegis Defence Services Limited

Statement of comprehensive income
For the year ended 31 January 2017

	Notes	Year ended 31 January 2017 £	Period ended 31 January 2016 £
Revenue	4	47,066,044	42,883,791
Cost of sales		(33,482,969)	(26,473,121)
Gross profit		13,583,075	16,410,670
Administrative expenses		(2,662,741)	(22,488,530)
Operating profit/(loss)	5	10,920,334	(6,077,860)
Investment revenues		297,166	379,938
Profit/(loss) before taxation		11,217,500	(5,697,922)
Income tax (expense)/income	8	(409,207)	240,348
Profit/(loss) and total comprehensive income for the year	21	10,808,293	(5,457,574)

The income statement has been prepared on the basis that all operations are continuing operations.

Aegis Defence Services Limited

Statement of financial position
As at 31 January 2017

	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment	12	856,027	827,490
Investments	10	4,433,427	4,433,427
Deferred tax asset	17	-	47,644
		5,289,454	5,308,561
Current assets			
Inventories	13	-	78,380
Trade and other receivables	14	22,392,353	32,371,592
Current tax recoverable		662,001	(584,121)
Cash and cash equivalents		2,270,081	3,625,510
		25,324,435	36,659,603
Total assets		30,613,889	41,968,164
Current liabilities			
Trade and other payables	16	24,269,829	10,728,359
Net current assets		1,054,606	25,931,244
Total liabilities		24,269,829	10,728,359
Net assets		6,344,060	31,239,805
Equity			
Called up share capital	19	112	112
Capital redemption reserve	20	25	25
Retained earnings	21	6,343,923	31,239,668
Total equity		6,344,060	31,239,805

The financial statements were approved by the board of directors and authorised for issue on 16 October 2017 and are signed on its behalf by:

Sylvia White
Director

Company Registration No. 04541965

Aegis Defence Services Limited

Statement of changes in equity
For the year ended 31 January 2017

	Notes	Share capital £	Capital redemption reserve £	Retained earnings £	Total £
Balance at 1 January 2015		112	25	41,585,783	41,585,920
Period ended 31 January 2016:					
Loss and total comprehensive income for the period		-	-	(5,457,574)	(5,457,574)
Dividends	9	-	-	(4,888,541)	(4,888,541)
Balance at 31 January 2016		112	25	31,239,668	31,239,805
Year ended 31 January 2017:					
Profit and total comprehensive income for the year		-	-	10,808,293	10,808,293
Dividends	9	-	-	(35,704,038)	(35,704,038)
Balance at 31 January 2017		112	25	6,343,923	6,344,060

Aegis Defence Services Limited

Statement of cash flows
For the year ended 31 January 2017

	Notes		2017		2016
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	**26**		34,452,052		3,238,257
Tax (paid)/refunded			(9,443)		7,145
Net cash inflow from operating activities			34,442,609		3,245,402
Investing activities					
Purchase of property, plant and equipment		(391,166)		(572,432)	
Interest received		297,166		379,938	
Net cash used in investing activities			(94,000)		(192,494)
Financing activities					
Dividends paid		(35,704,038)		(4,888,541)	
Net cash used in financing activities			(35,704,038)		(4,888,541)
Net decrease in cash and cash equivalents			(1,355,429)		(1,835,633)
Cash and cash equivalents at beginning of year			3,625,510		5,461,143
Cash and cash equivalents at end of year			2,270,081		3,625,510

1 Accounting policies

Company information

Aegis Defence Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is 1 London Bridge, London, SE1 9BG.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group. The company is a subsidiary undertaking of GardaWorld Security Corporation, a company registered in Canada, and is included in the consolidated financial statements of that company. Copies of the consolidated financial statements are available at 1390 Barre Street, 2nd floor, Montreal, Quebec, H3C 1NA, Canada.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company's activity. Revenue is shown net of value added tax, returns, rebates and discounts. The company recognises revenue when the amount of the revenue can be reliably measured and when it is probable that economic benefits will flow to the entity.

Where income is invoiced in advance of work being complete, revenue is treated in the first instance as deferred income and recognised when the services are performed by the company.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life or as follows:

Leasehold improvements	over the length of the lease
Equipment	33% straight line
Materiel	33% straight line

1 Accounting policies (continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 Non-current investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1 Accounting policies (continued)

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

1 Accounting policies (continued)

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to 'other comprehensive income', in which case the deferred tax is also dealt with in 'other comprehensive income'. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

A termination benefit liability is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

1.15 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit & loss account in the year they are payable.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1 Accounting policies (continued)

1.17 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at a monthly rate ruling for the month in which the transaction occurs. All differences are taken to profit and loss account.

2 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with Customers including amendments to IFRS 15: Effective Date of IFRS 15	1 January 2018
Clarifications to IFRS 15 Revenue from contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRIC *Interpretation 22 Foreign Currency Transactions and Advance* Consideration	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements, estimates and assumptions made have been described below:

Key estimates – impairment of property, plant and equipment
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain equipment.

Key estimates – receivables
The receivables at the reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. An impairment provision is based on the best information at the reporting date.

Key judgements – recognition of deferred tax assets
As describe in the accounting policies, the extent to which deferred tax assets can be recognised is based on an assessment of the probability of the company's future taxable income against which the deferred tax assets can be utilised.

4 Revenue

The total turnover of the company has been derived from its principal activity. It is the view of the directors that disclosure of the different geographical markets in which the group operates would be seriously prejudicial to the interests of the company.

	2017	2016
	£	£
Turnover		
Security and consultancy services	47,066,044	38,425,784
Management charges	-	4,458,007
	47,066,044	42,883,791

4 Revenue (continued)

Other significant revenue		
Interest income	297,166	379,938

5 Operating profit/(loss)

	2017	2016
	£	£
Operating profit/(loss) for the period is stated after charging/(crediting):		
Exchange gains	(2,218,095)	(2,023,652)
Fees payable to the company's auditors for the audit of the company's financial statements	35,000	35,000
Depreciation of property, plant and equipment	362,629	390,114
Impairment loss recognised on trade receivables	254,628	2,511,785

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017	2016
	Number	Number
Management and administration	27	70

Their aggregate remuneration comprised:

	2017	2016
	£	£
Wages and salaries	1,967,262	11,633,473
Social security costs	207,139	1,231,975
Pension costs	8,694	47,459
	2,183,095	12,912,907

7 Directors' remuneration

	2017	2016
	£	£
Remuneration for qualifying services	569,530	3,558,441
Company pension contributions to defined contribution schemes	-	2,586
	569,530	3,561,027

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017	2016
Remuneration for qualifying services	259,625	1,634,403

8 Income tax expense

	2017	2016
	£	£
Current tax		
Current year taxation	200,677	(741,340)
Overseas taxation	282,224	264,230
Adjustments in respect of prior periods	(121,338)	167,592
Group relief payment	-	33,607
	361,563	(275,911)
Deferred tax		
Origination and reversal of temporary differences	47,644	35,563
Total tax charge	409,207	(240,348)

8 Income tax expense (continued)

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2017	2016
	£	£
Profit/(loss) before taxation	11,217,500	(5,697,922)
Expected tax charge based on a corporation tax rate of 20.00%	2,243,500	(1,139,584)
Expenses not deductible in determining taxable profit	11,365	425,753
Adjustment in respect of prior years	(121,338)	167,592
Double tax relief	(284,716)	-
Group relief	(1,710,256)	-
Overseas taxation	282,224	264,230
Other tax adjustment	(11,572)	41,661
Tax charge for the period	409,207	(240,348)

The company has tax losses of £nil (2016: £264,690) available to carry forward.

9 Dividends

During the year the company declared dividends totalling £34,828,373 (2016: £4,888,541).

10 Investments

	Current		Non-current	
	2017	2016	2017	2016
	£	£	£	£
Investments in subsidiaries	-	-	4,433,427	4,433,427

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

11 Subsidiaries

Name of undertaking	Country of incorporation	Ownership interest (%)	Voting power held (%)	Nature of business
Aegis Defense Services LLC	USA	100.00	100.00	Security and consulting services
GardaWorld Recruitment Limited	England and Wales	100.00	100.00	Recruitment services
Aegis Response Limited	England and Wales	100.00	100.00	Kidnap response consultancy services
Sigeaus Limited	England and Wales	100.00	100.00	Consultancy and advisory services
Aegis Services LLC	Saudi Arabia	100.00	100.00	Security and consulting services

12 Property, plant and equipment

	Leasehold improvements	Equipment	Materiel	Total
	£	£	£	£
Cost				
At 1 January 2015	595,242	692,798	1,611,522	2,899,562
Additions	71,425	175,181	325,826	572,432
Disposals	(235,864)	(68,158)	(33,251)	(337,273)
At 31 January 2016	430,803	799,821	1,904,097	3,134,721
Additions	-	-	391,166	391,166
Disposals	-	(519,229)	(606,008)	(1,125,237)
At 31 January 2017	430,803	280,592	1,689,255	2,400,650
Accumulated depreciation and impairment				
At 1 January 2015	299,150	560,251	1,394,989	2,254,390
Charge for the year	76,221	168,262	145,631	390,114
Eliminated on disposal	(235,864)	(68,158)	(33,251)	(337,273)
At 31 January 2016	139,507	660,355	1,507,369	2,307,231
Charge for the year	12,292	79,130	271,207	362,629
Eliminated on disposal	-	(519,229)	(606,008)	(1,125,237)
At 31 January 2017	151,799	220,256	1,172,568	1,544,623
Carrying amount				
At 31 January 2017	279,004	60,336	516,687	856,027
At 31 January 2016	291,296	139,466	396,728	827,490
At 31 December 2014	296,092	132,547	216,533	645,172

13 Inventories

	2017	2016
	£	£
Work in progress	-	78,380

14 *Trade and other receivables*

	Current 2017	2016
	£	£
Trade receivables	5,842,694	10,939,213
Provision for bad and doubtful debts	(254,628)	(2,980,136)
	5,588,066	7,959,077
Other receivables	1,090,525	524,068
Amounts due from fellow group undertakings	12,762,329	22,944,558
Prepayments	2,951,433	943,889
	22,392,353	32,371,592

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

15 Trade receivables - credit risk

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Ageing of past due but not impaired receivables	2017	2016
	£	£
30-60 days	1,521,782	3,553,032
> 60 days	1,537,427	1,179,108
	3,059,209	4,732,140

Ageing of impaired trade receivables

Impaired trade receivables are all 180+ days past due.

