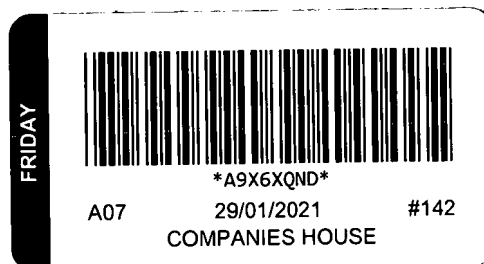


Company Registration No. 04541965 (England and Wales)

Aegis Defence Services Limited

**Annual report and financial statements
for the year ended 31 January 2020**



Aegis Defence Services Limited

Company information

Directors The Rt Hon Sir Nicholas Soames MP (Chairman)
Oliver Westmacott
Helen Shaw

Secretary Oliver Westmacott

Company number 04541965

Registered office Two London Bridge
London
SE1 9RA

Independent auditors Saffery Champness LLP
71 Queen Victoria Street
London
EC4V 4BE

Bankers Coutts & Co
440 Strand
London
WC2R 0QS

Contents

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Statement of financial position	10 - 11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 34

Strategic report

For the year ended 31 January 2020

The directors present the strategic report and financial statements for the year ended 31 January 2020.

Principal activities

The Company offers various security and risk management services. Our services include static security, consulting, threat monitoring and reporting, crisis response, logistical support, mobile security, close protection, training and risk management.

Our corporate vision is to be the recognised global leader in providing comprehensive security, crisis response and risk management services in high-risk and complex environments delivered at a world-class level by the best quality personnel in the industry.

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 decreased from £48m in the previous period (2019) to £47m in current year. Change in project mix resulting in lower Gross profit in current year compared to 2019 and continued pressure on operating margins. With continual scrutiny of our operational costs we have been able to minimize the result of this trend, whilst maintaining the high quality of service and diligence our clients have grown accustomed to.

Despite these challenges the company has returned improved profits before taxation, which increased to 87% of revenue in the current year from 63% (2019). This was mainly achieved due to the strong performance of the company's investment activities based in the US market and close control of our administration costs.

As in previous year's 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.

Principal risks and uncertainties

The Board, through delegation to the 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 and complex 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 ICOCA process, and its 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, and affords the same level of focus and effort on its anti-bribery, corruption and fraud measures. 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:

Foreign exchange

The Company invoices its principal customers in US Dollars, Australian Dollars and UK Sterling. 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 exchange rate. The Company seeks to mitigate this risk by matching currencies of costs and income wherever possible.

Compliance to a wide range of regulations and restrictions

Operating in a heavily regulated industry across a number of geographic locations requires compliance to a wide range of regulations. In order to ensure that the company remains compliant at all times it has an experienced team of risk, compliance and legal representatives in house who devise policy and ensure it flows out throughout the company and across all locations. The compliance department conducts continuous internal audits and delivers training on areas of compliance across all company locations.

Loss of reputation

The Company'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. The company places strong emphasis on human rights and business ethics together with a healthy and responsible integration into the communities within which it operates.

Managing and Retaining Talent

The Company is dependent on experienced and well trained personnel in an industry where its personnel are one of the main differentiators. In order to ensure they are able to foster, attract and retain talent the Company provides a competitive remuneration packages, promotes employee development and internal progression.

Regulation

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

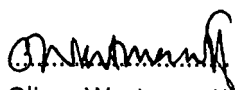
Key performance indicators

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 driven through our Compliance and Operational Excellence Framework.

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



Oliver Westmacott

Director

21 January 2021.....

Directors' report

For the year ended 31 January 2020

The directors present their annual report and financial statements for the year ended 31 January 2020.

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 9.

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)

Oliver Westmacott

Colin Brown

(Appointed 1 February 2019 and resigned 1 June 2020)

Helen Shaw

(Appointed 1 June 2020)

Auditor

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.

Directors' report (continued)
For the year ended 31 January 2020

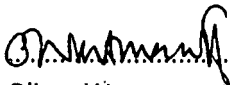
Statement of disclosure to auditor

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 auditor is 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 auditor is 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



Oliver Westmacott

Director

Date: 21 January 2021

Independent auditor's report

To the members of Aegis Defence Services Limited

Opinion

We have audited the financial statements of Aegis Defence Services Limited (the 'company') for the year ended 31 January 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report (continued)

To the members of Aegis Defence Services Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 and 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (continued)

To the members of Aegis Defence Services Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 auditor's 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.



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

25 January 2021

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 2020**

		2020	2019
	Notes	£	£
Revenue	4	46,813,602	48,238,027
Cost of sales		(42,411,309)	(36,684,839)
Gross profit		<u>4,402,293</u>	<u>11,553,188</u>
Administrative expenses		(6,896,884)	(6,069,747)
Loss on foreign exchange		(82,534)	(76,670)
Operating (loss)/profit	5	<u>(2,577,125)</u>	<u>5,406,771</u>
Investment revenues		42,777,725	24,928,689
Finance costs	8	(52,899)	-
Profit before taxation		<u>40,147,701</u>	<u>30,335,460</u>
Income tax expense	9	(1,419,551)	(1,822,855)
Profit and total comprehensive income for the year	21	<u><u>38,728,150</u></u>	<u><u>28,512,605</u></u>

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 2020**

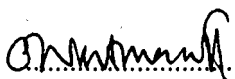
		2020	2019
	Notes	£	£
Non-current assets			
Property, plant and equipment	13	4,753,179	3,738,451
Investments	11	4,423,927	4,423,927
		<u>9,177,106</u>	<u>8,162,378</u>
Current assets			
Trade and other receivables	14	18,696,302	36,448,282
Cash and cash equivalents		2,800,539	434,100
		<u>21,496,841</u>	<u>36,882,382</u>
Total assets		<u>30,673,947</u>	<u>45,044,760</u>
Current liabilities			
Trade and other payables	16	20,411,752	29,447,942
Current tax liabilities		2,808,574	1,460,539
Lease liabilities	17	244,605	-
		<u>23,464,931</u>	<u>30,908,481</u>
Net current assets		<u>(1,968,090)</u>	<u>5,973,901</u>
Non-current liabilities			
Lease liabilities	17	369,323	-
Total liabilities		<u>23,834,254</u>	<u>30,908,481</u>
Net assets		<u>6,839,693</u>	<u>14,136,279</u>
Equity			
Called up share capital	19	112	112
Capital redemption reserve	20	25	25
Retained earnings	21	6,839,556	14,136,142
Total equity		<u>6,839,693</u>	<u>14,136,279</u>

Aegis Defence Services Limited

Statement of financial position (continued)

As at 31 January 2020

The financial statements were approved by the board of directors and authorised for issue on 21 January 2021..... and are signed on its behalf by:



Oliver Westmacott

Director

Company Registration No. 04541965

Aegis Defence Services Limited

**Statement of changes in equity
For the year ended 31 January 2020**

	Notes	Share capital £	Capital redemption reserve £	Retained earnings £	Total £
Balance at 1 February 2018		112	25	6,375,039	6,375,176
Year ended 31 January 2019:					
Profit and total comprehensive income for the year		-	-	28,512,605	28,512,605
Dividends	10	-	-	(20,751,502)	(20,751,502)
Balances at 31 January 2019		112	25	14,136,142	14,136,279
Year ended 31 January 2020:					
Profit and total comprehensive income for the year		-	-	38,728,150	38,728,150
Dividends	10	-	-	(46,024,736)	(46,024,736)
Balances at 31 January 2020		112	25	6,839,556	6,839,693

Aegis Defence Services Limited

Statement of cash flows

For the year ended 31 January 2020

	Notes	£	2020 £	£	2019 £
Cash flows from operating activities					
Cash generated from operations	25		7,885,275		447,624
Tax paid			(71,516)		(1,070,413)
Net cash inflow/(outflow) from operating activities			7,813,759		(622,789)
Investing activities					
Purchase of property, plant and equipment		(1,621,102)		(4,001,840)	
Dividends received		42,777,725		24,928,689	
Net cash generated from investing activities			41,156,623		20,926,849
Financing activities					
Payment of lease liabilities		(579,207)			
Dividends paid		(46,024,736)		(20,751,502)	
Net cash used in financing activities			(46,603,943)		(20,751,502)
Net increase/(decrease) in cash and cash equivalents			2,366,439		(447,442)
Cash and cash equivalents at beginning of year			434,100		881,542
Cash and cash equivalents at end of year			<u>2,800,539</u>		<u>434,100</u>

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 Two London Bridge, London, SE1 9RA.

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 are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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 401 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.

Notes to the financial statements (continued)
For the year ended 31 January 2020

1 Accounting policies (continued)

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

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 Accounting policies (continued)

1.7 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.

1.8 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.

1.9 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 initially recorded at fair value plus transaction costs.

There are three primary measurement categories for financial assets being:

- a) amortised cost;
- b) fair value through other comprehensive income (FVOCI); and
- c) fair value through profit or loss (FVTPL).

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it is not designated as at FVTPL and meets both of the following conditions:

- a) it is held within a business model whose objective is to collect contractual cash flows; and
- b) it contains contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest.

These assets are subsequently measured at amortised cost using the effective interest rate method. 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, except for short-term receivables when the recognition of interest would be immaterial.

The amortised cost is reduced by impairment losses (see below). Any gain or loss on derecognition is recognised in profit or loss.

All trade and other receivables are held at amortised cost.

Notes to the financial statements (continued)

For the year ended 31 January 2020

1 Accounting policies (continued)

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred, and when the company has transferred substantially all risks and rewards of ownership.

1.10 Financial liabilities

Financial liabilities are measured at amortised cost or fair value through profit or loss (when they are held for trading).

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

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

1.11 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.

1.12 Taxation

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

1 Accounting policies (continued)

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.

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.

1.13 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.

1.14 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 Accounting policies (continued)

1.15 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1 Accounting policies (continued)

1.16 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.

Notes to the financial statements (continued)

For the year ended 31 January 2020

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

During the financial year, the company adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time:

Standard	Effective date
IFRS 16 Leases	1 January 2019
IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9 - Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual improvements 2015-2017 cycle	1 January 2019
Amendments to IAS 19 - Plan amendment, Curtailment or Settlement	1 January 2019

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements except as set out below:

IFRS 16 Leases (as issued by the IASB in January 2016) is effective for all accounting periods beginning on or after 1 January 2019. In accordance with the transition requirements, comparative information for 2019 has not been restated. The modified retrospective approach has been applied with no transitional adjustments being accounted for through other reserves at 1 May 2019, the date of initial application.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases, and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

The Group now recognises right-of use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments. Depreciation on right-of-use assets and interest on lease liabilities is recognised within the income statement.

The impact on the income statement for the year ended 30 April 2020 is as follows:

	£
Increase in finance costs	52,899
Increase in depreciation	545,273
Decrease in administrative expenses	(581,111)
	<hr/>
Decrease in profit for the year	17,061
	<hr/> <hr/>

An incremental borrowing rate of 6% was applied to all lease liabilities recognised in the statement of financial position at the date of initial application.

The nature of the leasing activities is in relation to the rental of office premises and vehicles.

