

Garda World Security Corporation

Consolidated Financial Statements
January 31, 2024, and 2023



Independent auditor's report

To the Shareholders of GardaWorld Security Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of GardaWorld Security Corporation and its subsidiaries (together, the Corporation) as at January 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 31, 2024 and 2023;
- the consolidated statements of loss and 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 the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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.

Other information

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

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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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

/s/PricewaterhouseCoopers LLP¹

Montréal, Quebec
April 24, 2024

¹ CPA auditor, public accountancy permit No. A116819

Garda World Security Corporation

Consolidated Statements of Financial Position

As of January 31, 2024, and 2023

(In thousands of Canadian dollars)

	Notes	2024 \$	2023 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	160,066	417,829
Accounts receivable	6	969,237	829,670
Unbilled accounts receivable		132,179	101,703
Inventories	7	200,605	185,229
Prepaid expenses		70,891	50,802
		<u>1,532,978</u>	<u>1,585,233</u>
Non-current assets			
Property, plant, and equipment	8	408,563	392,358
Right-of-use assets	9	329,926	322,649
Intangible assets	10	1,397,376	1,478,454
Goodwill	10	3,020,496	3,009,796
Other assets	11	73,296	45,518
Investment	12	56,315	57,833
Deferred income tax assets	23	325,630	284,899
		<u>5,611,602</u>	<u>5,591,507</u>
Total assets		<u>7,144,580</u>	<u>7,176,740</u>
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness		6,776	-
Accounts payable and accrued liabilities	13	853,407	820,146
Current portion of long-term debt	14	19,131	108,923
Current portion of provisions and other liabilities	15	103,234	107,694
Income taxes payable		34,995	44,115
		<u>1,017,543</u>	<u>1,080,878</u>
Non-current liabilities			
Long-term debt	14	5,693,792	5,510,258
Derivative financial instruments	24	-	3,253
Deferred income tax liabilities	23	68,843	68,937
Provisions and other non-current liabilities	15	305,436	304,175
		<u>6,068,071</u>	<u>5,886,623</u>
Total liabilities		<u>7,085,614</u>	<u>6,967,501</u>
Equity			
Share capital	16	1,526,333	1,526,333
Contributed surplus		48,235	36,754
Accumulated other comprehensive income		22,031	33,245
Deficit		(1,591,127)	(1,420,710)
Total equity attributable to shareholders		<u>5,472</u>	<u>175,622</u>
Non-controlling interest		53,494	33,617
Total equity		<u>58,966</u>	<u>209,239</u>
Total liabilities and equity		<u>7,144,580</u>	<u>7,176,740</u>

Approved by the Board of Directors

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

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

Garda World Security Corporation

Consolidated Statements of Loss and Comprehensive Loss

For the years ended January 31, 2024, and 2023

(in thousands of Canadian dollars)

	Notes	2024 \$	2023 \$
Revenues	17	5,909,836	5,266,228
Operating costs	20	4,810,793	4,375,366
Selling and administrative expenses	20	709,056	656,158
Goodwill impairment	10	-	110,000
Changes in fair value of contingent consideration	24	-	(4,000)
Unrealized exchange loss on translation of long-term debt	14	9,386	187,617
Unrealized loss (gain) on derivative financial instruments		(25,913)	10,201
Loss on investment in private security company		1,518	2,167
Income (loss) before finance costs and income taxes		404,996	(71,281)
Finance costs	19	562,474	422,991
Loss before income taxes		(157,478)	(494,272)
Provision for (recovery of) income taxes	23		
Current		49,318	59,249
Deferred		(40,048)	(92,087)
		9,270	(32,838)
Net loss for the year		(166,748)	(461,434)
Net loss attributable to			
Shareholders		(170,417)	(463,210)
Non-controlling interest		3,669	1,776
Net loss for the year		(166,748)	(461,434)
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 recovery of \$nil (2023 – \$5,918)	14	(9,400)	(52,450)
Translation of foreign subsidiaries		(3,740)	128,344
<i>Items that will not be reclassified to the consolidated statement of loss</i>			
Remeasurement of defined benefit pension obligation, net of income tax expenses of \$656 (2023 – \$1,207)	22	1,826	3,358
Remeasurement of post employment obligation, net of income tax expenses of \$26 (2023 – \$719)	15	100	2,765
		(11,214)	82,017
Comprehensive loss for the year		(177,962)	(379,417)
Comprehensive loss attributable to			
Shareholders		(181,591)	(381,376)
Non-controlling interest		3,629	1,959