15 Trade receivables - credit risk (continued)

Movement in the allowances for doubtful debts	**2017**	**2016**
	£	**£**
Balance at 1 February 2016	2,980,136	468,351
Additional allowance recognised	254,628	2,511,785
Amounts written off as uncollectible	(2,980,136)	-
Balance at 31 January 2017	254,628	2,980,136

16 Trade and other payables

	Current	
	2017	**2016**
	£	**£**
Trade payables	1,861,314	2,284,662
Amounts due to fellow group undertakings	18,054,629	4,768,186
Accruals	3,168,091	2,964,850
Social security and other taxation	1,185,795	710,661
	24,269,829	10,728,359

17 *Deferred taxation*

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Decelerated capital allowances	Tax losses available	Total
	£	£	£
Deferred tax asset at 1 February 2015	(83,207)	-	(83,207)
Deferred tax movements in prior year			
Charge to profit or loss	83,207	(47,644)	35,563
Deferred tax asset at 1 February 2016	-	(47,644)	(47,644)
Deferred tax movements in current year			
Charge to profit or loss	-	47,644	47,644
Deferred tax asset at 31 January 2017	-	-	-

18 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £8,694 (2016 - £47,459).

19 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
1,125,000 Ordinary shares of 0.01p each	112	112

20 Capital redemption reserve

	2017	2016
	£	£
At 1 February 2016 and 31 January 2017	25	25

21 Retained earnings

	2017	2016
	£	£
At 1 February 2016	31,239,668	41,585,783
Loss for the period	10,808,293	(5,457,574)
Dividends	(35,704,038)	(4,888,541)
At 31 January 2017	6,343,923	31,239,668

22 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2017	2016
	£	£
Minimum lease payments under operating leases	647,742	1,050,168

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£	£
Within one year	762,049	528,989
Between two and five years	3,048,196	3,048,196
In over five years	2,138,182	2,900,231
	5,948,427	6,477,416

23 Capital risk management

The company is not subject to any externally imposed capital requirements.

24 Related party transactions

Remuneration of key management personnel

The remuneration of the directors, who are key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2017	2016
	£	£
Short-term employee benefits	569,530	3,558,441
Post-employment benefits	-	2,586
	569,530	3,561,027

During the year, the company charged management fees of £nil (2016: £4,458,007) to subsidiary undertakings.

During the year, the company was charged management fees of £2,312,186 (2016: £909,181) by the immediate parent undertaking.

At 31 January 2017 the company was owed £1,636,220 (2016: £4,008,251) by subsidiary undertakings and £794,723(2016: £1,046,084) by fellow group undertakings. As at 31 January 2017, the balance owed by subsidiary undertakings was impaired by £1,037,971 (2016: £1,446,868).

At 31 January 2017 the company owed £259,638 (2016: £1,331,265) to subsidiary undertakings and £17,794,990 (2016: £3,436,921) to fellow group undertakings.

At 31 January 2017 the company was owed a loan balance of £20,464,260 (2016: £19,377,089) by a subsidiary undertaking. During the year, the company charged interest of £297,166 (2016: £375,540) on the outstanding loan balance.

25 Controlling party

The immediate parent company is GardaWorld Consulting (UK) Limited, a company registered in the England and Wales. The ultimate parent company is Garda World Securities Corporation, a company registered in Canada.

In the opinion of the directors, there is no single ultimate controlling party.

26 Cash generated from operations

	2017	2016
	£	£
Profit/(loss) for the year after tax	10,808,293	(5,457,574)
Adjustments for:		
Taxation charged/(credited)	409,207	(240,348)
Investment income	(297,166)	(379,938)
Depreciation and impairment of property, plant and equipment	362,629	390,114
Movements in working capital:		
Decrease in inventories	78,380	17,111
Decrease in trade and other receivables	9,979,239	3,156,706
Increase in trade and other payables	13,111,470	5,752,186
Cash generated from operations	34,452,052	3,238,257

Garda World Security Corporation

Consolidated Financial Statements
January 31, 2017 and 2016

April 12, 2017

Independent Auditor's Report

To the Shareholder of
Garda World Security Corporation

We have audited the accompanying consolidated financial statements of Garda World Security Corporation, which comprise the consolidated statements of financial position as at January 31, 2017 and 2016 and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Garda World Security Corporation as at January 31, 2017 and 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A110416

Garda World Security Corporation

Consolidated Statements of Financial Position

As at January 31, 2017 and 2016

(in thousands of Canadian dollars)

	2017 $	2016 $
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	69,304	67,563
Accounts receivable (note 6)	301,459	317,052
Revenue to be billed	101,102	94,414
Inventories (note 7)	21,742	17,831
Prepaid expenses	24,562	35,097
	518,169	531,957
Non-current assets		
Property, plant and equipment (note 8)	279,090	304,774
Goodwill (note 9)	608,369	618,893
Intangible assets (note 9)	155,093	169,186
Other assets (note 10)	21,253	29,681
Derivative financial instruments (note 21)	-	49,184
Deferred income tax assets (note 20)	306,989	282,191
	1,370,794	1,453,909
Total assets	1,888,963	1,985,866
LIABILITIES AND DEFICIENCY		
Current liabilities		
Bank indebtedness	5,212	5,593
Accounts payable and accrued liabilities (note 11)	341,881	343,382
Current portion of long-term debt (note 12)	48,789	59,513
Current portion of provisions and other liabilities (note 13)	12,391	49,343
Income taxes payable	18,441	9,017
	426,714	466,848
Non-current liabilities		
Long-term debt (note 12)	1,809,448	1,902,014
Derivative financial instruments (note 21)	15,894	15,741
Provisions and other non-current liabilities (note 13)	25,544	37,606
	1,850,886	1,955,361
Total liabilities	2,277,600	2,422,209
Deficiency		
Share capital (note 14)	1	1
Contributed surplus	7,073	-
Accumulated other comprehensive income	32,308	85,505
Deficit	(429,382)	(521,849)
Total deficiency attributable to shareholder	(390,000)	(436,343)
Non-Controlling interest	1,363	-
Total Deficiency	(388,637)	(436,343)
Total liabilities and deficiency	1,888,963	1,985,866

Approved by the Board of Directors

Jean-Luc Landry (signed) Director   *Francois Plamondon (signed)* Director

The accompanying notes are an integral part of these Consolidated financial statements.

Garda World Security Corporation

Consolidated Statements of Income (loss) and Comprehensive Income (loss)

For the years ended January 31, 2017 and 2016

(in thousands of Canadian dollars)

	2017 $	2016 $
Revenues	2,474,254	2,135,563
Operating costs (note 17)	2,002,989	1,755,711
Selling and administrative expenses (note 17)	381,909	378,100
Changes in fair value of contingent consideration (note 13)	(51,525)	-
Unrealized exchange loss (gain) on translation of long-term debt (note 12(e))	(96,584)	119,427
Unrealized loss (gain) on derivative instruments (note 21)	24,925	(34,944)
Income (loss) before finance costs and income taxes	212,540	(82,731)
Finance costs (note 16)	138,125	127,150
Income (loss) before income taxes	74,415	(209,881)
Provision for (recovery of) income taxes (note 20)		
Current	19,262	7,025
Deferred	(37,461)	(74,117)
	(18,199)	(67,092)
Net Income (loss) for the year	92,614	(142,789)
Net Income (loss) attributable to		
Shareholders	92,594	(142,789)
Non-Controlling Interests	20	-
Net Income (loss) for the year	92,614	(142,789)
Other comprehensive income (loss)		
Items that may be subsequently reclassified to the consolidated statement of income (loss)		
Translation of long-term debts designated as net investment hedges (note 12(e))	37,275	(48,387)
Cumulative translation adjustment	(93,612)	89,057
Unrealized gain (loss) on derivative instruments	3,910	(75)
Item that will not be reclassified to the consolidated statement of income (loss)		
Remeasurement of defined benefit pension obligation, net of income tax of $197 (2015 – expense of $26) (note 19)	(770)	(1,823)
	(53,197)	38,772
Comprehensive income (loss) for the year	39,417	(104,017)
Comprehensive income (loss) attributable to		
Shareholders	39,397	(104,017)
Non-Controlling Interests	20	-

The accompanying notes are an integral part of these Consolidated financial statements.