2 Adoption of new and revised standards and changes in accounting policies (continued)

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):

Standard	Effective date
Conceptual Framework and Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 - Business Combinations	1 January 2020
Amendments to IAS 1 and IAS 8 - Definition of Material	1 January 2020
Interest Rate Benchmark Reform: amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
IFRS 17 - Insurance Contracts	1 January 2021

The directors are evaluating the impact that these standards will have on the financial statements.

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.

	2020	2019
	£	£
Revenue analysed by class of business		
Security and consultancy services	46,813,602	44,840,955
Other income	-	3,397,072
	<u>46,813,602</u>	<u>48,238,027</u>

Aegis Defence Services Limited

Notes to the financial statements (continued)

For the year ended 31 January 2020

4 Revenue (continued)

	2020	2019
	£	£
Other significant revenue		
Dividends received	42,777,725	24,928,689

5 Operating (loss)/profit

	2020	2019
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses	82,534	76,670
Fees payable to the company's auditor for the audit of the company's financial statements	35,000	35,000
Depreciation of property, plant and equipment	1,739,568	683,266
Loss on disposal of property, plant and equipment	7,042	236,810
Reversal of impairment loss recognised on trade receivables	-	(66,428)

6 Employees

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

	2020	2019
	Number	Number
Management and administration	14	12

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	901,470	1,241,170
Social security costs	110,892	115,734
Pension costs	17,392	13,213
	<u>1,029,754</u>	<u>1,370,117</u>

Notes to the financial statements (continued)
For the year ended 31 January 2020

7 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	333,077	335,500

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

Remuneration for qualifying services	223,077	225,500
--------------------------------------	---------	---------

8 Finance costs

	2020	2019
	£	£
Other interest payable	52,899	-

9 Income tax expense

	2020	2019
	£	£
Current tax		
Overseas taxation	1,419,551	1,849,498
Adjustments in respect of prior periods	-	(26,643)
	1,419,551	1,822,855

Notes to the financial statements (continued)
For the year ended 31 January 2020

9 Income tax expense (continued)

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

	2020	2019
	£	£
Profit before taxation	40,147,701	30,335,460
Expected tax charge based on a corporation tax rate of 19.00%	7,628,063	5,763,737
Expenses not deductible in determining taxable profit	-	45,428
Income not taxable	(8,127,768)	(4,736,451)
Adjustment in respect of prior years	-	(26,643)
Double tax relief	-	(171,490)
Group relief	-	(780,962)
Overseas taxation	1,919,256	1,849,498
Other tax adjustment	-	(120,262)
Tax charge for the year	1,419,551	1,822,855

10 Dividends

During the year the company declared dividends totalling £46,024,736 (2019: £20,751,502).

Notes to the financial statements (continued)

For the year ended 31 January 2020

11 Investments

	Current		Non-current	
	2020	2019	2020	2019
	£	£	£	£
Investments in subsidiaries	-	-	4,423,927	4,423,927

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.

Movements in non-current investments

	Shares in group undertakings £
Cost or valuation	
At 1 February 2019 & 31 January 2020	5,551,300
Impairment	
At 1 February 2019 & 31 January 2020	(1,127,373)
Carrying amount	
At 31 January 2020	4,423,927
At 31 January 2019	4,423,927

Aegis Defence Services Limited

Notes to the financial statements (continued) For the year ended 31 January 2020

12 Subsidiaries

Name of undertaking	Country of incorporation	Ownership interest (%)	Voting power held (%)	Nature of business
Aegis Defence Services LLC USA		100.00	100.00	Security and consulting services
Aegis Response Limited	England and Wales	100.00	100.00	Kidnap response consultancy services
GardaWorld Recruitment Limited	England and Wales	100.00	100.00	Dormant
Aegis Services LLC*	Saudi Arabia	100.00	100.00	Security and consulting services
Sigea Limited	England and Wales	100.00	100.00	Dormant
Firegap Limited	England and Wales	100.00	100.00	Dormant holding company
Rubicon International Services Limited	England and Wales	100.00	100.00	Dormant holding company
Aegis Limited	Afghanistan	100.00	100.00	Security and consulting services
Rimal Dilja for General Trading LLC**	Iraq	100.00	100.00	Security and consulting services

* 95% owned directly and 5% owned indirectly through Rubicon International Services Limited

** 100% owned indirectly through Firegap Limited

Notes to the financial statements (continued)
For the year ended 31 January 2020

13 Property, plant and equipment

	Right-of-use assets	Leasehold improvements	Equipment	Materiel	Total
	£	£	£	£	£
Cost					
At 1 February 2018	-	430,803	265,291	1,747,062	2,443,156
Additions	-	-	7,972	3,993,868	4,001,840
Disposals	-	(430,803)	-	(6,382)	(437,185)
At 31 January 2019	-	-	273,263	5,734,548	6,007,811
Additions	-	-	-	1,621,102	1,621,102
Transition to IFRS 16	1,140,236	-	-	-	1,140,236
Disposals	-	-	(7,972)	(775,761)	(783,733)
At 31 January 2020	1,140,236	-	265,291	6,579,889	7,985,416
Accumulated depreciation and impairment					
At 1 February 2018	-	199,666	249,746	1,337,057	1,786,469
Charge for the year	-	-	11,796	671,470	683,266
Eliminated on disposal	-	(199,666)	-	(709)	(200,375)
At 31 January 2019	-	-	261,542	2,007,818	2,269,360
Charge for the year	545,273	-	4,247	1,190,048	1,739,568
Eliminated on disposal	-	-	(930)	(775,761)	(776,691)
At 31 January 2020	545,273	-	264,859	2,422,105	3,232,237
Carrying amount					
At 31 January 2020	594,963	-	432	4,157,784	4,753,179
At 31 January 2019	-	-	11,721	3,726,730	3,738,451
At 31 January 2018	-	231,137	15,545	410,005	656,687

Notes to the financial statements (continued)
For the year ended 31 January 2020

14 Trade and other receivables

	Current 2020 £	2019 £
Trade receivables	2,186,234	2,804,445
Provision for bad and doubtful debts	(307,262)	(193,627)
	<u>1,878,972</u>	<u>2,610,818</u>
Other receivables	20,632	3,628,160
Amounts owed by fellow group undertakings	13,632,032	27,383,511
Prepayments	3,164,666	2,825,793
	<u>18,696,302</u>	<u>36,448,282</u>

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	2020 £	2019 £
31-60 days	795,465	1,014,378
61-90 days	-	49,680
> 90 days	183,488	15,042
	<u>978,953</u>	<u>1,079,100</u>

Ageing of impaired trade receivables	2020 £	2019 £
Current	-	121,415
> 90 days	307,262	72,212
	<u>307,262</u>	<u>193,627</u>

Notes to the financial statements (continued)

For the year ended 31 January 2020

15 Trade receivables - credit risk (continued)

Movement in the allowances for doubtful debts	2020 £	2019 £
Balance at 1 February 2019	193,627	301,300
Additional allowance recognised	116,515	40,173
Amounts written off as uncollectible	(2,880)	(81,418)
Amounts recovered in the year	-	(66,428)
Balance at 31 January 2020	307,262	193,627

16 Trade and other payables

	Current 2020 £	2019 £
Trade payables	336,336	1,105,086
Amounts due to fellow group undertakings	17,944,708	26,266,318
Accruals	1,956,778	1,932,472
Social security and other taxation	173,930	144,066
	20,411,752	29,447,942

17 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £	2019 £
Current liabilities	244,605	-
Non-current liabilities	369,323	-
	613,928	-

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 £17,392 (2019 - £13,213).

19 Share capital	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
1,125,000 Ordinary shares of 0.01p each	112	112
	<u> </u>	<u> </u>

20 Capital redemption reserve

	2020	2019
	£	£
At the beginning and end of the year	25	25
	<u> </u>	<u> </u>

21 Retained earnings

	2020	2019
	£	£
At the beginning of the year	14,136,142	6,375,039
Profit for the year	38,728,150	28,512,605
Dividends	(46,024,736)	(20,751,502)
	<u> </u>	<u> </u>
At the end of the year	6,839,556	14,136,142
	<u> </u>	<u> </u>

22 Capital risk management

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

Notes to the financial statements (continued)
For the year ended 31 January 2020

23 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*.

	2020	2019
	£	£
Short-term employee benefits	333,077	335,500
	<u>333,077</u>	<u>335,500</u>

During the year, the company was charged management fees of £2,119,879 (2019: £2,013,990) by fellow group undertakings.

At 31 January 2020 the company was owed £652,781 (2019: £1,922,385) by subsidiary undertakings and £13,631,488 (2019: £26,244,953) by fellow group undertakings. As at 31 January 2020, the balance owed by subsidiary undertakings was impaired by £652,237 (2019: £783,827).

At 31 January 2020 the company owed £111,749 (2019: £111,749) to subsidiary undertakings and £17,832,959 (2019: £26,154,569) to fellow group undertakings.

24 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.

Notes to the financial statements (continued)
For the year ended 31 January 2020

25 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	38,728,150	28,512,605
Adjustments for:		
Taxation charged	1,419,551	1,822,855
Finance costs	52,899	-
Investment income	(42,777,725)	(24,928,689)
Loss on disposal of property, plant and equipment	7,042	236,810
Depreciation and impairment of property, plant and equipment	1,739,568	683,266
Movements in working capital:		
Decrease/(increase) in trade and other receivables	17,751,980	(11,127,201)
(Decrease)/increase in trade and other payables	(9,036,190)	5,247,978
Cash generated from operations	7,885,275	447,624

Garda World Security Corporation

**Consolidated Financial Statements
January 31, 2020 and 2019**



Independent auditor's report

To the Shareholders of
Garda World Security Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Garda World Security Corporation and its subsidiaries (together, the Corporation) as at January 31, 2020 and 2019, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 31, 2020 and 2019;
- the consolidated statements of loss and other comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP¹

Montréal, Quebec
April 16, 2020

¹ CPA auditor, CA, public accountancy permit No. A116819

Garda World Security Corporation

Consolidated Statement of Financial Position

As at January 31, 2020 and 2019

(in thousands of Canadian dollars)

	2020 \$	2019 \$
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	45,829	70,502
Accounts receivable (note 6)	505,394	414,024
Unbilled accounts receivable	87,038	109,147
Inventories (note 7)	16,699	18,414
Prepaid expenses	34,604	26,811
	689,564	638,898
Non-current assets		
Property, plant and equipment (note 8)	269,719	284,901
Goodwill (note 9)	1,949,253	1,727,170
Intangible assets (note 9)	923,377	885,701
Right-of-use assets (note 10)	274,772	—
Other assets (note 11)	26,059	22,956
Derivative financial instruments (note 23)	—	136
Deferred income tax assets (note 22)	207,915	158,810
	3,651,095	3,079,674
Total assets	4,340,659	3,718,572
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	436,804	428,200
Current portion of long-term debt (note 13)	42,446	62,857
Current portion of provisions and other liabilities (note 14)	179,231	500,189
Income taxes payable	44,013	45,539
Derivative financial instruments (note 23)	—	9,117
	702,494	1,045,902
Non-current liabilities		
Long-term debt (note 13)	2,926,852	2,427,483
Deferred income tax liabilities (note 22)	81,328	76,888
Provisions and other non-current liabilities (note 14)	260,201	10,273
Employee Benefit Liabilities (note 21)	6,194	—
	3,274,575	2,514,644
Total liabilities	3,977,069	3,560,546
Equity		
Share capital (note 15)	1,228,374	520,707
Contributed surplus	15,283	65,089
Accumulated other comprehensive income	(34,269)	(27,547)
Deficit	(847,603)	(400,196)
Total equity attributable to shareholder	361,785	158,053
Non-controlling interest	1,805	(27)
Total equity	363,590	158,026
Total liabilities and equity	4,340,659	3,718,572