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

Garda World Security Corporation

Consolidated Statements of Changes in Equity

For the years ended January 31, 2024, and 2023

(In thousands of Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated Other Comprehen- sive Income \$	Deficit \$	Equity attributable to non- controlling interest \$	Total equity \$
Balance – February 1, 2022	1,228,374	30,454	(48,772)	(957,500)	32,031	284,587
Net loss for the year	-	-	-	(463,210)	1,776	(461,434)
OCI for the year	-	-	81,834	-	183	82,017
Comprehensive loss for the year	-	-	81,834	(463,210)	1,959	(379,417)
Stock-based compensation (note 16)	-	6,300	-	-	-	6,300
Shares Issuances, net of costs	297,959	-	-	-	-	297,959
Non-controlling interest payment	-	-	-	-	(373)	(373)
Translation of non-controlling interest	-	-	183	-	-	183
Balance – January 31, 2023	1,526,333	36,754	33,245	(1,420,710)	33,617	209,239
Balance – February 1, 2023	1,526,333	36,754	33,245	(1,420,710)	33,617	209,239
Net loss for the year	-	-	-	(170,417)	3,669	(166,748)
OCI for the year	-	-	(11,174)	-	(40)	(11,214)
Comprehensive loss for the year	-	-	(11,174)	(170,417)	3,629	(177,962)
Stock-based compensation (note 16)	-	11,481	-	-	-	11,481
Non-controlling interest payment	-	-	-	-	(311)	(311)
Translation of non-controlling interest	-	-	(40)	-	-	(40)
Non-controlling interest addition	-	-	-	-	16,559	16,559
Balance – January 31, 2024	1,526,333	48,235	22,031	(1,591,127)	53,494	58,966

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

Garda World Security Corporation

Consolidated Statements of Cash Flows

For the years ended January 31, 2024, and 2023

(In thousands of Canadian dollars)

	Notes	2024 \$	2023 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(166,748)	(461,434)
Adjustments for:			
Depreciation of property, plant, and equipment	18	143,663	128,300
Depreciation of right-of-use assets	18	110,871	106,605
Amortization of intangible assets	18	174,483	150,451
Goodwill impairment	10	-	110,000
Deferred income taxes	23	(40,048)	(92,087)
Loss (gain) on disposal of property, plant, and equipment	8	(852)	1,490
Change in fair value of contingent consideration	24	-	(4,000)
Unrealized exchange loss on translation of long-term debt	14	9,386	187,617
Unrealized loss (gain) on derivative financial instruments		(25,913)	10,201
Loss on investment in private security company	12	1,518	2,167
Stock-based compensation	16	11,481	6,300
Finance costs	19	562,474	422,991
Defined benefit pension expense	22	610	1,356
		780,925	569,957
Changes in non-cash working capital			
Accounts receivable		(157,132)	(66,995)
Unbilled accounts receivable		(31,049)	(34,766)
Inventories		(14,102)	(39,701)
Prepaid expenses		(20,903)	(9,981)
Accounts payable and accrued liabilities, provisions, and other liabilities		27,110	(48,642)
Income taxes payable		(9,974)	(18,638)
Net cash generated from operating activities		574,875	351,234
CASH FLOWS FROM FINANCING ACTIVITIES			
Changes in bank indebtedness		6,805	-
Increase in long-term debt, excluding revolving facilities		12,344	1,434,737
Repayment of long-term debt, excluding revolving facilities		(118,053)	(507,148)
Interest paid on long-term debt		(498,350)	(313,334)
Changes in revolving facilities		188,725	(3,910)
Shares issuance, net of costs		-	297,959
Increase in deferred financing costs		(2,623)	(45,148)
Non-controlling interest payment		(311)	(373)
Repayment of lease liabilities	15	(141,882)	(133,377)
Insurance collateral payment	11	(21,035)	-
Others		(5,562)	(3,101)
Net cash generated from (used in) financing activities		(579,942)	726,305
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant, and equipment	8	(164,243)	(160,804)
Additions to intangible assets	10	(64,752)	(45,370)
Proceeds from disposal of property, plant, and equipment	8	3,920	3,300
Business acquisitions, net of cash and bank indebtedness	21	(18,175)	(720,712)
Contingent consideration payment	15	-	(50,248)
Net cash used in investing activities		(243,250)	(973,834)
Foreign currency translation on cash and cash equivalents		(9,446)	(8,819)
Net change in cash and cash equivalents during the year		(257,763)	94,886
Cash and cash equivalents, beginning of the year	5	417,829	322,943
Cash and cash equivalents, end of the year	5	160,066	417,829
Cash paid for income tax		58,987	77,966