Garda World Security Corporation

Consolidated Statements of Changes in Equity

For the years ended January 31, 2017 and 2016

(in thousands of Canadian dollars)

	Share capital $	Contributed surplus $	Comprehensive income $	Retained earnings $	Equity attributable to non-controlling interest $	Total deficiency $
Balance – February 1, 2015	1	-	46,733	(379,060)	-	(332,326)
Net loss for the year	-	-	-	(142,789)	-	(142,789)
Comprehensive income for the year	-	-	38,772	-	-	38,772
Balance – January 31, 2016	1	-	85,505	(521,849)	-	(436,343)
Balance – February 1, 2016	1	-	85,505	(521,849)	-	(436,343)
Net income for the year	-	-	-	92,594	20	92,614
Comprehensive income for the year	-	-	(53,197)	-	-	(53,197)
Dividends paid	-	-	-	(127)	-	(127)
Stock-based compensation	-	7,073	-	-	-	7,073
Business acquisition (Note 18)	-	-	-	-	1,343	1,343
Balance – January 31, 2017	1	7,073	32,308	(429,382)	1,363	(388,637)

The accompanying notes are an integral part of these Consolidated financial statements.

Garda World Security Corporation
Consolidated Statements of Cash Flows
For the years ended January 31, 2017 and 2016

(in thousands of Canadian dollars)

	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	92,614	(142,789)
Adjustments for		
Depreciation of property, plant and equipment (note 15)	89,995	91,134
Amortization of intangible assets (note 15)	27,414	29,358
Deferred income taxes (note 20)	(37,461)	(74,117)
Loss on disposal of property, plant and equipment (note 8)	401	(166)
Fair value of contingent consideration (note 13)	(51,525)	-
Unrealized exchange loss (gain) on translation of long-term debt (note 12(e))	(96,584)	119,427
Unrealized loss (gain) on derivative instruments (note 21)	24,925	(34,944)
Stock-based compensation	7,073	-
Finance costs (note 16)	138,125	127,150
Defined benefit pension expense (note 19)	1,281	63
	196,258	115,116
Changes in non-cash working capital		
Accounts receivable	12,369	53,589
Revenue to be billed	(14,498)	(31,965)
Inventories	(2,528)	(878)
Prepaid expenses	9,513	7,183
Accounts payable and accrued liabilities, provisions and other liabilities	(1,501)	(37,407)
Income taxes payable	10,538	1,213
Net cash generated from operating activities	210,151	106,851
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in bank indebtedness	19	(86)
Increase in long-term debt, excluding revolving facilities	174,525	250,598
Repayment of long-term debt, excluding revolving facilities	(46,171)	(34,762)
Interest paid on long-term debt	(116,136)	(93,484)
Settlement of derivative instrument (note 21)	26,972	-
Changes in revolving facilities	(144,020)	12,521
Increase in deferred financing costs	(6,855)	(8,082)
Dividends paid	(127)	-
Other	(10,450)	(6,733)
Net cash generated from (used in) financing activities	(122,243)	119,972
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment (note 8)	(46,533)	(49,334)
Proceeds from disposal of property, plant and equipment (note 8)	785	11,346
Business acquisitions net of cash and bank indebtedness (note 18)	(17,262)	(152,662)
Additions to intangible assets (note 9)	(9,705)	(7,602)
Net cash used in investing activities	(72,715)	(198,252)
Foreign currency translation on cash and cash equivalents	(13,452)	(3,613)
Net change in cash and cash equivalents during the year	1,741	24,958
Cash and cash equivalents, beginning of year (note 5)	67,563	42,605
Cash and cash equivalents, end of year (note 5)	69,304	67,563
Cash paid for income tax	7,121	5,778

The accompanying notes are an integral part of these Consolidated financial statements.

1 General information

Garda World Security Corporation (Parent Company) and its subsidiaries (referred to collectively as "the Corporation") provide security services in Canada, the United States and the Middle East. Its activities are carried out through two (2) main segments: Protective Services and Cash Services.

The Parent Company is incorporated and domiciled in Canada.

The address of the Corporation's registered office is:
1390 Barré Street
Montréal, Quebec, Canada
H3C 1N4

The Corporation's main subsidiaries as at January 31, 2017 were as follows:

	Voting rights held	Location
Garda Security Group Inc.	100%	Canada
Garda Canada Security Corporation	100%	Canada
Garda World Cash Services Canada Corporation	100%	Canada
Garda Security Screening Inc.	100%	Canada
ATI Systems International Inc.	100%	USA
GW Consulting Middle East Limited	100%	United Arab Emirates
Aegis Defence Services Limited	100%	United Kingdom
Aegis Defence Services LLC	100%	USA
Kenya Kazi Services Limited	100%	Kenya

2 Basis of preparation

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Chartered Professional Accountants of Canada Handbook Part I.

These consolidated financial statements were approved by the Board of Directors for issue on April 12, 2017.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of choosing and applying the Corporation's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

3 Summary of significant accounting policies

A summary of the significant accounting policies applied in the preparation of these consolidated financial statements is described below, and these policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial liabilities to fair value, including a portion of long-term consideration payable.

Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All intercompany transaction balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Non-controlling Interest

The non-controlling interest represent the interest held by third parties in the Corporation's subsidiaries. The net assets of the subsidiary attributable to non-controlling interest are reported as a component of equity. Their share in net income (loss) and comprehensive income (loss) is recognized directly in equity. Any change in the Corporation's interest in a subsidiary that does not result in an acquisition or a loss of control is accounted for as a capital transaction.

Business combination

The Corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Corporation. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Corporation is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement, in the consolidated statement of income (loss).

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

Revenue recognition

Revenues are recognized in the accounting period in which the services are rendered when the amount of revenue can be reliably measured and it is probable that the future economic benefits will flow to the entity. Revenue to be billed represents services rendered but not yet billed.

Insurance provision

Certain US subsidiaries maintain high retention for risks related to vehicles, worker's compensation and general liabilities. These US subsidiaries maintain a non-cash insurance provision to cover the estimated retained liability. The non-cash insurance provision is determined by management and is based on claims filed and an estimate of claims incurred but not yet reported. Management considers a number of factors when making these determinations. The US subsidiaries maintain third party stop-loss insurance policies to cover certain liability costs in excess of predetermined retained amounts.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Parent Company and the presentation currency of the Corporation, that is the currency in which the consolidated financial statements are presented, is the Canadian dollar. All financial information has been rounded to the nearest thousand except the information on number of options and shares.

The financial statements of subsidiaries that have a functional currency different from that of the Parent Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities at the closing rate at the date of the consolidated statement of financial position, and income and expenses at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income (loss) as cumulative translation adjustment.

When the Parent Company disposes of its entire interest in a foreign operation, or loses control, joint control or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income (loss) related to the foreign operations are recognized in the consolidated statement of income (loss). If the Parent Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses related to the subsidiary that are accumulated in other comprehensive income (loss) are reallocated between controlling and non-controlling interests.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity in which the transaction occurs using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of income (loss).

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits from customers.

Borrowing Costs

The Corporation capitalizes borrowing costs directly attributable to the acquisition or construction of qualifying assets during their active construction. Other borrowing costs are expensed during the period in which they are incurred.

Accounts receivable and allowance for doubtful accounts

Trade receivables are recorded at the invoiced amount and do not bear interest. The Corporation records an allowance for doubtful accounts using its best estimate of the amount of probable credit losses in its existing accounts receivable. Account balances are written off against the allowance when the Corporation determines that it is probable the receivable will not be recovered.

Inventories

Inventories consist primarily of aircraft and vehicle parts. Inventories are stated at the lower of cost and net realizable value. Cost is determined according to the specific identification method. Net realizable value is the estimated selling price less applicable selling expenses.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of income (loss) during the period in which they are incurred.

The major categories of property, plant and equipment are depreciated as follows:

	Method	Rate/Period
Buildings	Straight-line	20 and 30 years
Equipment and office furniture	Declining balance and straight-line	20% and 4 to 5 years
Computer equipment	Declining balance and straight-line	30% and 3 to 5 years
Vehicles	Declining balance and straight-line	30% and 4 years
Aircraft and aircraft rotables	Straight-line	12 years with 45% residual
Armoured vehicles	Straight-line	6, 10 and 12 years
Uniforms	Straight-line	2 years
Leasehold improvements	Straight-line	Lease term

The Corporation allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in operating costs in the consolidated statement of income (loss).

Lease classifications

The classification of a lease as an operating lease or a finance lease depends on certain estimates and judgments to determine whether substantially all the risk and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee. The Corporation uses its best estimates and judgments, based on historical experience and the terms of the agreement, when estimating the economic life and residual value of a leased asset and determining the implicit interest rate when calculating minimum lease payments. An asset is recorded together with the related capital lease obligation. The assets under finance leases are amortized over their estimated useful lives at the same rate as other similar assets.

Goodwill

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Corporation's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to each cash-generating unit ("CGU") or group of CGUs that are expected to benefit from the related business combination. Gains and losses on the disposal of a CGU or part of a CGU include the carrying amount of goodwill relating to the CGU or part of a CGU sold.

Identifiable intangible assets

The Corporation's intangible assets include service contracts and client relationships and software with finite useful lives. Service contracts and client relationships are recorded at cost and amortized on a straight-line basis over periods varying from three to twenty years, which represent their estimated useful lives. Software is amortized on a straight-line basis over periods of between three and five years.

Impairment

Property, plant and equipment and intangible assets with finite useful lives are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (CGUs). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

Goodwill and intangible assets with indefinite useful lives are reviewed for impairment annually or at any time if an indicator of impairment exists. Management monitors goodwill for internal purposes based on its CGUs, which are its operating segments.