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 Statement of Loss and Comprehensive Loss

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars)

	2020 \$	2019 \$
Revenues (note 16)	3,524,758	2,983,439
Operating costs (note 19)	2,942,781	2,455,658
Selling and administrative expenses (note 19)	550,229	389,350
Change in fair value of contingent consideration (note 14 (c))	—	84,512
Unrealized exchange loss on translation of long-term debt (note 13 (d))	12,713	107,040
Realized loss on financial instruments (note 14 and 23)	105,895	100,079
Loss before finance costs and income taxes	(86,860)	(153,200)
Finance costs (note 18)	357,995	209,413
Loss before income taxes	(444,855)	(362,613)
Provision for (recovery of) income taxes (note 22)		
Current	27,951	47,253
Deferred	(47,092)	(73,121)
	(19,141)	(25,868)
Net loss for the year	(425,714)	(336,745)
Net income (loss) attributable to		
Shareholders	(426,445)	(336,664)
Non-Controlling interest	731	(81)
Net loss for the year	(425,714)	(336,745)
Other comprehensive income (loss) «OCI»		
<i>Items that may be subsequently reclassified to the consolidated statement of loss</i>		
Translation of long-term debt designated as net investment hedges, net of income tax loss of \$1,300 (2019- tax loss of \$2,223) (note 13 (e))	(1,859)	(27,987)
Translation of foreign subsidiaries	461	62,876
Gain on derivative instruments, net of income tax of nil (2019 - \$455) (note 23)	(136)	(755)
<i>Items that will not be reclassified to the consolidated statement of loss</i>		
Remeasurement of defined benefit pension obligation, net of income tax of \$1,865 (2019-\$858 (note 21))	(5,188)	(2,386)
	(6,722)	31,748
Comprehensive loss for the year	(432,436)	(304,997)
Comprehensive income(loss) attributable to		
Shareholders	(433,183)	(304,916)
Non-controlling interest	747	(81)

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

Garda World Security Corporation

Consolidated Statement of Changes in Equity

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated comprehensive income \$	Deficit \$	Equity attributable to non-controlling interest \$	Total Equity \$
Balance – February 1, 2018	520,707	63,329	(59,295)	(57,014)	1,397	469,124
Comprehensive loss						
Net loss for the year	–	–	–	(336,664)	(81)	(336,745)
OCI for the year	–	–	31,748	–	–	31,748
Comprehensive loss for the year			31,748	(336,664)	(81)	(304,997)
Stock-based compensation	–	1,760	–	–	–	1,760
Acquisition of non-controlling interest	–	–	–	1,343	(1,343)	0
Share repurchases	–	–	–	(399)	–	(399)
New accounting policies adopted	–	–	–	(7,462)	–	(7,462)
Balance – January 31, 2019	520,707	65,089	(27,547)	(400,196)	(27)	158,026
Balance – February 1, 2019	520,707	65,089	(27,547)	(400,196)	(27)	158,026
Comprehensive loss						
Net loss for the year				(426,445)	731	(425,714)
OCI for the year			(6,738)		16	(6,722)
Comprehensive loss for the year	–	–	(6,738)	(426,445)	747	(432,436)
Stock-based compensation	–	28,324	–	–	–	28,324
Repurchase of stock options	–	(10,104)	–	(20,778)	–	(30,882)
Reclassification following amalgamation (note 14 and 15)	501,742	–	–	–	–	501,742
Share issuance (note 1)	133,384	–	–	(184)	–	133,200
Stock options exercise	68,026	(68,026)	–	–	–	0
Business acquisition (note 20)	4,515	–	–	–	1,085	5,600
Translation of non-controlling interest	–	–	16	–	–	16
Balance – January 31, 2020	1,228,374	15,283	(34,269)	(847,603)	1,805	363,590

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

Garda World Security Corporation

Consolidated Statement of Cash Flows

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars)

	2020 \$	2019 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the year	(425,714)	(336,745)
Adjustments for:		
Depreciation of property, plant and equipment (note 17)	68,199	102,325
Amortization of intangible assets (note 17)	59,865	45,030
Depreciation of right-of-used assets (note 10)	97,272	—
Deferred income taxes (note 22)	(47,092)	(73,121)
Loss (Gain) on disposal of property, plant and equipment (note 8)	(833)	359
Change in fair value of contingent consideration (note 14)	—	84,512
Unrealized exchange loss on translation of long-term debt (note 13(d))	12,713	107,040
Realized loss on financial instruments (note 14 and 23)	105,895	100,079
Stock-based compensation (note 15)	28,324	1,760
Finance costs (note 18)	357,995	209,413
Defined benefit pension expense (note 21)	1,506	1,356
	258,130	242,008
Changes in non-cash working capital:		
Accounts receivable	(34,471)	(43,749)
Unbilled accounts receivable	23,293	(12,094)
Inventories	2,619	(5,003)
Prepaid expenses	(11,065)	(5,560)
Accounts payable and accrued liabilities, provisions and other liabilities	(50,292)	50,993
Income taxes payable	(2,245)	22,810
Net cash generated from operating activities	185,969	249,405
CASH FLOW FROM FINANCING ACTIVITIES		
Changes in bank indebtedness	61	(7,804)
Increase in long-term debt, excluding revolving facilities	3,777,870	242,109
Repayment of long-term debt, excluding revolving facilities	(3,228,345)	(103,697)
Interest paid on long-term debt	(217,254)	(183,398)
Interest received on note issuances	—	4,322
Settlement of derivative financial instruments (note 23)	(7,170)	(1,248)
Changes in revolving facilities	7,405	(16,965)
Repurchase of stock options	(30,882)	—
Share issuance	133,384	—
Share repurchase	(184)	(399)
Increase in deferred financing costs	(158,894)	(5,555)
Repayment of lease liabilities	(110,135)	—
Other	(12,325)	(18,829)
Net cash used in financing activities	153,531	(91,464)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment (note 8)	(106,406)	(77,800)
Proceeds from disposal of property, plant and equipment (note 8)	1,629	2,085
Business acquisitions net of cash and bank indebtedness (note 20)	(252,135)	(89,161)
Additions to intangible assets (note 9)	(4,366)	(4,663)
Net cash used in investing activities	(361,278)	(169,539)
Foreign currency translation on cash and cash equivalents	(2,895)	4,138
Net change in cash and cash equivalents during the year	(24,673)	(7,460)
Cash and cash equivalents, beginning of the year (note 5)	70,502	77,962
Cash and cash equivalents, end of year (note 5)	45,829	70,502
Cash paid for income tax	26,618	27,227

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

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

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 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

On October 30, 2019, Stephan Crétier, members of the management team, and an entity held by an investment fund affiliated with BC Partners completed the purchase of all of Rhône Capital's remaining stake in CR Honos Parent Ltd., the ultimate parent company of old Garda. CR Honos Parent Ltd. was formed in 2017 when Rhône Capital acquired control of old Garda. On October 30, 2019, pursuant to a series of transactions, old Garda and its direct and indirect parent companies, namely GW Intermediate Holdco Corporation, CR Honos Parent Ltd. and GW B-CR Security corporation, amalgamated, and the resulting entity changed its name to Garda World Security Corporation (referred as "the Corporation"). As a result, for the year ended January 31, 2020, the consolidated financial statements presented herein, including the comparative figures, present the historical basis of accounting of CR Honos Parent Ltd, the pre-amalgamation ultimate parent company of old Garda.

The difference between the consolidated financial statements of old Garda and the Corporation relate primarily to the increase of intangible assets and goodwill which were recognized in purchase accounting of the acquisition of old Garda in May 2017. As a result of the change of control, certain carried forward tax losses were derecognized for an amount of \$15,624 as described in note 22.

The Corporation's main subsidiaries as at January 31, 2020 were as follows:

	Voting rights held	Location	Functional currency
Garda Canada Security Corporation	100%	Canada	CAN\$
Garda World Cash Services Canada Corporation	100%	Canada	CAN\$
Garda World Security Screening Inc.	100%	Canada	CAN\$
ATI Systems International Inc.	100%	United States	US\$
GW Consulting Middle East Limited	100%	United Arab Emirates	US\$
Aegis Defence Services Limited	100%	United Kingdom	GBP
Aegis Defence Services LLC	100%	United States	US\$
Kenya Kazi Services Limited	100%	Kenya	KES
United American Security LLC	100%	United States	US\$
Whelan Security Inc.	100%	United States	US\$

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

2 Basis of presentation

These 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 part I Chartered Professional Accountants of Canada Handbook-accounting.

These consolidated financial statements were approved by the Board of Directors for issue on April 16, 2020.

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 included in the current portion of provisions and other liabilities, derivative financial instruments assets and liabilities.

Consolidation

These consolidated financial statements include the accounts of the Parent Company 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 represents the interest held by third parties in the Parent Company's subsidiaries. The net assets of the subsidiary attributable to the non-controlling interest are reported as a component of equity. Their share in net loss and comprehensive loss is recognized directly in equity. Any change in the Parent Company interest in a subsidiary that does not result in an acquisition or a loss of control is accounted for as a capital transaction.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

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 generally at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Any contingent consideration payable by the Corporation is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statement of 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 measured based on the consideration specified in a contract with a customer. The Corporation typically recognizes revenues when it has satisfied its performance obligations. The following describes the performance obligations for the different revenue streams:

Cash services: The Corporation's Cash services segment generates its revenues from carrying its clients' cash and valuable items between different locations. As well, Cash services sort and process its clients' cash, coins and checks. Although our customer contracts specify the fees for each action to provide service, the majority of the services stated in our contracts do not have a defined quantity over the contract term. Accordingly, the transaction price is considered variable as there is an unknown volume of services that will be rendered over the course of the contract. We recognize revenue for these services in the period in which they are provided to the customer based on the contractual rate at which we have the right to invoice the customer for each action.

Protective services: The Corporation's protective services segment generates its revenues by providing security guards to protect its clients' business, people, assets and screening services to airports. For performance obligations related to the services described above, we generally satisfy our obligations as each action to provide the service to the customer occurs. Because the customers simultaneously receive and consume the benefits from our services, these performance obligations are deemed to be satisfied over time. We use an output method, units of service provided, to recognize revenue because that is the best method to represent the transfer of our services to the customer at the agreed upon rate for each action.

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.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Parent Company'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 the number of options and shares.