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

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

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, Europe, Africa, the Middle East, and Asia. Its activities are carried out through two main segments: Security Services and Cash Services. The ultimate parent of Garda World Security Corporation is Doctor No Parent Limited.

The Parent Company is incorporated and domiciled in Canada.

The address of the Corporation’s registered office is:

2300 Emile-Belanger
Montréal, Quebec, Canada
H4R 3J4

The Corporation’s main subsidiaries as of January 31, 2024, 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\$
GardaWorld Security Screening Inc.	100%	Canada	CAN\$
Garda Security Group G.P.	100%	Canada	CAN\$
GardaWorld Cash Services Inc.	100%	United States	US\$
GW Consulting Middle East Limited	100%	United Arab Emirates	US\$
Aegis Defence Services Limited	100%	United Kingdom	GBP
GardaWorld Federal 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\$
Crisis24 Inc.	100%	United States	US\$
Crisis24 Protective Solutions LP	100%	United States	US\$
Tidel Engineering LP	100%	United States	US\$
Arca US Systems LLC	100%	United States	US\$

2. Basis of presentation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS accounting standards”).

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.

The preparation of consolidated financial statements in conformity with IFRS accounting standards 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.

These consolidated financial statements were approved by the Board of Directors for issue on April 24, 2024.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

3. Summary of material accounting policies

A summary of the material 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.

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 income (loss) and comprehensive income (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.

Investment in associates

The investments in associates over which the Corporation exercises significant influence but does not control or jointly control are associates. Investments in associates are accounted for using the equity method, except when classified as held for sale. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the Corporation's proportionate share of the profit (loss), other comprehensive income (loss) and any other changes in the associate's or joint venture's net assets, such as further investment. Adjustments are made to align any inconsistencies between the Corporation's accounting policies and its associates' policies before applying the equity method. Adjustments are also made to account for depreciable assets based on their fair values at the acquisition date of the investment and for any impairment losses recognized by the associate. The equity method requires shares of losses to be recognized only until the carrying amount of an interest in associate is nil. Any further losses are not recognized unless the entity has a legal or constructive obligation in respect of the liabilities associated with those losses.

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.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

3. Summary of material accounting policies (continued)

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:

a) Cash services

The Corporation's Cash services segment generates revenues from carrying its clients' cash and valuable items between different locations and from sorting and processing its clients' cash, coins, and checks. For these revenue streams, although our customer contracts specify the fees for each action to provide service, most 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. The Corporation recognizes revenue for these services in the period in which they are provided to the customer based on the contractual rate at which the Corporation has the right to invoice the customer for each action.

The Cash Services segment also generates revenues from the manufacturing and sale of cash management system devices, for which performance obligation is to manufacture and ship the products to customer based on the terms of the relevant purchase order. Revenue is recognized when control of the goods has been transferred, being when the goods are delivered to customers and when all performance obligations have been fulfilled.

b) Security services

The Corporation's Security services segment generates its revenues from protecting its clients' business, people, and assets with experienced security guards, and from screening services to airports. For performance obligations related to the services described above, the Corporation generally satisfies its 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. The Corporation uses 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 expected estimated retained liability. The non-cash insurance reserve is determined by management based on actual claims filed and an estimate of claims incurred but not yet reported. Management considers several factors when making these estimates. The US subsidiaries maintain third-party stop-loss insurance policies to cover certain liability costs more than predetermined retained amounts.

Foreign currency translation

a) 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 are converted at the reporting period closing rate, and income and expenses are converted at the average rate of the referenced period, as this is considered a reasonable approximation of the actual rates prevailing on the transaction date. All resulting foreign exchanges variations are recognized in OCI as a cumulative translation adjustment.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

3. Summary of material accounting policies (continued)

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.

b) 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, deposits from customers in normal course of Cash Services business, and restricted cash related to the Corporation's self-insurance programs.