The Corporation evaluates prior impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

Financial instruments: Recognition, derecognition and measurement

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged or cancelled or expires.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments are acquired:

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. The Corporation's loans and receivables comprise cash and cash equivalents, accounts receivable, revenue to be billed and notes receivable. Except for the notes receivable, which are classified as long-term, loans and receivables are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- Financial liabilities at amortized cost: Financial liabilities at amortized cost consist of bank indebtedness, accounts payable and accrued liabilities, long-term debt and consideration payable. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Bank indebtedness and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

- Financial assets and financial liabilities at fair value through profit or loss: A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Financial instruments in this category are recognized initially and subsequently at fair value.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. If the derivative is not designated as a hedging instrument, the gain or loss on remeasurment is recognized in the consolidated statement of income (loss).

The Corporation designates certain derivatives as either:

a) hedges of a particular risk associated with a recognized asset or liability (cash flow hedge); or

b) hedges of a net investment in a foreign operation (net investment hedge).

The Corporation documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the consolidated statement of comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income (loss).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged item is ultimately recognized in the consolidated statement of income (loss).

b) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the consolidated statement of comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized in the consolidated statement of income (loss). Gains and losses accumulated in equity are included in the consolidated statement of income (loss) when the foreign operation is partially disposed of or sold.

Employee benefits

a) Defined contribution pension plans

The Corporation has established defined contribution pension plans for certain of its unionized and non-unionized employees in Canada and the United States. In addition, the Corporation also contributes to a registered retirement savings plan for various employees. The pension expense for these plans is represented by the Corporation contribution.

b) Defined benefit pension plans

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income (loss) in the period in which they arise. Past service costs are recognized immediately in the consolidated statement of income (loss).

Provisions and other non-current liabilities

Provisions are recognized in other non-current liabilities when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value when the effect is material. The Corporation performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of income (loss) except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax assets or liabilities are settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of the shares are recognized as a deduction from equity.

Stock-based Compensation

Stock options granted to senior management are measured at fair value. This fair value is then recognized in net income (loss) over the vesting period based on service conditions for senior management with an offsetting increase in Contributed surplus. Fair value is determined using a Monte Carlo option pricing model, which was designed to estimate fair value of exchange-traded options that have restrictions as to vesting. Any consideration paid by employees on the exercise of stock options is credited to Share capital. Expenses related to stock options are recorded under selling and administrative expenses and the cumulative value of unexercised options outstanding is included in Contributed surplus.

New accounting standards adopted during the year

The Corporation adopted these new standards, and this change had no material impact on the Corporation's consolidated financial statements.

- IFRS 7, Financial Instruments: Disclosures, has been amended to clarify that the additional disclosure required by the amendments to IFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities, is not specifically required for interim periods, unless required by IAS 34, Interim Financial Reporting. The amendment is effective for annual periods beginning on or after January 1, 2016.

- IAS 1, Presentation of Financial Statements, has been amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2016.

New accounting standards not yet adopted

The following revised standards and amendments are effective for annual periods beginning after January 1, 2017. The Corporation has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

- IFRS 16, "Leases" ("IFRS 16"). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will supersede IAS 17, "Leases", and related Interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, "Revenue from Contracts with Customers", is also applied.

- IAS 7, On February 2, 2016, the IASB issued narrow-scope amendments to IAS 7, Statement of Cash Flows, to require companies to provide information on changes in their financing liabilities. The changes apply to fiscal years beginning on or after January 1, 2017 with earlier adoption permitted.

- In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 replaces all previous revenue recognition standards, including IAS 18, Revenue. The standards sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognize revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective for annual periods beginning on or after January 1, 2018.

- The final version of IFRS 9 was issued in July 2014 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models for debt instruments in IAS 39 with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

- Requirements for financial liabilities were added to IFRS 9 in October 2010, and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss are generally recorded in other comprehensive income. IFRS 9 also introduced a new impairment model for financial assets based on expected credit loss. The new standard is effective for annual periods beginning on or after January 1, 2018.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgments and assumptions. The carrying amounts of assets, liabilities, accruals, provisions, contingent liabilities and other financial obligations as well as the determination of fair values and reported income and expense in these consolidated financial statements depend on the use of estimates and judgments. IFRS also requires management to exercise judgment in the process of applying the Corporation's accounting policies. These estimates and judgments are based on the circumstances and estimates at the date of the consolidated financial statements and affect the reported amounts of income and expenses during the reporting period. Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items impacted by such estimates and judgments are outlined below.

Estimated useful lives

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. Changes in these factors may cause significant changes in the estimated useful lives of the Corporation's property, plant and equipment in the future.

Valuation of identifiable assets and liabilities in connection with the acquisition of a business

The valuation of identifiable assets and liabilities in connection with the acquisition of a business involves items in the acquired company's statement of financial position, as well as items that have not been recognized in the acquired company's statement of financial position such as customer relationships that should be valued at fair value. In normal circumstances, as quoted market prices are not always available for the assets and liabilities that are to be valued, different valuation methods have to be used. These valuation methods are based on a number of assumptions. Other items that can be difficult to both identify and value are contingent liabilities that could have arisen in the acquired company such as litigation-related items and contingent consideration. All statement of financial position items acquired in a business combination are thus subject to estimates and judgments. Please refer to note 18 for details regarding the estimates made for the most recent business acquisitions.

Goodwill

The values associated with goodwill involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discounts rates and lives of assets. These significant estimates and judgments require considerable judgment which could affect the Corporation's future results if the current estimates of future performance and fair values change.

The Corporation assesses impairment by comparing the recoverable amount of goodwill with its carrying value. The determination of the recoverable amount involves significant management judgment.

On an annual basis, a goodwill impairment test is performed on January 31. This test is carried out more frequently if events or changes in circumstances indicate that goodwill might be impaired, in accordance with the methodology stated in note 9.

Valuation of accounts receivable and allowance for doubtful accounts

Accounts receivable, which amount to $301,459 (2016 – $317,052), are one of the most significant current items included in the consolidated statement of financial position. Accounts receivable are accounted at initial fair value after allowance for doubtful accounts. The allowance for doubtful accounts, which amounts to $6,689 (2016 – $11,417), is thus subject to critical estimates and judgments. Further information regarding the credit risk in accounts receivable is provided in notes 6 and 21.

Critical accounting judgments and assumptions

The Corporation makes judgments and assumptions concerning the future. The judgments and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

The Corporation is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Corporation determined that the deferred tax assets will be recoverable. Please refer to note 20 for details regarding the deferred tax asset valuation.

Insurance provision

Certain US subsidiaries maintain high retention for risks related to vehicles, worker's compensation and general liabilities. The operational risks can result in the need to recognize a provision for damages resulting from property claims, personal injuries as well as worker's compensation claims related to the US subsidiaries' employees. Claims reserves are calculated based on a combination of cases reported and cases incurred but not reported. Every month, the Corporation performs calculations to assess the adequacy of the reserves based on open claims and historical data for incurred but unreported claims. The Corporation's calculations are based on several assumptions. Accordingly, the current and non-current provisions on the consolidated statement of financial position related to insurance provision, which amount to $18,941 (2016 – $20,046) and are included in provisions and other non-current liabilities (note 13), are subject to critical judgments and assumptions.

Defined benefit pension plan obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Corporation determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 19.

5 Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

	2017 $	2016 $
Cash on hand	39,344	41,137
Deposits from customers	21,816	17,626
Restricted cash	8,144	8,800
	69,304	67,563

As at January 31, 2017, the Corporation has restricted cash of $8,144 (2016 – 8,800) that was deposited as collateral. This cash is not available for general operating purposes.

6 Accounts receivable

	2017 $	2016 $
Trade receivables	269,126	296,504
Allowance for doubtful accounts	(6,689)	(11,417)
Other receivables	39,022	31,965
	301,459	317,052

The aging of trade receivables and the allowance for doubtful accounts are as follows:

	2017 $	2016 $
Not past due	225,577	242,700
Past due 0–30 days	19,861	20,365
Past due 31–60 days	6,300	14,453
Past due 61–120 days	4,645	5,588
More than 120 days	12,743	13,398
	269,126	296,504
Allowance for doubtful accounts	(6,689)	(11,417)
	262,437	285,087

6 Accounts receivable (continued)

The change in the allowance for doubtful accounts in respect of trade receivables during the year is as follows:

	2017 $	2016 $
Opening balance	11,417	7,698
Change in provision	2,570	6,085
Amounts written off	(6,484)	(2,794)
Effect of exchange rate	(814)	428
Ending balance	6,689	11,417

Credit risk on accounts receivable

There is a limited concentration of credit risk with respect to trade receivables, as the Corporation's customers are large in number and dispersed across different market segments. The Corporation's subsidiaries grant credit to their customers in the ordinary course of business and assess the creditworthiness of potential customers.

Credit terms vary across the Corporation and can range from 30 to 90 days to reflect the different risks within each country in which the Corporation operates. There is no corporate-wide rate of provision, and provision is made for accounts receivable that are past due according to local conditions and past default experience.

Management believes that the fair value of accounts receivable, being the present value of deferred cash flows, approximates their book value.

7 Inventories

	2017 $	2016 $
Aircraft parts	8,578	9,151
Vehicle parts	5,366	6,349
Other	7,798	2,331
	21,742	17,831

For the year ended January 31, 2017, the cost of inventories recognized as an expense and included in operating costs amounted to $28,546 (2016 – $30,030).