The financial statements of subsidiaries that have a functional currency different from that of the Parent Company 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 OCI as a 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 OCI related to the foreign operations are recognized in the consolidated statement of 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 OCI 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 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 expected credit loss

Trade receivables are recorded at the invoiced amount and do not bear interest. The Corporation records an allowance for expected loss 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.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

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 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
Computer equipment	Declining balance and straight-line	30% and 3 to 5 years
Equipment and office furniture	Declining balance and straight-line	20% and 4 to 5 years
Vehicles	Declining balance and straight-line	30% and 4 years
Aircraft and aircraft rotables	Straight-line	12 years with 45% residual
Armored vehicles	Straight-line	6, 10 and 12 years
Uniforms	Straight-line	2 years
Leasehold improvements	Straight-line	Shorter of lease term and useful life

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 loss.

Lease classifications (prior to IFRS 16 adopted on February 1, 2019).

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.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

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 and indefinite useful lives (trade name). Service contracts and client relationships are recorded at cost and are 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

On initial recognition, the Corporation determines the financial instruments classification as per the following categories:

- Instruments measured at amortized cost
- Instruments measured at fair value through other comprehensive income (FVOCI) or through net income (FVTPL)

The financial instruments' classification is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial instrument in the scope of the standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as instruments held for trading or derivatives) or if the Corporation elects to measure them at FVTPL.

The table below summarizes the classification and measurement of the Corporation's financial instruments.

Assets

Cash	Amortized cost
Restricted Cash	Amortized cost
Trade, other receivables	Amortized cost
Notes receivable	Amortized cost
Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)

Liabilities

Long-Term debt	Amortized cost
Derivative financial liabilities	Fair value through profit or loss (FVTPL)
Contingent consideration	Fair value through profit or loss (FVTPL)

a) Measurement

Financial instruments at amortized cost

Financial instruments at amortized cost are initially measured at fair value, and subsequently at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of loss.

Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the consolidated statement of loss. The effective portion of gains and losses on hedging instruments is accounted for in other comprehensive income in the period in which they occur. When the Corporation elects to measure a financial liability at FVTPL, gains or losses related to the Corporation's own credit risk are accounted for in the consolidated statement of loss.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

b) Derecognition

Financial assets

The Corporation derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

Financial liabilities

The Corporation derecognizes a financial liability when, and only when, it is extinguished meaning when the obligation specified in the contract is discharged, canceled or expires. The difference between the carrying amount of the extinguished financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss.

c) Impairment

IFRS 9 -Financial Instruments also introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The Corporation elected to apply the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, unbilled accounts receivable and notes receivable.

To measure the expected credit losses, trade receivables and unbilled accounts receivable have been group based on shared credit risk characteristics.

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 remeasurement is recognized in the consolidated statement of loss.

The Corporation designates certain derivatives as either:

- hedges of a particular risk associated with a recognized asset or liability (cash flow hedge); or
- 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 loss. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of loss.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

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 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 loss. The gain or loss relating to the ineffective portion is recognized in the consolidated statement of loss. Gains and losses accumulated in equity are included in the consolidated statement of 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's 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 OCI in the period in which they arise. Past service costs are recognized immediately in the consolidated statement of 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 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.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

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 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. 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.

Segment reporting

The Corporation's activities are carried out through two main operating segments: Protective services and Cash services. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

New accounting standards adopted during the year

a) Adoption of new IFRS standards (IFRS 16)

IFRS 16 - Leases, sets out the principles for the recognition, measurement and disclosure of leases. This standard superseded IAS 17 - Leases, and other leases-related interpretations, eliminated the classification of leases as either operating or finance type leases and introduced a single lessee accounting model.

The Corporation adopted IFRS 16 - Leases on February 1, 2019, using the modified retrospective method and therefore, comparatives for the financial year ended January 31, 2019 have not been restated. The adoption of IFRS 16 - Leases resulted in the recognition of Right-of-use assets ("ROUA") and lease liabilities of \$252,218, reflecting the present value of the future lease payments, in the Corporation's statement of financial position as at February 1, 2019.

On the Corporation's statement of earnings, depreciation of Right-of-use assets, and interest expense on lease liabilities, replaced the operating lease expenses that were recognized under IAS 17 - Leases.

Additional disclosures required by the adoption of this new standard can be found in notes 10 and 14.

Leases

The Corporation leases various buildings, equipment and vehicles under lease agreements. Lease terms are negotiated on an individual basis, contain a wide range of different terms and conditions and usually can be renewed at market rates.

Leases are recognized as right-of-use assets and corresponding liability at the date of which the leased asset is available for use by the Corporation. Lease payments are allocated between the liability and finance cost. The finance cost is charged to the statement of loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease extension options were taken into consideration as a result of the adoption of IFRS 16 - Leases.

Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs, and
- restoration costs (if any)

Lease liability includes the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Corporation's incremental borrowing rate.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Corporation's statement of loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT-equipment and small items of office furniture.

In applying IFRS 16 - Leases for the first time, the Corporation has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

Critical accounting estimates and judgements used in the adoption of IFRS 16

Estimates and judgments are continually evaluated and are based on historical trends and other factors, including expectations of future events that are likely to materialize under reasonable circumstances.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant estimates, judgments and assumptions made by management in applying the Corporation's accounting policies are the same as those applied and described in the annual consolidated financial statements for the year ended January 31, 2019, except for IFRS 16 - Leases, adopted on February 1, 2019, as noted below.

Estimate of the lease term

When the Corporation recognizes a lease as a lessee, it assesses the lease term based on the conditions of the lease and determines whether it is reasonably certain that it will exercise its extension or termination option, if any. It then uses the expected modified term under such option if it is reasonably certain that it will be exercised. As such, a change in the assumption used could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Assessment of whether a right-of-use asset is impaired

The Corporation assesses whether a right-of-use asset is impaired in accordance with IAS 36, Impairment of assets. Such assessment occurs particularly when it vacates an office space and it must determine the recoverability of the asset, to the extent that the Corporation can sublease the assets or surrender the lease and recover its costs. The Corporation examines its lease conditions as well as local market conditions and estimates its recoverability potential for each vacated premise. The determination of the lease cost recovery rate involves significant management estimates based on market availability of similar office space and local market conditions. This significant estimate could affect its future results if the Corporation succeeds in subleasing their vacated offices at a higher or lower rate or at different dates than initially anticipated.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

Determining the discount rate for leases

IFRS 16 - Leases requires the Company to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate ("IBR"). The Company generally used its IBR when recording leases initially, since the implicit rates are not readily available due to information not being available from the lessor regarding the fair value of underlying assets and direct costs incurred by the lessor related to the leased assets. The determination of the IBR requires the use of various assumptions which, if different than those being used, could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Determining if a contract modification increasing the scope of a lease is a separate lease or not

When a lease modification increasing the scope of a lease occurs, the Company needs to determine if such modification is to be accounted for as a separate lease or not. Such determination requires the use of judgment on the stand-alone selling price and any appropriate adjustments to the stand-alone selling price reflecting the circumstance of the particular contract.

The following table reconciles the Corporation's operating lease commitments at January 31, 2019, which were similar to those as previously disclosed in the old Garda's audited annual consolidated financial statements filed on Sedar, to the lease liabilities recognized on initial application by the corporation of IFRS 16 at February 1, 2019:

	As at February 1, 2019 \$
Operating lease commitments as at January 31, 2019	336,783
Variable leases not included in the measurement of lease liabilities	(32,593)
Discounted using the incremental borrowing rate as at February 1, 2019	(51,972)
Lease Liabilities on initial application of IFRS 16	252,218
Transfer of finance lease obligations from Long-term debt as at January 31, 2019	74,370
Lease Liabilities recognized as at February 1, 2019	326,588

Weighted average incremental borrowing rate as at February 1, 2019 was 6.18%.

(in thousands of Canadian dollars, except as otherwise indicated)

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.

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 must 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 19 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.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

Valuation of accounts receivable and allowance for expected credit loss

Trade receivable, which amount to \$477,536 (2019 – \$399,354), 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 expected credit loss. The allowance for expected credit loss, which amounts to \$13,398 (2019 – \$12,334), is thus subject to critical estimates and judgments. The allowance is based on assumptions about risk of default and expected loss rates. The Corporation uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Further information regarding the credit risk in accounts receivable is provided in notes 6 and 23.

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 \$16,742 (2019 – \$13,016) and are included in provisions and other non-current liabilities (note 14), 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 21.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

5 Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

	2020 \$	2019 \$
Cash on hand	25,443	35,924
Deposits from customers	20,386	26,363
Restricted cash	–	8,215
	<u>45,829</u>	<u>70,502</u>

As at January 31, 2020, the Corporation has no restricted cash (2019 – \$8,215) that was deposited as collateral. This cash was not available for general operating purposes.

6 Accounts receivable

	2020 \$	2019 \$
Trade receivables	477,536	399,354
Allowance for expected credit loss	(13,398)	(12,334)
Other receivables	41,256	27,004
	<u>505,394</u>	<u>414,024</u>

The aging of trade receivables and the allowance for expected credit loss are as follows:

	2020 \$	2019 \$
Not past due	375,945	294,469
Past due 0-30 days	34,386	39,365
Past due 31-60 days	30,954	20,973
Past due 61-120 days	17,633	23,236
More than 120 days	18,618	21,311
	<u>477,536</u>	<u>399,354</u>
Allowance for expected credit loss	<u>(13,398)</u>	<u>(12,334)</u>
	<u>464,138</u>	<u>387,020</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

The change in the allowance for expected credit loss for the year is as follows:

	2020 \$	2019 \$
Opening balance	12,334	6,890
New accounting policy adopted	–	876
Bad debt expense	2,128	11,822
Amounts written off and recoveries	(1,146)	(7,784)
Effect in exchange rate	82	530
Ending balance	13,398	12,334

Allowance for expected credit loss takes into account the credit risk on accounts receivable and unbilled accounts receivable.

Credit risk on trade receivables

There is a limited concentration of credit risk with respect to trade receivables, as the Corporation's customers are both large in number and dispersed across different market segments. The Parent Company's subsidiaries grant credit to their customers in the ordinary course of business and assess the credit worthiness 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 Corporation-wide rate provision; provisions are made for accounts receivable that are past due according to local conditions and past default experience.

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

7 Inventories

	2020 \$	2019 \$
Aircraft parts	10,464	11,685
Vehicle parts	654	619
Other	5,581	6,110
	16,699	18,414

For the year ended January 31, 2020 the cost of inventories recognized as an expense and included in operating costs amounted to \$24,667 (2019 - \$26,714).

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

8 Property, plant and equipment

	Buildings \$	Computer equipment \$	Equipment and office furniture \$	Vehicles \$	Aircraft and Aircraft retables \$	Armored vehicles	Uniforms	Leasehold improve- ments	Total
For the year ended January 31, 2019									
Net value - beginning		5,630	26,644	20,601	83,134	73,543	8,912	48,499	269,370
Additions		2,907	22,594	16,572	10,738	31,404	8,299	4,276	99,765
Proceeds from disposals		-	-	(377)	-	(126)	-	-	(2,085)
Depreciation		(2,223)	(10,604)	(11,244)	(12,569)	(45,839)	(7,873)	(10,081)	(102,325)
Business acquisitions		247	1,102	3,916	-	-	-	515	5,780
Loss on disposals		-	(45)	(214)	-	(100)	-	-	(359)
Effect in exchange rate		174	424	1,817	5,869	3,256	780	2,111	14,755
Net value - end		6,735	40,115	31,071	87,172	62,138	10,118	45,320	284,901
As at January 31, 2019									
Cost		10,150	59,614	50,931	118,661	135,796	23,557	62,903	463,854
Accumulated depreciation		(3,415)	(19,499)	(19,860)	(31,489)	(73,658)	(13,439)	(17,583)	(178,953)
Net value - end		6,735	40,115	31,071	87,172	62,138	10,118	45,320	284,901
For the year ended January 31, 2020									
Net value - beginning	2,	6,735	40,115	31,071	87,172	62,138	10,118	45,320	284,901
Additions		4,089	23,411	17,303	15,736	31,767	13,171	787	106,406
Proceeds from disposals		(20)	(77)	(1,141)	(198)	(63)	(130)	-	(1,629)
Transfer to right-of-use assets (note 10)		-	(9,032)	(11,445)	-	(47,003)	-	-	(67,480)
Depreciation		(2,134)	(12,933)	(10,161)	(6,187)	(22,142)	(8,898)	(5,612)	(68,199)
Business acquisitions		81	6,934	2,218	-	-	3,285	1,205	13,755
Gain (Loss) on disposals		12	119	608	111	(67)	64	(14)	833
Effect in exchange rate		(252)	765	(218)	1,372	(849)	221	64	1,132
Net value - end		8,511	49,302	28,235	98,006	23,781	17,831	41,750	269,719
As at January 31, 2020									
Cost		14,125	81,648	55,912	135,338	112,407	40,549	65,680	508,106
Accumulated depreciation		(5,614)	(32,346)	(27,677)	(37,332)	(88,626)	(22,718)	(23,930)	(238,387)
Net value - end		8,511	49,302	28,235	98,006	23,781	17,831	41,750	269,719

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

9 Goodwill and Intangible assets

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

	Software \$	Service contracts and client relationships \$	Trade name \$	Total intangible assets \$	Goodwill \$
For the year ended January 31, 2019					
Net value – Beginning	22,727	576,648	272,362	871,737	1,596,850
Business acquisitions (note 20)	26	47,945	–	47,971	101,495
Additions	3,069	1,594	–	4,663	–
Amortization of intangible assets	(2,026)	(43,004)	–	(45,030)	–
Effect in exchange rate	791	5,569	–	6,360	28,825
Net value – End	24,587	588,752	272,362	885,701	1,727,170
As at January 31, 2019					
Cost	28,843	662,829	272,362	964,034	1,727,170
Accumulated amortization	(4,256)	(74,077)	–	(78,333)	–
Net value – End	24,587	588,752	272,362	885,701	1,727,170
For the year ended January 31, 2020					
Net value – Beginning	24,587	588,752	272,362	885,701	1,727,170
Business acquisitions (note 20)	2,532	90,008	–	92,540	219,937
Additions	3,730	636	–	4,366	–
Amortization of intangible assets	(5,256)	(54,609)	–	(59,865)	–
Effect in exchange rate	130	505	–	635	2,146
Net value – End	25,723	625,292	272,362	923,377	1,949,253
As at January 31, 2020					
Cost	35,606	730,855	272,362	1,038,823	1,949,253
Accumulated amortization	(9,883)	(105,563)	–	(115,446)	–
Net value – End	25,723	625,292	272,362	923,377	1,949,253

Additions to intangible assets during the year included \$4,366 acquired from a third party (2019 – \$4,663).

As at January 31, 2020, the remaining useful life of service contracts and client relationships and software is 9,16 and 4,19 years respectively. (2019 – 8,97 and 3,96 years respectively)

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

As at January 31, 2020 and 2019 the GardaWorld trade name with indefinite useful life allocated to each cash generating units ("CGUs") is as follows:

	2020 \$	2019 \$
CGU		
Cash logistics – Canada	26,204	26,204
Cash logistics – United States	70,028	70,028
International protective Services	89,239	89,239
Airport pre-board security screening – Canada	31,771	31,771
Security guard services – Canada	55,120	55,120
	<u>272,362</u>	<u>272,362</u>

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 goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each CGU is as follows:

	2020 \$	2019 \$
CGU		
Cash logistics – Canada	184,520	184,520
Cash logistics – United States	161,830	165,493
International protective Services	708,509	692,101
Airport pre-board security screening – Canada	216,679	216,679
Security guard services – Canada	412,904	407,384
Security guard services – United States	264,811	60,993
	<u>1,949,253</u>	<u>1,727,170</u>

The Corporation performed its goodwill and trade name with indefinite useful life impairment test on 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 10.09% and 11.09%.

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 2.0% and 4.2% in revenues, and margins were adjusted where deemed appropriate. The terminal value is based on exit multiples ranging from 8.3% to 9.3% the recurring operating profit, or exit multiple from 12.8% to 14.5% the recurring operating profit less capital expenditures.

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

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

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

10 Right-of-use assets

	Buildings	Equipment	Vehicles	Total
	\$	\$	\$	\$
For the year ended January 31, 2020				
Net value – beginning	–	–	–	–
New accounting policy adopted on February 1, 2019 (IFRS 16)	243,684	4,252	4,282	252,218
Business acquisitions (note 20)	10,480	–	3,048	13,528
Transfer from property, plant and equipment	–	9,032	58,448	67,480
Additions	19,847	–	17,913	37,760
Depreciation	(62,402)	(2,634)	(32,236)	(97,272)
Effect in exchange rate	291	173	594	1,058
Net value – end	211,900	10,823	52,049	274,772
As at January 31, 2020				
Cost	273,610	27,872	256,980	558,462
Accumulated amortization	(61,710)	(17,049)	(204,931)	(283,690)
Net value – end	211,900	10,823	52,049	274,772

	2020	2019
	\$	\$
Additional information included in Consolidated statement of loss		
Unwinding of discount	22,653	–
Short-term leases and low value assets	5,728	–
Variable lease payments not included in lease liabilities	5,398	–
Additional information included in Consolidated statement of cash flows		
Cash outflow for leases	10,081	–

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

11 Other assets

	2020	2019
	\$	\$
Notes receivable net of provision of \$48,094 (2019 - \$39,838)	10,785	10,735
Others	15,274	12,072
Employee benefit assets (note 21)	-	149
	<u>26,059</u>	<u>22,956</u>

The notes receivable relates to one specific customer for which the credit risk increased significantly since initial recognition. The provision as at January 31, 2020 is measured using the lifetime expected credit loss model. The change in provision in respect of notes receivable during the year is as follows:

	2020	2019
	\$	\$
Opening balance	39,838	23,057
Unwinding of discount	8,022	11,113
New accounting policy adopted	-	3,912
Effect in exchange rate	234	1,756
	<u>48,094</u>	<u>39,838</u>
Ending balance		

12 Accounts payable and accrued liabilities

	2020	2019
	\$	\$
Trade payables	60,571	83,960
Labour and related liabilities	150,784	163,895
Sales tax payable	15,333	14,326
Provision for interest payable	53,293	41,771
Accrued liabilities	123,530	115,890
Deferred revenues	33,293	8,358
	<u>436,804</u>	<u>428,200</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

13 Long-term debt

	2020 \$	2019 \$
Term loan of US\$988,000 bearing interest at LIBOR plus 4.75% with a reduction in relation to the leverage ratio, payable in quarterly instalments of US\$2,470, the remaining balance is repayable in full at maturity on October 30, 2026 (note 13 (a), (b), (c), (e), (f))	1,235,288	—
Senior note of US\$604,377 bearing interest at a fixed rate of 9.5%, payable in full at maturity on November 1, 2027, including embedded derivative (note 13 (a) and note 5)	771,054	—
Authorized revolving facilities of US\$335,000 bearing interest at LIBOR plus 3.75% with a reduction in relation to the leverage ratio, repayable in full at maturity on October 30, 2024 (note 13 (a), (b), (e), (f))	104,887	—
Secured senior note of US\$450,000, bearing interest at a fixed rate of 4.625%, payable in full at maturity on February 15, 2027 (note 13 (a))	588,155	—
Senior note of US\$174,623 (January 31, 2019 US\$625,000), bearing interest at a fixed rate of 8.75%, payable in full at maturity on May 15, 2025 (note 13 (a))	227,720	808,054
Authorized revolving facilities of US\$30,000, could be increased to a maximum of US\$50,000 (the increase is subject to approval), bearing interest at daily one-month LIBOR plus 2.25%, repayable in full at maturity in June 2021	—	586
Finance lease obligations (note 14)	—	74,370
Balances of purchase price payable, bearing no interest, payable in annual instalments, maturing through various dates through July 2022	21,155	20,397
Term notes of KES690,696 (Kenyan shilling) and US\$60 bearing a fixed average interest rate of 15.07%. Interest is paid semi-annually, payable in full at maturity in December 2021	8,999	8,922
Commercial Paper Program (note 13 (g))	9,196	8,719
Other financial indebtedness (note 13 (h))	2,673	3,254
Others	171	—
Senior note in USD, repaid in November 2019	—	228,456
Term loan in USD, repaid in October 2019	—	1,080,615
Term loan in CAD, repaid in October 2019	—	159,236
Authorized revolving facilities, repaid in October 2019	—	97,731
	2,969,298	2,490,340
Less: Current portion	(42,446)	(62,857)
	2,926,852	2,427,483

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

- a) On October 30, 2019, the Corporation completed the refinancing of credit facilities and senior notes. The new facilities include:

- US\$1,438,000 Term loan due in October 2026 bearing interest at LIBOR (with a minimum at 1%) plus 4.75%. US\$450,000 have been repaid on January 30, 2020 following issuance of Secured senior note.
- US\$335,000 authorized revolving facilities due in October 2024 bearing interest at LIBOR plus 3.75%.
- US\$779,000 senior notes due in November 2027 bearing interest at 9.5%. \$174,623 have been repaid on November 5, 2019.

On January 30, 2020, the Corporation completed the refinancing of US\$450,000 secured senior notes due in February 15, 2027 bearing interest at fixed rate of 4.625%.

This refinancing transaction has an impact on the Corporation's statement of loss for the year ended January 31, 2020. As such, an expense of \$90,179 has been recorded in finance costs. This amount represents the amortization of the remaining deferred financing costs of the refinanced credit facilities, the tender offer cost and the change of control offer cost on Senior Notes refinancing.

On April 5, 2019, the Corporation completed the financing of an additional term loan of US\$146 million bearing interest at LIBOR (with a minimum at 1%) plus 3.50% with reduction in relation with the total leverage ratio, repaid in October 30, 2019.

On July 9, 2019, the Corporation completed the financing of an additional term loan of US\$48.5 million bearing interest at LIBOR (with a minimum at 1%) plus 3.50% with reduction in relation with the total leverage ratio, repaid in October 30, 2019.