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2017 and 2016

8 Property, plant and equipment

	Buildings $	Computer equipment $	Equipment and office furniture $	Vehicles $	Aircraft and aircraft rotables $	Armoured vehicles $	Uniforms $	Leasehold improvements $	Total $
For the year ended January 31, 2016									
Net value – beginning	15,146	3,080	36,345	23,634	113,441	59,586	6,491	34,969	292,692
Additions	-	2,511	652	6,222	9,289	25,694	11,778	15,473	71,619
Proceeds from disposals	(8,840)	(101)	(56)	(1,691)	(643)	(10)	-	(5)	(11,346)
Depreciation	(572)	(1,717)	(13,175)	(13,119)	(18,875)	(28,051)	(5,807)	(9,818)	(91,134)
Business acquisitions (note 18)	-	395	2,186	13,927	-	1,200	-	1,237	18,945
Gain (loss) on disposals	25	47	111	(118)	245	(79)	(1)	(64)	166
Effect of exchange rate	1,104	188	2,531	1,146	11,358	3,682	495	3,328	23,832
Net value – end	6,863	4,403	28,594	30,001	114,815	62,022	12,956	45,120	304,774
As at January 31, 2016									
Cost	8,197	26,396	104,018	68,284	254,978	260,281	30,809	119,056	872,019
Accumulated depreciation	(1,334)	(21,993)	(75,424)	(38,283)	(140,163)	(198,259)	(17,853)	(73,936)	(567,245)
Net value	6,863	4,403	28,594	30,001	114,815	62,022	12,956	45,120	304,774
For the year ended January 31, 2017									
Net value – beginning	6,863	4,403	28,594	30,001	114,815	62,022	12,956	45,120	304,774
Additions	-	1,441	5,927	4,921	10,501	35,443	6,173	8,212	72,618
Proceeds from disposals	(558)	(44)	(30)	(78)	-	(64)	(11)	-	(785)
Depreciation	(312)	(1,768)	(10,613)	(13,257)	(16,637)	(29,238)	(8,344)	(9,826)	(89,995)
Business acquisitions (note 18)	2,037	575	3,972	6,577	-	-	-	-	13,161
Gain (loss) on disposals	(49)	(5)	(89)	33	-	(183)	-	(108)	(401)
Effect of exchange rate	(703)	(215)	(1,882)	(2,687)	(8,497)	(2,843)	(403)	(3,052)	(20,282)
Net value – end	7,278	4,387	25,879	25,510	100,182	65,137	10,371	40,346	279,090
As at January 31, 2017									
Cost	8,834	27,105	106,295	70,482	246,361	276,329	24,454	118,198	878,058
Accumulated depreciation	(1,556)	(22,718)	(80,416)	(44,972)	(146,179)	(211,192)	(14,083)	(77,852)	(598,968)
Net value	7,278	4,387	25,879	25,510	100,182	65,137	10,371	40,346	279,090

As at January 31, 2017, the cost and accumulated depreciation for computer equipment, vehicles, armoured vehicles and aircraft held under finance leases amounted to $195,331 and $129,484 respectively (2016 – $183,968 and $116,385).

During the year, the Corporation acquired property, plant and equipment under finance leases and conditional sales contracts amounting to $26,085 (2016 – $22,285).

9 Goodwill and intangible assets

The changes in the carrying value of goodwill and intangible assets are as follows:

	Software $	Service contracts *and client* relationships $	Total *intangible* assets $	Goodwill $
For the year ended January 31, 2016				
Net value – beginning	16,526	127,724	144,250	466,990
Business acquisitions (note 18)	-	36,178	36,178	112,204
Additions	4,881	2,721	7,602	-
Amortization of intangible assets	(8,361)	(20,997)	(29,358)	-
Effect of exchange rate	1,536	8,978	10,514	39,699
Net value – end	14,582	154,604	169,186	618,893
As at January 31, 2016				
Cost	48,422	238,373	286,795	618,893
Accumulated amortization	(33,840)	(83,769)	(117,609)	-
Net value	14,582	154,604	169,186	618,893
For the year ended January 31, 2017				
Net value – beginning	14,582	154,604	169,186	618,893
Business acquisitions (note 18)	-	12,950	12,950	24,537
Additions	5,798	3,907	9,705	-
Amortization of intangible assets	(5,050)	(22,364)	(27,414)	-
Effect of exchange rate	(1,074)	(8,260)	(9,334)	(35,061)
Net value – end	14,256	140,837	155,093	608,369
As at January 31, 2017				
Cost	51,572	241,788	293,360	608,369
Accumulated amortization	(37,316)	(100,951)	(138,267)	-
Net value	14,256	140,837	155,093	608,369

Intangible assets with definite useful lives

Additions to intangible assets during the year included $9,705 acquired from a third party (2016 – $7,458). No intangible assets were internally developed during the year (2016 – $144).

Goodwill impairment test

For the purpose of impairment testing, goodwill is allocated to the Corporation's cash generating units ("CGUs"), which represent the lowest level within the Corporation at which the goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each CGU is as follows:

	2017 $	2016 $
Operating segments		
Cash Logistics – Canada	62,370	62,370
Cash Logistics – USA	273,563	295,607
International Protective Service	159,152	147,632
Airport pre-board security screening – Canada	2,717	2,717
Security guard services – Canada	110,567	110,567
	608,369	618,893

The Corporation performed its goodwill impairment test as at January 31. The methodology is based on discounted future cash flows. The recoverable amount of each CGU was estimated based on its fair value less cost of disposal, wherein the estimated future cash flows are discounted to their present value using after-tax discounted rates ranging between 11.0% and 12.5% (2016 – 11.0% and 12.5%).

The discounted rates were estimated based on past experience and industry-average weighted average cost of capital. First-year cash flows were projected based on past experience, actual operating results and reflecting current economic conditions. For a further nine-year period, cash flows were extrapolated using an average growth rate of between 2% and 3.5% in revenues, and margins were adjusted where deemed appropriate. The terminal value is based on an exit multiple ranging from 8 to 12 times the recurring operating profit.

The result of the test determined that no impairment loss was required in any of its CGUs, as the recoverable amount for these CGUs was higher than their respective carrying amount.

A 1% increase in the discount rate or a 1% decrease in cash flows would not give rise to an impairment.

10 Other assets

	2017 $	2016 $
Notes receivable	16,244	22,298
Other	2,521	5,651
Employee benefit assets (note 19)	2,488	1,732
	21,253	29,681

11 Accounts payable and accrued liabilities

	2017 $	2016 $
Trade payables	76,252	86,456
Labour and related liabilities	128,918	111,972
Sales taxes payable	9,014	18,719
Provision for interest payable	22,231	22,527
Accrued liabilities	103,150	87,815
Deferred income	2,316	15,893
	341,881	343,382

The Corporation's exposure to currency risk and liquidity risk related to accounts payable and accrued liabilities is disclosed in note 21.

12 Long-term debt

	2017 $	2016 $
Authorized revolving facilities of US$230,000, bearing interest at Canadian prime rate or US Bank Rates plus 2.25%; LIBOR or at Banker's Acceptance plus 3.25% with a reduction in relation to the leverage ratio, repayable in full at maturity in November 2018 (note 12(f) and (g))	6,841	143,813
Authorized revolving facilities of US$30,000, could be increased to a maximum of US$45,000 (the increase is subject to approval), bearing interest at Daily One Month LIBOR rate plus 2.25%, repayable in full at maturity in June 2017	8,479	23,092
Term loan of US$737,347, bearing interest at LIBOR (with a minimum at 1%) plus 3% with a reduction in relation to the leverage ratio, payable in quarterly instalments of US$1,896, the remaining balance is repayable in full at maturity in November 2020 (note 12(a), (b), (c) and (d))	930,749	844,846
Senior note of US$440,000, bearing interest at a fixed rate of 7.25%, payable in full at maturity in November 2021	569,222	614,901
Term loan of CA$130,613, bearing interest at banker's acceptance (with a minimum at 1%) plus 3.75% with a reduction in relation to the leverage ratio, payable in quarterly instalments of CA$337, the remaining balance is repayable in full at maturity in November 2020 (note 12(c) and (d))	128,865	130,127
Delayed draw facility of US$106,425, bearing interest at LIBOR (with a minimum at 1%) plus 3% with a reduction in relation to the leverage ratio, payable in quarterly instalments of US$275, the remaining balance is repayable in full at maturity in November 2020 (note 12(c) and (d))	136,172	148,660
Finance lease obligations, collateralized by certain property, plant and equipment, at interest rates varying between 3.90% and 11.61% with an average rate of 5.28% payable in monthly instalments of $1,325, principal and interest, maturing on various dates through March 2023	52,830	51,676
Conditional sales contracts, repaid in July 2016	-	279
Balances of purchase price payable, bearing no interest, payable in annual instalments, maturing through various dates through December 2019	3,518	4,133
Medium Term Notes of Kenyan Shilling KES$352,629, and US$410, bearing a fixed average interest rate of 14.20%. Interest is paid semi-annually. Payable in full at maturity in December 2021	5,503	-
Commercial Paper Program (note 12(i))	8,974	-
Other financial indebtedness (note 12(j))	7,084	-
	1,858,237	1,961,527
Less: Current portion	48,789	59,513
	1,809,448	1,902,014

a) On May 6, 2015, the Corporation completed the financing of an additional US$125 million and an additional financing of US $75 million on September 15, 2015.

b) *On November 9, 2016, the Corporation completed the financing of an additional US$125 million to its existing term loan.*

c) The revolving facilities and term loan are secured by a general pledge as well as a movable hypothec on the universality of present and future assets of the Corporation. As part of this credit agreement, the Corporation is subject to a total leverage ratio. As at January 31, 2017, the Corporation is in compliance with its covenants.