- b) The revolving facilities and term loan are secured by a general pledge as well as a movable hypothec on the universality of present and future assets of the Corporation.

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

- c) Commencing with the fiscal year ending January 31, 2021, 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 3.36:1;
- 25% of excess cash flow if the first lien senior secured leverage ratio at such time exceeds 2.86:1 but is not more than 3.36:1; and
- 0% of excess cash flow if the first lien senior secured leverage ratio at such time is less than 2.86:1.

No prepayment shall be required if the amount thereof would be less than the greater of \$39,000 and 10% of consolidated EBITDA on a pro forma basis.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

- d) 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 in 2020 and 2019. 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 OCI, 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 loss. During the year ended January 31, 2020, a loss of \$3,159 (2019 – \$30,210) has been recorded in the consolidated statement of comprehensive loss related to the translation of the US dollar senior note and US dollar term loan.

During the year ended January 31, 2020, an unrealized exchange loss on translation of long-term debt of \$12,713, (2019 – \$107,040) 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.

- e) As at January 31, 2020, letters of credit totalling \$79,848 (2019 – \$68,942) of which \$67,279 (2019 - \$61,259) reduced the available revolving facilities. As a result, \$271,140 (2019 – \$145,759) was available to be drawn under the revolving facilities. These letters of credit mainly guarantee worker's compensation claims to the insurance company.
- f) 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, 2020, the Corporation was in compliance with its financial covenants.
- g) 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, 2020, Kenyan-shilling-denominated Commercial Paper totalled KES 590,964 (CA\$7,767) and US-dollar denominated Commercial Paper totalled US\$1,080 (CA\$1,429). The Corporation's Commercial Papers have maturities ranging from 7 to 360 days, but it is typically 30 days and above with an average interest rate of 12.07%.
- h) Other financial indebtedness includes various debts composed of; term loans, asset financing and overdraft facilities. Interest rates average 15.05% with debts maturing on various dates through November 2020. Other financial indebtedness is secured by Kenya Kazi Limited's assets.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

14 Provisions and other non-current liabilities

	Insurance provision \$	Lease liabilities \$	Deferred consideration \$	Contingent consideration \$	Other \$	Total provisions and other non- current liabilities \$
For the year ended January 31, 2019						
Opening balance	16,252	–	–	10,804	289,962	317,018
Additional provisions	27,202	–	–	–	739	27,941
Used during the year	(31,195)	–	–	–	(827)	(32,022)
Change in fair value	–	–	–	84,512	110,034	194,546
Effect in exchange rate	757	–	–	1,837	385	2,979
Ending balance	13,016	–	–	97,153	400,293	510,462
Current provisions	8,167	–	–	97,153	394,869	500,189
Non-current provisions	4,849	–	–	–	5,424	10,273
	13,016	–	–	97,153	400,293	510,462
For the year ended January 31, 2020						
Opening balance	13,016	–	–	97,153	400,293	510,462
New accounting policy adopted on February 1, 2019 (IFRS 16)	–	252,218	–	–	–	252,218
Transfer of finance lease obligation from long-term debt	–	74,370	–	–	–	74,370
Additional provisions	29,476	37,759	–	–	3,500	70,735
Business acquisitions (note 20)	–	13,526	12,819	11,593	–	37,938
Used during the year	(25,860)	(110,135)	–	–	(1,166)	(137,161)
Change in fair value	–	–	–	–	107,842	107,842
Unwinding of discount	–	22,653	228	–	–	22,881
Effect in exchange rate	110	1,135	(184)	790	38	1,889
Reclassification to share capital (note 14 (e))	–	–	–	–	(501,742)	(501,742)
Ending balance	16,742	291,526	12,863	109,536	8,765	439,432
Current provisions	9,455	67,160	–	101,895	721	179,231
Non-current provisions	7,287	224,366	12,863	7,641	8,044	260,201
	16,742	291,526	12,863	109,536	8,765	439,432

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

a) 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 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) Lease liabilities

The Corporation adopted IFRS 16 - Leases on February 1, 2019, using the modified retrospective method and therefore comparatives for the financial year ended January 31, 2019 have not been restated. The adoption of IFRS16- Leases resulted in the recognition of Right-of-use assets and Lease liabilities of \$252,218 and \$74,370 transfer of finance lease obligations from Long-term debt, reflecting the present value of the future lease payments, in the Corporation's statement of financial position as at February 1, 2019.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Corporation's incremental borrowing rate.

c) Deferred consideration

Deferred consideration relates to Whelan acquisition and is payable in 16 equal quarterly installments starting July 4, 2024, discounted at 2.40%.

d) Contingent consideration

The fair value of the acquisition-related contingent consideration is based on estimated future cash flows and an assessment of the probability of occurrence on potential future events. The fair value of the contingent consideration as at January 31, 2020 was \$109,536. The acquisition-related contingent consideration is remeasured each reporting period with changes in fair value recorded in the consolidated statements of loss. As at January 31, 2020, the corporation recorded contingent consideration of \$11,593 from business acquisitions.

In fiscal 2016, the Corporation acquired the Aegis Group. The purchase consideration included an earnout clause related to achieving certain financial targets until January 2017. At the date of acquisition, the Corporation recognized US\$39,791 as contingent consideration representing its best estimate of the fair value of the contingent consideration based on available information known at that time.

Upon termination of the earnout period in January 2017, the Corporation revised its estimate of the fair value of the contingent consideration. Based on its interpretation of the acquisition agreement, the fair value of the contingent consideration was assessed to be nil by the Corporation.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

In August 2017, the sellers of the Aegis Group claimed that the Corporation's calculation of the final contingent consideration payout was incorrect and filed a complaint. In October 2017, the Corporation filed a counterclaim against three of the sellers of the Aegis Group. Pursuant to two Orders dated August 15, 2018, the New York Court of Justice granted sellers' motion for summary judgment upon declaration judgment claim alleged in their complaint and denied the Corporation's motion for an order granting summary judgment dismissing sellers' complaint. Since the Corporation's counterclaim was rejected by the court, the Corporation reassessed the fair value of the contingent consideration agreement and charged an amount of US\$ 70 million to the consolidated statement of loss during the quarter ended July 31, 2018. This amount is equal to the maximum amount originally payable per the acquisition agreement provided all targets were achieved which is the claim made by the sellers in their complaint. The Corporation still believes the sellers' claims have no merit and intends to defend its position and filed its notice of intention to appeal.

e) Other liabilities

Prior to October 30, 2019, certain Class A shares were presented in the statement of financial position as other liabilities with changes in fair value recorded in the consolidated statement of loss. Subsequent to the amalgamation, as described in note 1, these shares were reclassified as equity.

15 Share capital

a) Capital risk management

The Corporation has defined its capital as long-term debt, share capital, contributed surplus, accumulated other comprehensive income 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:

	2020 \$	2019 \$
Cash and cash equivalents, net of bank indebtedness	(45,829)	(70,502)
Long-term debt	2,969,298	2,490,340
	2,923,469	2,419,838
Equity attributable to shareholder	361,785	158,053
	3,285,254	2,577,891

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 armored vehicles, aircraft and vehicles through credit 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 notes 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

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

c) Issued and fully paid

Changes in share capital issued are summarized as follows:

	Number of shares			Amount \$
	Class A Shares	Class R Shares	Common Post- amalgamation	
Balance as at February 1, 2018	8,180,990	16,743,690	–	520,707
Redemption of shares held by subsidiary	(3,333)			
Balance as at January 31, 2019	8,177,657	16,743,690	–	520,707
Balance as at February 1, 2019	8,177,657	16,743,690	–	520,707
Class A issuance following business acquisition (note 20)	84,216	–	–	4,515
Class A issued following exercise of options	3,882,541	–	–	68,026
Amalgamation and reclassification	(12,144,414)	(16,743,690)	1,964,420,870	501,742
Common shares issuance	–	–	122,928,841	133,384
Balance as at January 31, 2020	–	–	2,087,349,711	1,228,374

d) Stock options

Under a share-based arrangement of the corporation and the parent company of the Corporation, employees of the Corporation received stock options. The stock options have a term of ten years. The vesting of the options shall satisfy realisation events and performance vesting conditions based on achievement of multiple of invested capital (MOIC) and the internal rate of return (IRR) target.

Expenses have been recorded in the entity in which employees render the services. As a result, the Corporation recorded, in the consolidated statement of loss, a stock-based compensation charge of \$28,324 (2019 – \$1,760) with an offsetting credit to contributed surplus.

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:

	2020 \$	2019 \$
Expected dividend rate	Nil	Nil
Volatility	26.3%	32.0%
Expected life of options	1 to 10 years	1 to 8 years
Risk-free interest rate	1.50%	1.50%
Number of options	6,355,918	178,101
Fair value of options	\$7.13	\$2.01
Exercise price	64.85	\$30.08

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

16 Revenues

	2020 \$	2019 \$
Protective Services		
- North America	1,605,187	1,127,315
- International	895,948	865,979
	<u>2,501,135</u>	<u>1,993,294</u>
Cash services - North America	1,023,623	990,145
	<u>3,524,758</u>	<u>2,983,439</u>

17 Depreciation and amortization

	2020 \$	2019 \$
Depreciation of property, plant and equipment - Operating costs	57,218	89,671
Depreciation of property, plant and equipment – Selling and administrative expenses	10,981	12,654
	<u>68,199</u>	<u>102,325</u>
Amortization ROUA – Operating costs	95,535	–
Amortization ROUA – Selling and administrative expenses	1,737	–
	<u>97,272</u>	<u>–</u>
Amortization of intangible assets - Operating costs	59,865	45,030
	<u>225,336</u>	<u>147,355</u>

18 Finance costs

	2020 \$	2019 \$
Interest on long-term debt	207,163	171,974
Other interest	11,758	13,407
Early termination interest	9,843	–
Interest on finance leases obligations	–	5,275
Amortization of deferred financing costs	12,087	8,448
Amortization of remaining deferred financing costs on refinanced long-term debt	90,179	–
Amortization of premiums and discounts	(3,938)	(804)
Unwinding of discount – lease liabilities	22,653	–
Unwinding of discount – other assets	8,022	11,113
Unwinding of discount – other liabilities	228	–
	<u>357,995</u>	<u>209,413</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

19 Expenses by nature

	2020 \$	2019 \$
Salaries and fringe benefits	2,372,670	1,957,999
Depreciation of property, plant and equipment	68,199	102,325
Depreciation of right-of-used assets	97,272	—
Amortization of intangible assets	59,865	45,030
Stock-based compensation	28,324	1,760
Subcontractors	214,230	198,916
Transportation expenses	122,954	116,179
Facility rent and related expenses	28,237	84,026
Cost of inventories recognized as an expense	24,667	26,714
Operating related costs	212,129	188,407
Administration related costs	260,177	110,115
Other expenses	4,286	13,537
Total	3,493,010	2,845,008
Operating costs	2,942,781	2,455,658
Selling and administrative expenses	550,229	389,350
Total	3,493,010	2,845,008

20 Business acquisitions

During the year ended January 31, 2020, the Corporation acquired the shares of six businesses, Whelan entities on April 5, 2019, Ultimate Security on May 20, 2019, TAWS Security on October 31, 2019, Drum Cussac on November 25, 2019, Pacific Protection Services, Inc. on December 6, 2019 and CPS Security Solutions, Inc on July 8, 2019 of which one entity of the CPS Group have been acquired at 90%. A non-controlling interest of \$1,085 have been recorded for the 10% of shares not purchased. The Corporation also acquired the assets of three businesses CitiGlobal Inc. on April 1, 2019, Stoic Company Limited on May 1, 2019 and Pro-Tect Security Inc on July 1, 2019. All businesses operate in Protective Services.