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

d) At the end of each fiscal year, the Corporation has to make a prepayment on the outstanding borrowings under the term loan for an amount based on the first lien senior secured leverage ratio and the excess cash flow, as follows:

- 50% of excess cash flow if the first lien senior secured leverage ratio at such time exceeds 3.25:1;
- 25% of excess cash flow if the first lien senior secured leverage ratio at such time exceeds 2.75:1 but is not more than 3.25:1.

e) The Corporation has designated US$355 million of its US dollar senior note and US term loan as a foreign exchange hedge of its net investment in its foreign operations. Accordingly, the portion of the gains or losses arising from the translation of the US dollar-denominated debt that is determined to be an effective hedge is recognized in other comprehensive income (loss), counterbalancing gains or losses arising from translation of the Corporation's net investment in its foreign operations. Should a portion of the hedging relationship become ineffective, the ineffective portion would be recorded in the consolidated statement of income (loss). During the year ended January 31, 2017, a gain of $37,275 (2016 –loss of $48,387) has been recorded in the consolidated statement of comprehensive income (loss) related to the translation of the US dollar senior note and US dollar term loan.

During the year ended January 31, 2017, an unrealized exchange gain on translation of long-term debt of $96,584, (2016 – loss of $119,427) has been recorded related to the foreign exchange variation of the Corporation's long-term debt in US dollars not designated as a foreign exchange hedge of its net investment in its foreign operations.

f) As at January 31, 2017, letters of credit totalling $60,901 (2016 – $66,715) of which $60,736 (2016 - $64,550) reduced the available revolving facilities. As a result, $230,697 (2016 – $70,618) was available to be drawn under the revolving facilities. These letters of credit mainly guarantee worker's compensation claims to the insurance company.

g) The Corporation's management reviews compliance with the financial covenants on a monthly basis, and its Board of Directors reviews compliance with the financial covenants on a quarterly basis. As at January 31, 2017, the Corporation was in compliance with its financial covenants.

h) Capital payments on long-term debt and minimum payments on finance lease obligations over the next five years and thereafter are as follows:

	Capital payments on long-term debt $	Minimum payments on finance lease obligations $
2018	34,313	16,834
2019	25,568	14,237
2020	14,422	9,948
2021	1,192,057	8,217
2022	578,823	7,438
Thereafter	-	3,944
	1,845,183	60,618

Minimum instalments payable for the subsequent years under finance lease obligations amount to $60,618, of which $7,788 is interest. The current portion of the finance lease obligations amounts to $14,476.

i) The Corporation has a KES 1,000,000 Commercial Paper program in place. The Program is unsecured, unsubordinated debt. Notes are issued at a discount in KES or USD. As of January 31, 2017, KES denominated Commercial Paper totalled KES 672,581 (CAD $8,423) and USD denominated Commercial Paper totalled US$423(CAD $551). The Corporations Commercial Papers have maturities ranging from 7-360 days, but typically 30 days and above with an average interest rate of 12.63%

j) Other financial indebtedness includes various debts composed of; term loans, asset financing and overdraft facilities. Interest rates average to 14.19% with debts maturing on various dates through November 2019. These bank borrowings are secured by Kenya Kazi Limited assets.

13 Provisions and other non-current liabilities

	Insurance provision $	Deferred rent for real estate's tenants $	Long-term payable consideration $	Contingent consideration $	Other $	Total provisions and other non-current liabilities $
For the year ended January 31, 2016						
Opening balance	9,268	5,122	4,310	-	781	19,481
Additional provisions	43,890	867	-	-	547	45,304
Business acquisitions (note 18)	-	-	-	52,090	-	52,090
Used during the year	(34,344)	(851)	(2,000)	-	(3)	(37,198)
Remeasurement obligations					1,516	1,516
Unwind of discount	-	-	51	-	-	51
Effect in exchange rate during the year	1,232	470	-	3,935	68	5,705
Ending balance	20,046	5,608	2,361	56,025	2,909	86,949
Current provisions	9,939	1,010	1,920	36,460	14	49,343
Non-current provisions	10,107	4,598	441	19,565	2,895	37,606
	20,046	5,608	2,361	56,025	2,909	86,949
For the period ended January 31, 2017						
Opening balance	20,046	5,608	2,361	56,025	2,909	86,949
Additional provisions	31,515	-	-	-	-	31,515
Business acquisitions (note 18)	-	-	-	11,960	-	11,960
Used during the period	(31,634)	(820)	(2,000)	-	3	(34,451)
Change in fair value	-	-	-	(51,525)	-	(51,525)
Remeasurement obligations	-	-	-	-	223	223
Unwind of discount	-	-	22	-	-	22
Effect in exchange rate during the period	(986)	(409)	-	(5,184)	(179)	(6,758)
Ending balance	18,941	4,379	383	11,276	2,956	37,935
Current provisions	11,046	936	383	-	26	12,391
Non-current provisions	7,895	3,443	-	11,276	2,930	25,544
	18,941	4,379	383	11,276	2,956	37,935

a) Insurance provision

Certain US subsidiaries maintain high retention for risks related to vehicles, worker's compensation and general liabilities. These US subsidiaries maintain non-cash insurance provision to cover the estimated retained liability. The non-cash insurance reserve for insurance is determined by management and is based on claims filed and an estimate of claims incurred but not yet reported. The US subsidiaries maintain third party stop-loss insurance policies to cover certain liability costs in excess of predetermined retained amounts.

b) Deferred rent for real estate tenants

The deferred rent represents cash received from lessors for leasehold improvements for real estate tenants, which is amortized over the terms of the leases.

c) Contingent consideration

The fair value of the acquisition-related contingent consideration is based on estimated future cash flows and assessment of the probability of occurrence of potential future events. The fair value of the contingent consideration as at January 31, 2017 was $ 11,276.

The acquisition-related contingent consideration is remeasured each reporting period, with changes in fair value recorded in the consolidated statement of income (loss). As at January 31, 2017, the change in fair value resulted in a gain of $ 51,525 due to earnout target not achieved.

14 Share capital

a) Capital risk management

The Corporation has defined its capital as long-term debt, share capital, contributed surplus and deficit, net of cash and cash equivalents and bank indebtedness.

The following table summarizes certain information with respect to the Corporation's capital structure:

	2017 $	2016 $
Cash and cash equivalents, net of bank indebtedness	(64,092)	(61,970)
Long-term debt	1,858,237	1,961,527
	1,794,145	1,899,557
Deficiency excluding accumulated other comprehensive income	(422,308)	(521,848)
	1,371,837	1,377,709

The Corporation's objectives when managing capital are to maintain an optimal capital structure with the use of external long-term debt to support its growth.

The Corporation normally finances property, plant and equipment additions of armoured vehicles, aircraft and vehicles through finance leases. All other property, plant and equipment additions are paid cash using operating cash flows.

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

b) Authorized – in unlimited number, without par value

Unlimited number of common shares, voting and participating

c) Issued and fully paid

	Number of common shares	Amount $
Balance as at January 31, 2017 and January 31, 2016	379,695,525	1

d) Stock Options

During the year, employees received stock options from shareholders of the Corporation. Stock options granted totalled 4,905,836 at exercise price of $27.76 per share. The stock options have a life of ten years. The vesting of the options shall satisfy performance vesting conditions based on achievement of multiple of invested capital (MOIC) and the internal rate of return (IRR) target.

The fair value of options granted was estimated on the date of the grant using the Monte Carlo option-pricing model based on the following assumptions:

	Issuance of July 12, 2016
Expected dividend rate	Nil
Volatility	25.8%
Expected life of options	1 to 10 years
Risk-free interest rate	1.00%
Number of options	4,905,836
Fair value of options	$1.84
Exercise and Spot price	$27.76

During the year, the Corporation recorded to net income a stock-based compensation charge of $7,073 (2016 - nil) for the options granted since July 12, 2016, with an offsetting credit to contributed surplus.

15 Depreciation and amortization

	2017 $	2016 $
Depreciation of property, plant and equipment – Operating costs	76,437	72,300
Depreciation of property, plant and equipment – Selling and administrative expenses	13,558	18,834
	89,995	91,134
Amortization of intangible assets – Operating costs	27,414	29,358
	117,409	120,492

16 Finance costs

	2017 $	2016 $
Interest on long-term debt	101,527	94,597
Interest on finance lease obligations	4,338	5,469
Other interest	9,741	7,633
Amortization of deferred financing costs	9,301	7,889
Amortization of premiums	(1,296)	(1,296)
Unwind of discount	14,514	12,858
	138,125	127,150

17 Expenses by nature

	2017 $	2016 $
Salaries and fringe benefits	1,582,592	1,445,712
Depreciation of property, plant and equipment	89,995	91,134
Amortization of intangible assets	27,414	29,358
Stock-based compensation	7,073	-
Subcontractors	184,123	132,151
Transportation expenses	115,973	117,908
Facility rent and related expenses	80,987	76,609
Cost of inventories recognized as an expense	28,546	30,030
Operating-related costs	162,965	97,318
Administration-related costs	112,367	112,810
Other expenses (gains)	(7,137)	781
Total	2,379,540	2,133,811
Operating costs	2,002,989	1,755,711
Selling and administrative expenses	381,909	378,100
Total	2,384,898	2,133,811

18 Business acquisitions

The Corporation acquired all of the outstanding shares of Kenya Kazi Limited on December 22, 2016 and 80% of the outstanding shares of Crisis 24 on December 1, 2016. Both entities operate in Protective Services. The table below presents the preliminary purchase price determination of the acquired businesses.