The table below presents the final purchase price determination of the acquired businesses except for Ultimate Security, TAWS Security, Drum Cussac and Pacific Protection Services, Inc. which are preliminary. 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 \$379,935 and \$16,339 respectively.

If these acquisitions had occurred on February 1, 2019, management estimates that revenues and income before income taxes of the acquired businesses would have been \$515,896 and \$21,562 respectively.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

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

As at January 31, 2020, goodwill of \$199,316 is attributable to the security guard services – USA CGU (of which Whelan Security Inc. amounted to \$158,269), \$15,101 is attributable to international protective services CGU (of which Drum Cussac amounted to \$11,216) and \$5,520 is attributable to security guard services – Canada CGU (of which TAWS Security amounted to \$3,058).

	2020			2019
	Whelan \$	Others \$	Total \$	Total \$
Assets				
Cash	10,160	2,527	12,687	3,689
Non-cash working capital	20,230	(15,382)	4,848	13,316
Property, Plant and Equipment	1,224	12,531	13,755	5,780
Other assets	206	–	206	–
Right-of-use assets	6,375	7,153	13,528	–
Intangible assets	45,310	47,230	92,540	47,971
Goodwill	158,269	61,668	219,937	101,495
Deferred income tax assets	–	1,725	1,725	–
Total	241,774	117,452	359,226	172,251
Liabilities				
Long-term debt	–	29,279	29,279	55,037
Other Liabilities	19,195	7,150	26,345	–
Deferred income tax liabilities	8,293	–	8,293	3,445
Total	27,488	36,429	63,917	58,482
Net assets	214,286	81,023	295,309	113,769
Consideration				
Cash	209,721	55,101	264,822	92,850
Purchase price adjustment - Receivable from seller	–	–	–	(1,032)
Purchase price adjustment - Payable to seller	50	1,735	1,785	480
Contingent consideration	–	11,593	11,593	–
Non-controlling Interest	–	1,085	1,085	–
Shares issued	4,515	–	4,515	–
Balance of purchase prices payable	–	11,509	11,509	21,471
Total consideration	214,286	81,023	295,309	113,769

Of the goodwill and intangible assets acquired during the year, \$10,965 amount is deductible for tax purposes.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

Transaction costs of \$140,922 (2019 - \$10,761) have been expensed in relation to business acquisitions, of which \$127,570 is related to BC Partners transaction described in Note 1. Those expenses and presented by nature in administration related cost in Note 19.

21 Employee benefits

a) Defined benefit pension plans

The Corporation has defined benefit pension plans for 1,501 of its employees (2019 – 1,507). The Corporation contributes 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, 2020. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2019 and the next required valuation will be as of January 1, 2020.

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

Employee benefits assets:

	2020 \$	2019 \$
Fair value of plan assets	83,469	75,237
Accrued benefit obligation	(89,663)	(75,088)
Plan surplus – Employee benefit assets (liabilities)	(6,194)	149

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:

	2020	2019
Equity securities	64.5%	61.5%
Debt securities	32.0%	33.5%
Money market fund	3.5%	5.0%

As at January 31, 2020, all investments of the plans are classified as Level 2 instruments as defined in note 23.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

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

	2020 \$	2019 \$
Accrued benefit obligation – Beginning of year	75,088	73,769
Current service cost	1,279	1,203
Interest cost	2,782	2,660
Benefits paid	(2,905)	(2,484)
Actuarial loss (gain) arising from:		
Plan experience	119	1,837
Changes in financial assumptions	13,300	(1,897)
Accrued benefit obligation – End of year	89,663	75,088

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

	2020 \$	2019 \$
Fair value of plan assets – Beginning of year	75,237	76,331
Expected return on plan assets	6,366	(3,304)
Employer contributions	2,216	2,187
Administrative cost	(226)	(243)
Benefits paid	(2,905)	(2,484)
Interest income on plan assets	2,781	2,750
Fair value of plan assets – End of year	83,469	75,237

Expense recognized

	2020 \$	2019 \$
Current service cost	1,279	1,203
Interest cost	1	(90)
Expected return on plan assets	(6,366)	3,304
Administrative cost	226	243
Actuarial loss on the defined benefit obligation	13,419	(60)
	8,559	4,600
Expense recognized in net loss	1,506	1,356
Expenses recognized in OCI	7,053	3,244
	8,559	4,600

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

Actuarial losses recognized in OCI:

	2020 \$	2019 \$
Cumulative actuarial loss in OCI – Beginning of year	11,385	8,141
Recognized during the year	7,053	3,244
Cumulative actuarial loss in OCI – End of year	18,438	11,385

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

	2020 %	2019 %
Accrued benefit obligation		
Discount rate	2,70%	3,70%
Future salary increase	2,00%	2,10%
Employee benefit expense		
Discount rate	2,70%	3,70%
Expected long-term rate of return on plan assets		
Future salary increases	2,00%	2,10%

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 17,7 years.

The overall expected long-term rate of return is 2,70%. 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 \$2,170 in contributions to be paid to its defined benefit plans next year in fiscal 2021.

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.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

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 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.

Sensitivity analysis

	2020 \$	2019 \$
Discount rate at 2.45% instead of 2.70% (2019 - 3.45% instead of 3.70%)	3,957	3,100
Salary growth of 1.75% instead of 2.00% (2019 - 1.85% instead of 2.10%)	(522)	(396)
Life expectancy – 90% of the mortality rates used for valuation	2,260	1,703

b) Defined contribution plans

The Corporation has established defined contribution pension plans for a certain number of its unionized and non-unionized employees in Canada and the United States. In addition, the Corporation also contributes to a registered retirement savings plan for various employees. The pension expense for these plans is represented by the Corporation's contribution. For the year ended January 31, 2020, the pension expense for these plans amounted to \$16,807 (2019 – \$16,032) and was recorded into the salaries and fringe benefits.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

22 Income taxes

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

	2020 \$	2019 \$
Loss before income taxes	(444,855)	(362,613)
Canadian statutory income tax rate	26.60%	26.70%
Income taxes calculated at statutory rate	(118,332)	(96,818)
Increase (decrease) resulting from:		
Benefits arising from a financing structure	(10,725)	(20,043)
Non-Canadian applicable income tax rate difference	20,321	12,963
Unrealized exchange gain on translation of long-term debt	1,670	13,749
De-recognition of carried forward losses - change of control (note 1)	15,624	—
Permanent differences and other	48,768	17,517
Change in fair value of contingent consideration	—	16,242
Change in fair value of derivative instruments	26,810	29,379
Change in enacted statutory tax rate	(3,277)	1,143
	(19,141)	(25,868)
Provision for (recovery of) income taxes:		
Current	27,951	47,253
Deferred	(47,092)	(73,121)
	(19,141)	(25,868)

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

- b) Deferred income taxes represent the net tax effect of temporary differences between the consolidated financial statements carrying amounts and tax bases of assets and liabilities. Significant components of the Corporation's deferred income tax assets (liabilities) as at January 31, 2020 and 2019 were as follows:

Net deferred income tax assets	Property, plant and equipment and intangible assets \$	Liabilities and other provisions \$	Loss carryforward \$	Total \$
As at January 31, 2018	(169,311)	38,773	130,477	(61)
Recovery of (provision for) deferred income taxes	15,516	27,120	30,485	73,121
Business acquisitions	(3,897)	208	244	(3,445)
OCI	—	2,646	—	2,646
Effect in exchange rate	(3,291)	3,626	9,326	9,661
As at January 31, 2019	(160,983)	72,373	170,532	81,922
Deferred income tax assets	(84,069)	72,373	170,506	158,810
Deferred income tax liabilities	(76,914)	—	26	(76,888)
	(160,983)	72,373	170,532	81,922
As at January 31, 2019	(160,983)	72,373	170,532	81,922
Recovery of (provision for) deferred income taxes	67,588	16,799	(37,295)	47,092
Business acquisitions	(21,138)	14,570	—	(6,568)
OCI	—	3,165	—	3,165
Effect in exchange rate	(463)	124	1,315	976
As at January 31, 2020	(114,996)	107,031	134,552	126,587
Deferred income tax assets	(33,627)	107,015	134,527	207,915
Deferred income tax liabilities	(81,369)	16	25	(81,328)
	(114,996)	107,031	134,552	126,587

The Corporation has forecasted the taxable income for the next 20 years. Based on those forecasts, the loss carryforward will be used before their expiry dates, ranging from 2027 to 2039. Therefore, deferred income tax assets have been recognized regarding those losses. As at January 31, 2020, losses carryforward not recognized in deferred income tax assets totalled \$4,765 (2019 - \$7,261).

On October 30, 2019, the transaction described in note 1 triggered a change of control for Canadian income tax purposes. As such, the Corporation lost \$59,040 in tax losses carryforward resulting in a loss of \$15,624 recorded in the Corporation's consolidated statement of loss.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

23 Financial instruments

Classification and fair value

The classification of financial instruments as at January 31, 2020 and 2019, along with the respective carrying amounts and fair values, is as follows:

	2020		2019	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets-amortized cost				
Notes Receivable	10,785	10,785	10,735	10,735
Liability-amortized cost				
Long-term debt	2,969,298	3,144,614	2,490,340	2,499,929
Financial Liabilities at fair value through profit or loss				
Derivative financial liabilities	–	–	9,117	9,117
Contingent consideration	109,536	109,536	97,153	97,153
Other liabilities	–	–	393,900	393,900
Derivatives designated as hedge				
Derivative financial assets	–	–	136	136

Fair value determination

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.

Assets-amortized cost – The fair value of the Corporation's assets-amortized cost approximates their carrying amount due to their short term nature or have been discounted based on cash flow projection. Assets-amortized cost are classified as level 3.

Liabilities at amortized costs – Except for the long-term debt, the fair value of the Corporation's other liabilities at amortized cost approximate their carrying amount due to their short term nature. The fair value of long-term debt is based on observable market data and the calculation of discounted cash flows. Discount rates were determined based on current terms and conditions observed in the credit market. Other liabilities at amortized costs are classified as level 3.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

Assets and liabilities financial instruments measured at fair value on a recurring basis, the fair value hierarchy is as follows:

2020				
	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities				
Contingent consideration	109,536	–	–	109,536
2019				
	Carrying amount	Level 1	Level 2	Level 3
Financial assets				
Derivative financial assets	136	–	136	–
Financial liabilities				
Derivative financial liabilities	9,117	–	9,117	–
Contingent consideration	97,153	–	–	97,153
Other Liabilities	393,900	–	393,900	–

The fair value of derivative financial assets and liabilities are determined using a discounted value of the difference between the value of the contract at expiry calculated using the contracted rates and the value determined using the rates the financial institution would use if it renegotiated the same contract under the same conditions as at the statement of financial position date. Discount rates are adjusted for the credit risk of the Corporation or the counterparty, as applicable, when determining credit risk adjustments, the Corporation considers offsetting agreements, if any.