During 2015, the Corporation acquired the assets of four businesses and shares of two businesses which operate in Protective Services and Cash Services. Acquired on September 17, 2015, Hestia B.V. (Aegis) is the largest of the four acquisitions.

These acquisitions are in line with the Corporation's strategy, which is to establish operations' platforms and then continually improve them with a combination of business acquisitions and internal growth.

From the date of acquisitions, the contribution of the acquired businesses to revenues and income before income taxes amounted to $12,520 and $167 negative, respectively.

If this acquisition had occurred on February 1st 2016, management estimates that revenues and income before recovery of income taxes of the acquired businesses would have been $112,060 and $625 negative respectively.

The transactions have been recorded under the acquisition method and the results of operations of the acquired business have been included in the consolidated financial statements since the acquisition date. The goodwill is mainly attributable to the workforce and the synergies expected from integrating the acquired entity into the Corporation's existing business.

Per the Kenya Kazi Limited acquisition contract, the contingent consideration calculation is based on a series of free cash flows that will be achieved by Kenya Kazi Limited up to January 31, 2019. The fair value of the contingent consideration was determined using forecasted free cash flows.

As of January 31, 2017, goodwill of $24,537 is attributable to International Protective Services CGU's.

	2017			2016
	Total $	Aegis $	*Other* acquisitions $	Total $
Assets				
Cash	4,101	34,485	409	34,894
Non-cash working capital	4,718	44,336	667	45,003
Property, plant and equipment	13,161	15,854	3,091	18,945
Goodwill	24,537	107,572	4,632	112,204
Intangible assets	12,950	35,129	1,049	36,178
Deferred income tax assets	-	3,029	-	3,029
	59,467	240,405	9,848	250,253
Liabilities				
Long-term debt	21,108	8,176	327	8,503
Deferred income tax liabilities	68	-	129	129
	21,176	8,176	456	8,632
Net assets	38,291	232,229	9,392	241,621
Consideration				
Cash	21,363	180,139	7,417	187,556
Contingent consideration – current portion	-	33,899	-	33,899
Contingent consideration – non-current portion	11,960	18,191	-	18,191
Balance of purchase price payable	3,625	-	1,975	1,975
Non-controlling interest	1,343	-	-	-
Total consideration	38,291	232,229	9,392	241,621

Of the Goodwill and intangible assets acquired during the year, nil (2016 - $2,599) is deductible for tax purposes.

Transaction costs of $2,553 (2016 - $7,359) have been expensed in relation to businesses acquisitions.

During the year, the Corporation completed the determination of the fair value of the identifiable assets acquired from Aegis.

	Aegis preliminary valuation at January 31, 2016	Adjustment during the year	Final valuation at January 31, 2017
Assets			
Cash	34,485	-	34,485
Non-cash working capital	48,366	(4,030)	44,336
Property, plant and equipment	15,854	-	15,854
Goodwill	115,915	(8,343)	107,572
Intangible assets	35,129	-	35,129
Deferred income tax assets	-	3,029	3,029
	249,749	(9,344)	240,405
Liabilities			
Long-term debt	8,176	-	8,176
Deferred income tax liabilities	9,344	(9,344)	-
	17,520	-	8,176
Net assets			
	232,229	**-**	**232,229**
Consideration			
Cash	180,139	-	180,139
Contingent consideration – current portion	33,899	-	33,899
Contingent consideration – non-current portion	18,191	-	18,191
Total consideration	**232,229**	**-**	**232,229**

19 Employee benefits

a) Defined benefit pension plans

The Corporation has defined benefit pension plans for 1,468 of its employees (2016 – 1,556). The Corporation makes contributions to the plans. The obligations of the defined benefit plans are based on the employee's length of service and salary.

The Corporation measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at January 31, 2017. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2016 and the next required valuation will be as of January 1, 2017.

Information about the Corporation's defined benefit pension plans is as follows:

Employee benefits assets:

	2017 $	2016 $
Fair value of plan assets	70,305	65,161
Accrued benefit obligation	(67,817)	(63,429)
Plan surplus – Employee benefit assets	2,488	1,732

The following table shows the composition of the underlying assets of the segregated funds in which the corporation's defined benefit pension plans invest in:

Plans assets comprise:

	2017	2016
Equity securities	59.1%	58.9%
Debt securities	38.8%	38.9%
Money market fund	2.1%	2.2%

As at January 31, 2017, all investments of the plans are classified as Level 2 instruments as defined in note 21.

Movement in the present value of the accrued benefit obligation for defined benefit plans:

	2017 $	2016 $
Accrued benefit obligation – Beginning of year	63,429	68,237
Current service cost	1,081	1,250
Interest cost	2,604	2,688
Benefits paid	(2,084)	(6,301)
Past service cost (including curtailment)	-	(1,392)
Actuarial loss (gain) arising from		
Plan experience	978	92
Changes in demographic assumptions	1,085	-
Changes in financial assumptions	724	(1,145)
Accrued benefit obligation – End of year	67,817	63,429

Movement in the fair value of plan assets for defined benefit plans:

	2017 $	2016 $
Fair value of plan assets – Beginning of year	65,161	67,739
Expected return on plan assets	2,043	(1,334)
Employer contributions	2,781	2,574
Administrative cost	(271)	(265)
Benefits paid	(2,084)	(6,301)
Interest income on plan assets	2,675	2,748
Fair value of plan assets – End of year	70,305	65,161

Expense recognized:

	2017 $	2016 $
Current service cost	1,081	1,250
Interest cost	(71)	(60)
Past service cost (including curtailment)	-	(1,392)
Expected return on plan assets	(2,043)	1,334
Administration cost	271	265
Actuarial loss (gain) on defined benefit obligation	2,787	(1,053)
	2,025	344
Expense recognized in net income (loss)	1,281	63
Expense recognized in other comprehensive income (loss)	744	281
	2,025	344

Actuarial losses (gains) recognized in other comprehensive income (loss):

	2017 $	2016 $
Cumulative actuarial loss in other accumulated comprehensive income – Beginning of year	6,428	6,147
Recognized during the year	744	281
Cumulative actuarial loss in other accumulated comprehensive income – End of year	7,172	6,428

The significant actuarial assumptions used (expressed as weighted average):

	2017 %	2016 %
Accrued benefit obligation		
Discount rate	4.00	4.10
Future salary increase	2.50	2.75
Employee benefit expense		
Discount rate	4.00	4.10
Expected long-term rate of return on plan assets	4.00	4.10
Future salary increases	2.50	2.75

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevity underlying the value of the liabilities in the defined plans is 17.78 years.

The overall expected long-term rate of return is 4.00%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

The Corporation expects approximately $2,092 in contributions to be paid to its defined benefit plans next year in fiscal 2018.

Through the defined benefit plan, the Corporation is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility

The plans liabilities are calculated using a discount rate set with reference to corporate bond yields; if the plan assets underperform this yield, it will create an experience loss. The plans hold a proportion of equities, which are expected to outperform corporate bonds in the long term while contributing to volatility and risk in the short term.

The Corporation believes that due to the long-term nature of the plans liabilities, the level of equity investments is an appropriate element of the Corporation's long-term strategy to manage the plans efficiently. The plans assets are diversified, so the failure of an individual stock would not have a material impact on the plans assets taken as a whole. The pension plans do not face a significant currency risk.

Changes in bond yields

A decrease in bond yields will increase the plans liabilities, although this will be partially offset by an increase in the value of the plans bond holdings.

Inflation risk

The benefits paid by one plan are partially indexed to inflation; this plan represents less than 20% of the total defined benefit liabilities of both plans. The benefits of the other plan are not indexed to inflation. Also, future benefits for some but, but not all, active members are based on future salaries.

Life expectancy

The main purpose of the plans obligations is to provide benefits towards its members over the duration of their respective lifetimes. Increases in life expectancy will result in an increase in the plans liabilities.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity analysis of the defined benefit obligations to variations in significant actuarial assumptions, the same method has been applied as for calculating the liability recognized in the statement of financial position.

Sensibility analysis

	2017 $	2016 $
Discount rate at 3.75% instead of 4.00% (2016 - 3.85% instead of 4.10%)	2,974	2,917
Salary growth of 2.25% instead of 2.50% (2016 – 2.50% instead of 2.75%)	(358)	(409)
Life expectancy – 90% of the mortality rates used for valuation	1,455	1,399

b) Defined contribution plans

The Corporation has established defined contribution pension plans for certain of its unionized and non-unionized employees in Canada and the United States. In addition, the Corporation also contributes to a registered retirement savings plan for various employees. The pension expense for these plans is represented by the Corporation contribution. For the year ended January 31, 2017, the pension expense for these plans amounted to $13,015 (2016 – $11,281) and was recorded in salaries and fringe benefits.