The change in level 3 financial instruments for the year is as follow:

	2020 \$	2019 \$
Balance – Beginning of year	97,153	10,804
Business acquisition (note 20)	11,593	–
Effect in exchange rate during the year	790	1,837
Change in fair value of contingent consideration	–	84,512
Balance - End of Year	109,536	97,153

Credit risk

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

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

The Corporation's credit risk is principally attributable to its accounts receivables, unbilled accounts receivable and notes receivable. The amounts presented in the consolidated statement of financial position are net of an allowance for expected credit loss, 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 and unbilled accounts receivable is limited. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable and unbilled accounts receivable.

The distribution of the Corporation's customers and the business risk management procedure has 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.

To measure the expected credit losses, accounts receivable and unbilled accounts receivable have been grouped based on shared credit risk characteristics and the days past due. Unbilled accounts receivable have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for unbilled accounts receivable.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 January 2020 or 1 February 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The notes receivable relate to one specific customer for which the credit risk increased significantly since initial recognition. The provision is measured using the lifetime expected credit loss model.

Interest rate risk

As at January 31, 2020, 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 13
Contingent consideration	Non-interest bearing

Based on long-term debt at variable rates as at January 31, 2020, the effect of a change of 100 basis points on net loss and equity for the year would have been higher by approximately \$10,412 (2019 – \$8,499).

Foreign currency 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.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

During the year ended January 31, 2020, if the US dollar had strengthened on average by \$0.01 in comparison to the Canadian dollar, all other variables remaining constant, net loss for the year would have been higher by approximately \$19,064 (2019 – \$13,318) and equity would have been lower by approximately \$6,498 (2019 – \$4,336).

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

The balances in currencies are as follows:

	2020			2019		
	USD	EUR	GBP	USD	EUR	GBP
Cash and cash equivalents	1,416	219	46	4,257	89	12
Accounts receivable	–	–	–	4,457	–	–
Total assets	1,416	219	46	8,714	89	12
Canadian dollar equivalent	1,873	320	81	11,453	133	21
Accounts payable and accrued liabilities	82	–	–	570	–	–
Current portion of long-term debt	10,960	–	1,164	9,079	–	1,517
Long-term debt	2,251,560	–	1,164	1,713,519	–	2,529
Total liabilities	2,262,602	–	2,328	1,723,168	–	4,046
Canadian dollar equivalent	2,994,101	–	4,060	2,264,931	–	6,977

During the year, the Corporation settled its forward exchange swap of US\$100,000 at an exchange rate of 1.3961 (US\$:CA\$) with a maturity date on November 15, 2019. As a result, the corporation paid \$7,170 for this settlement.

As at January 31, 2020, the fair value of foreign derivative swaps is nil (2019 – negative by \$9,117). The change in fair value for the year resulted in a gain of \$1,947 (2019 – gain of \$9,955) and was recorded in the consolidated statement of 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.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

The following are the contractual maturities of financial liabilities and financial assets as at January 31, 2020:

	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							
Accounts payable and							
Accrued liabilities	436,804	436,804	436,804	436,804	-	-	-
Contingent consideration	109,536	109,536	109,536	101,895	7,611	-	-
Insurance provision	16,742	16,742	16,742	9,455	1,763	1,318	4,206
Lease liabilities	292,144	291,526	370,690	82,865	113,740	56,905	117,180
Long-term debt	3,144,614	2,969,298	4,558,041	259,192	467,022	553,440	3,278,387
	<u>3,999,840</u>	<u>3,823,906</u>	<u>5,491,813</u>	<u>890,211</u>	<u>590,166</u>	<u>611,663</u>	<u>3,399,773</u>

The following table details the maturities of the financial liabilities as at January 31, 2019:

	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							
Accounts payable and							
Accrued liabilities	428,200	428,200	428,200	428,200	-	-	-
Derivative financial instruments	9,117	9,117	9,117	9,117	-	-	-
Contingent consideration	97,153	97,153	97,153	97,153	-	-	-
Insurance provision	13,016	13,016	13,016	8,167	1,408	952	2,489
Long-term debt	2,499,929	2,490,340	3,486,100	244,718	661,863	436,618	2,142,901
	<u>3,047,415</u>	<u>3,037,826</u>	<u>4,033,586</u>	<u>787,355</u>	<u>663,271</u>	<u>437,570</u>	<u>2,145,390</u>
Financial assets							
Derivative instruments	136	136	136	136	-	-	-

24 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 in the consolidated financial statements. 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 except for those who are already accounted for.

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

25 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 of key management personnel includes the following:

	2020 \$	2019 \$
Director's fees	330	248
Salaries	5,223	5,121
Benefits	160	158
Stock-based compensation	22,101	1,374
	<u>27,814</u>	<u>6,901</u>

b) Related party transactions

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

	2020 \$	2019 \$
Nature of transaction		
Professional fees included in other expenses	1,981	1,126
Professional fees included in deferred financing costs	1,625	439
	<u>3,606</u>	<u>1,565</u>

* 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	<u>52</u>	<u>-</u>
	<u>52</u>	<u>-</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

26 Statement of cash flows

The following table details the cash flows for the year ended January 31, 2020:

	Opening balance	Cash	Non-cash items					Ending Balance
			Business acquisition (note 20)	Net income (loss)	Amortization	Comprehensive Income (loss)	Transfer to credit lease	
Non-current long-term debt	2,427,483	418,447	40,788	12,713	98,328	3,463	(74,370)	2,926,852
Derivative financial instruments	9,117	(7,170)	—	(1,947)	—	—	—	—
Contingent consideration	97,153	—	11,593	—	—	790	—	109,536
	<u>2,533,753</u>	<u>411,277</u>	<u>52,381</u>	<u>10,766</u>	<u>98,328</u>	<u>4,253</u>	<u>(74,370)</u>	<u>3,036,388</u>

The following table details the cash flows for the year ended January 31, 2019:

	Opening balance	Cash	Non-cash items					Ending Balance
			Business acquisition (note 20)	Net income (loss)	Amortization	Comprehensive Income (loss)	Finance Lease acquired	
Non-current long-term debt	2,070,861	107,240	76,508	107,040	7,644	36,225	21,965	2,427,483
Derivative financial instruments	20,320	(1,248)	—	(9,955)	—	—	—	9,117
Contingent consideration	10,804	—	—	84,512	—	1,837	—	97,153
	<u>2,101,985</u>	<u>105,992</u>	<u>76,508</u>	<u>181,597</u>	<u>7,644</u>	<u>38,062</u>	<u>21,965</u>	<u>2,533,753</u>

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

27 Segment information

a) Segmented information

The Corporation manages through two reportable segments, which are Protective services and Cash services. The accounting policies of the segmented information are the same as those used for the consolidated financial statements.

	2020			2019		
	Protective services \$	Cash services \$	Total \$	Protective services \$	Cash services \$	Total \$
Results						
Revenues	2,501,135	1,023,623	3,524,758	1,993,294	990,145	2,983,439
Operating costs	2,114,576	828,205	2,942,781	1,677,058	778,600	2,455,658
Selling and administrative expenses	416,404	133,825	550,229	209,199	180,151	389,350
	(29,845)	61,593	31,748	107,037	31,394	138,431
Change in fair value of contingent consideration			–			84,512
Unrealized exchange loss on translation of long-term debt			12,713			107,040
Unrealized loss on derivative financial instruments			105,895			100,079
Loss before finance cost and income taxes			(86,860)			(153,200)
Assets						
Accounts receivable	385,654	119,740	505,394	288,118	125,906	414,024
Property, plant and equipment	90,254	179,465	269,719	64,945	219,956	284,901
Right-of-use-assets	56,395	218,377	274,772	–	–	–
Goodwill	1,602,903	346,350	1,949,253	1,377,158	350,012	1,727,170
Intangible assets	649,929	273,448	923,377	599,593	286,108	885,701
Additional information						
Additions to property, plant and equipment						
Paid cash	55,328	51,078	106,406	31,458	46,342	77,800
Finance lease	–	–	–	4,664	17,301	21,965
	55,328	51,078	106,406	36,122	63,643	99,765
Business acquisitions	13,755	–	13,755	5,780	–	5,780
Right-of-use assets						
Addition	13,299	24,461	37,760	–	–	–
Business acquisitions	13,528	–	13,528	–	–	–
Additions to intangible assets						
Paid cash	2,744	1,622	4,366	3,378	1,285	4,663
Depreciation of property, plant and equipment	25,676	42,523	68,199	29,052	73,273	102,325
Depreciation of right-of-use assets	34,121	63,151	97,272	–	–	–
Amortization of intangible assets	43,639	16,226	59,865	30,489	14,541	45,030

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

b) Geographic information

The following revenues are from external customers and are attributed to countries or regions where the services are rendered:

	2020 \$	2019 \$
Canada	1,322,982	1,232,117
USA	1,305,828	885,343
Afghanistan	473,825	468,021
Iraq	185,985	154,905
East Africa	205,946	215,312
Others	30,192	27,741
	<u>3,524,758</u>	<u>2,983,439</u>

Property, plant and equipment are attributed to countries or regions based on the location of the assets. Goodwill and intangible assets are attributed to countries or regions based on the Corporation's allocation of the related purchase price:

	2020 \$						
	Canada	USA	Iraq	Afghanistan	East Africa	Others	Total
Property, plant and equipment	43,732	176,209	25,287	5,615	14,541	4,335	269,719
Right-of-use assets	51,291	205,835	6,928	5,931	1,381	3,406	274,772
Goodwill	814,103	426,641	357,937	229,981	74,382	46,209	1,949,253
Intangible assets	380,182	302,892	83,675	115,698	27,740	13,190	923,377
	2019 \$						
	Canada	USA	Iraq	Afghanistan	East Africa	Others	Total
Property, plant and equipment	58,431	191,692	15,381	4,603	12,703	2,091	284,901
Right-of-use assets	-	-	-	-	-	-	-
Goodwill	808,583	226,486	357,431	229,561	68,011	37,098	1,727,170
Intangible assets	398,765	250,977	83,962	120,302	23,271	8,424	885,701

Garda World Security Corporation

Notes to Consolidated Financial Statements

January 31, 2020 and 2019

(in thousands of Canadian dollars, except as otherwise indicated)

28 Subsequent event

COVID-19

Subsequent to year-end, the World Health Organization declared the rapidly spreading coronavirus disease (COVID-19) outbreak a pandemic. This pandemic has resulted in governments worldwide, and in Canada, enacting emergency measures to combat the spread of the virus. Since the beginning of March 2020, the Company is monitoring the potential impact of this pandemic on the operations of the Company. While the disruption is currently expected to be temporary, there is uncertainty on its duration. As of the time of authorization of these financial statements, it is not possible to estimate the length and severity of these developments and its impact on the financial results and operations of the Corporation.