20 Income taxes

a) The income tax rate differs from the basic tax rate for the following reasons:

	2017 $	2016 $
Income (Loss) before income taxes	74,415	(209,881)
Canadian statutory income tax rate	26.90%	26.90%
Income taxes calculated at statutory rate	20,018	(56,458)
Increase (decrease) resulting from		
Benefits arising from a financing structure	(23,570)	(19,937)
Non-Canadian applicable income tax rate difference	(5,826)	(10,478)
Unrealized exchange (gain) loss on translation of long-term debt	(20,632)	24,874
Permanent differences and other	12,037	(5,264)
Change in statutory rate	(226)	171
	(18,199)	(67,092)

b) Deferred income taxes represent the net tax effect of temporary differences between the consolidated financial statements carrying amounts and the tax bases of assets and liabilities. Significant components of the Corporation's deferred income tax assets (liabilities) as at January 31, 2017 and 2016 were as follows:

Net deferred income tax assets	**Property, plant and equipment and intangible assets** $	**Liabilities and other provision** $	**Loss carryforward** $	**Total** $
As at January 31, 2015	(13,617)	43,898	156,899	187,180
Recovery of (provision for) deferred income taxes	4,983	48,951	20,183	74,117
Business acquisitions	(7,641)	-	10,541	2,900
Other comprehensive income	-	(26)	-	(26)
Effect of exchange rate	(225)	6,305	11,940	18,020
As at January 31, 2016	(16,500)	99,128	199,563	282,191
As at January 31, 2016	(16,500)	99,128	199,563	282,191
Recovery of (provision for) deferred income taxes	(437)	(17,074)	54,972	37,461
Business acquisitions	(739)	-	671	(68)
Other comprehensive income	-	197	-	197
Effect of exchange rate	2,741	(5,638)	(9,895)	(12,792)
As at January 31, 2017	(14,935)	76,613	245,311	306,989

The Corporation has forecasted the taxable income for the next ten years. Based on those forecasts, the loss carryforwards will be used before their expiry dates, which range from 2027 to 2037. Therefore, deferred income tax assets have been recorded regarding those losses.

As at January 31, 2017, loss carryforwards not recognized in deferred income tax assets totalled $5,425.

During fiscal year ended January 31, 2016, the Corporation received a letter from the Canada Revenue Agency pursuant to their review of certain transactions occurred in the prior taxation year. The letter proposed to disallow the amortization of deferred revenue for an amount of $87,227. During the fiscal year ended January 31, 2017, there was exchanges between the Corporation and the Canadian Revenue Agency and this matter was brought before the Tax Court of Canada. As at January 31, 2017, deferred income tax assets included $23,220 related to the amortisation of deferred revenue. The Corporation is in total disagreement with the letter from Canada Revenue Agency and management disputed this letter. Since management believes that it is more likely than not that its position will be sustained, no reduction of the deferred income tax assets was recorded in the financial statements.

21 Financial instruments

Fair value estimation

The Corporation has estimated the fair value of its financial instruments based on current interest rates, market value and current pricing of financial instruments with similar terms and conditions. Unless otherwise indicated, the fair value of these financial instruments is considered to approximate their carrying value. The fair values of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate their carrying amounts due to their relatively short maturities. The fair value of long-term debt is based on observable market data and on the calculation of discounted cash flows. Discount rates were determined based on current terms and conditions observed in the credit market.

The fair value hierarchy under which the Corporation's financial instruments are valued is as follows:

Level 1 – quoted market prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

	2017			
	Carrying amount	Quoted prices in active market for identical assets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
Financial liabilities				
Derivative financial liabilities	10,215	-	10,215	-

	2016			
	Carrying amount	Quoted prices in active market for identical assets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
Financial assets				
Derivative financial assets	49,184	-	49,184	-
Financial liabilities				
Derivative financial liabilities	6,728	-	6,728	-

Credit risk

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

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

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

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

Interest rate risk

As at January 31, 2017, the Corporation's interest rate risk is as follows:

Cash and cash equivalents	Variable rate
Accounts receivable	Non-interest bearing
Notes receivable	Non-interest bearing
Bank indebtedness	Variable rate
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	Note 12

Based on long-term debt at variable rates as at January 31, 2017, the effect of a change of 100 basis points would have been approximately $8,232 (2016 – $7,266).

The Corporation has embedded derivative financial instrument with a negative fair value as at January 31, 2017 of $5,679 (2016 – $9,013). This derivative is related to the interest rate floor on the Corporation's US dollar term loan and delayed draw facility. The change in fair value for the year resulted in a gain of $4,684 (2016 – $1,166) and was recorded in the consolidated statement of income (loss).

The Corporation minimizes its exposure to changes in interest rates in maintaining a significant portion of fixed-rate interest-bearing long-term debt. This is achieved by entering into interest rate swaps. As at January 31, 2017, the fair value of interest rate swaps are negative by $2,818 (2016 – $6,728). The change in fair value for the year resulted in a gain of $3,910 (2016 – loss of$75) and was recorded in the consolidated statement of comprehensive income (loss) since these interest rate swaps are designated as hedges of US dollar and Canadian dollar term loan variable interest rate debts.

The Corporation's interest rate swaps are as follows:

Coverage period	Average BA's rate	Notional contract amount $
Less than 1 year	1.78%	383,403
1 to 2 years	1.84%	247,239
2 to 3 years	1.94%	158,635

Foreign exchange risk

The Corporation has operating activities outside Canada, namely in the United States, the Middle East, Europe and North Africa mostly, through its wholly owned subsidiaries. It is therefore exposed to foreign exchange rate risk on the US dollar, the Euro and the British pound in the net investment in its foreign operations.

During the year ended January 31, 2017, if the US dollar had strengthened on average by $0.01 in comparison to the Canadian dollar, all other variables remaining constant, the impact on income before finance costs and income taxes for the year would have been approximately $7,118 (2016 – $6,160) lower and comprehensive income would have been approximatively $4,363 (2016 - $3,942) lower.

The Corporation's consolidated statement of financial position contains balances of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, current portion of long-term debt and long-term debt, in currencies other than functional currency of the corporation and its subsidiaries. Accordingly, the Corporation is exposed to foreign exchange risk.

The balances in currencies are as follows:

	2017				2016			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Cash and cash equivalents	6,703	574	36	1,228	2,071	167	900	1,795
Accounts Receivable	11,742	-	-	-	21,545	-	-	-
Total assets	18,445	574	36	1,228	23,616	167	900	1,795
Canadian dollar equivalent	24,035	807	60	1,213	33,252	254	1,797	1,790
Accounts payable and accrued liabilities	2,067	-	-	-	3,018	-	-	-
Current portion of long-term debt	9,105	-	-	-	9,250	-	-	-
Long-term debt	1,277,985	-	-	-	1,269,194	-	-	-
Total liabilities	1,289,157	-	-	-	1,281,462	-	-	-
Canadian dollar equivalent	1,679,772	-	-	-	1,793,870	-	-	-

During the year, the Corporation sold its cross currency swap. As a result, the Corporation received $26,972 for this settlement.

Forward swaps totalled US$120,000 (2016 – US$120,000). One forward swap of US$100,000 at an exchange rate of 1.3571 (US$:CA$) with a maturity date on November 15, 2017 and one forward swap of US$20,000 at an exchange rate of 1.3738 (US$:CA$) with a maturity date on November 8, 2018. As at January 31, 2017, the fair value of foreign derivative swaps are negative by $7,397 (2016 – positive by $49,184). The change in fair value for the year resulted in a loss of $29,609 (2016 – gain of $33,778) and was recorded in the condensed consolidated statement of income (loss).

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they become due or can only do so at excessive cost. The Corporation manages this risk by maintaining detailed cash flows and long-term operating and strategic plans. The contractual cash flows include the carrying value amount plus interest using the current rate.

The following are the contractual maturities of financial liabilities as at January 31, 2017:

	Fair value $	Carrying amount $	Contractual cash flow $	Less than 1 year $	1 to 3 years $	4 to 5 years $	More than 5 years $
Financial liabilities							
Bank indebtedness	5,212	5,212	5,212	5,212	-	-	-
Accounts payable and accrued liabilities	341,881	341,881	341,881	341,881	-	-	-
Derivative instruments	10,215	10,215	10,215	8,061	2,154	-	-
Long-term debt	1,881,051	1,858,237	2,278,787	145,137	247,546	1,882,160	3,944
	2,238,359	2,215,545	2,636,095	500,291	249,700	1,882,160	3,944

The following table details the maturities of the financial liabilities and financial assets as at January 31, 2016:

	Fair value $	Carrying amount $	Contractual cash flow $	Less than 1 year $	1 to 3 years $	4 to 5 years $	More than 5 years $
Financial liabilities							
Bank indebtedness	5,593	5,593	5,593	5,593	-	-	-
Accounts payable and accrued liabilities	343,382	343,382	343,382	343,382	-	-	-
Derivative instruments	6,728	6,728	6,728	4,346	2,475	(93)	-
Long-term debt	1,876,644	1,961,527	2,504,864	160,688	380,811	1,300,993	662,372
	2,232,347	2,317,230	2,860,567	514,009	383,286	1,300,900	662,372
Financial assets							
Derivative instruments	49,184	49,184	49,184	2,306	46,878	-	-

22 Contingencies

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

23 Related party disclosures

a) Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of the Corporation and includes all of its directors along with certain executives. Key management personnel participate in the stock option plan. The remuneration to key management personnel, includes the following:

	2017 $	2016 $
Director's fees	429	710
Salaries	6,101	3,579
Benefits	127	119
Stock-based compensation	5,575	-
	12,232	4,408

b) Related party transactions

The following provides the transaction amount by nature of the related party relationship*:

	2017 $	2016 $
Nature of transaction		
Professional fees included in other expenses	1,250	785
Professional fees included in deferred financing costs	55	108
	1,305	893

* Nature of the related party relationship – entities related by virtue of key management personnel exercising significant influence or control over the entities' financial and operating policies.

Financial positions		
Receivable from parent company	6,200	2,598
	6,200	2,598

24 Commitments

The Corporation entered into operating leases consisting mainly of real estate expiring on various dates through November 2041 which call for total lease payments of $294,412. Minimum lease payments for the upcoming years are as follows:

	$
2018	52,585
2019	46,214
2020	38,958
2021	30,275
2022	25,769
2023 to 2041	100,611
	294,412