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 credit loss using its best estimate of the amount of probable credit losses in its existing accounts receivable.

Inventories

Inventories consist primarily of aircraft parts, vehicle parts, raw material, mainly purchased parts used to produce finished goods, and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost for aircrafts and vehicle parts is determined according to the specific identification method. Cost for raw materials and finished goods is determined using the average cost method and includes materials, labor, and production overhead. Net realizable value is the estimated selling price less applicable selling expenses. Reserves are provided to adjust any slow-moving materials or goods to net realizable values.

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 that 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.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

3. Summary of material accounting policies (continued)

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	Between 6 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

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 a right-of-use asset and a lease liability at the date of which the leased asset is available for use by the Corporation.

The right-of-use asset is initially measured at the cost of the corresponding liability, adjusted for the following items:

- any lease payments made at or before the commencement date;
- any initial direct costs incurred, and
- any restoration costs.

The right-of-use asset is then depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured as 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 over the lease term using the interest rate implicit to the lease, if that rate can be determined, or using the Corporation's incremental borrowing rate at inception date.

Lease payments are allocated between the lease liability and the finance costs. The finance costs are charged to the statement of loss over the lease period.

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 consolidated 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.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

3. Summary of material accounting policies (continued)

a) 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 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.

b) 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.

c) Determining the discount rate for leases

Leases require the Corporation 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 Corporation 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.

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

When a lease modification increases the scope of a lease occurs, the Corporation 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.

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 trade name with indefinite useful live. 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 are amortized on a straight-line basis over periods of between three and seven years.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

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3. Summary of material accounting policies (continued)

Impairment of long-lived assets

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 of an asset or CGU is defined as the higher of its fair value less costs of disposal or 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.

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; or
- Instruments measured at fair value through net loss (FVTPL) or through or other comprehensive loss (FVOCI).

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.

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 financial instruments, or unless the Corporation elects to measure them at FVTPL.

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

Assets

Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Notes receivable	Amortized cost
Embedded derivative	FVTPL

Liabilities

Long-Term debt	Amortized cost
Derivative financial liabilities	FVTPL
Contingent consideration	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. Any transaction cost directly incurred to acquire a financial asset or financial liability measured at amortized cost are capitalized to the cost of the financial instrument acquired and are also amortized using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of loss.

Garda World Security Corporation

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3. Summary of material accounting policies (continued)

Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value, while transaction costs are accounted for in the consolidated statement of loss. 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.

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 has 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 grouped 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.

Garda World Security Corporation

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3. Summary of material accounting policies (continued)

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 OCI. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses previously recognized in OCI 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 the Corporation's contribution.

b) Defined benefit pension plans

The asset or liability recognized in the consolidated statement of financial position with respect of defined benefit pension plans is the net position of 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 due to past events, when it is more likely than not that an outflow of resources will be required to settle the obligation and when 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 at each reporting date to identify onerous contracts and, where applicable, records provisions for such contracts.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

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3. Summary of material accounting policies (continued)

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 OCI, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period in the jurisdictions where the Corporation and its subsidiaries operate and generate taxable income 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 tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities, other than from a business combination, in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Corporation can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

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3. Summary of material accounting policies (continued)

Stock-based compensation

Stock options granted to senior management are measured at fair value. This fair value is then recognized in consolidated statement of 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: Security 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.

New accounting standards adopted during the year.

The following amendment to existing standards has been adopted by the Corporation on February 1, 2023 and had no significant impact on the Corporation's consolidated financial statements for the year ended January 31, 2024.

International Tax Reform – Pillar Two Model Rules

On May 23, 2023, the IASB published an amendment to IAS 12 to introduce a mandatory temporary exemption to the accounting for deferred taxes arising from jurisdictional tax law enacted or substantively enacted to implement the Pillar Two model rules that were published by the Organisation for Economic Co-operation and Development (OECD) and new disclosure requirements for affected entities. The Global Anti-Base Erosion Rules (GloBE) are a key component of the Pillar Two model rules and ensure large multinational enterprises pay a minimum level of tax on the income arising in each of the jurisdictions where they operate.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of financial statements to distinguish between changes in accounting estimates and changes in accounting policies. In applying the amendments, we noted that, amongst other things, the disclosure around insurance provision, valuation of accounts receivable and allowance for expected credit loss does not provide any material information to users of the consolidated financial statements and, as such, disclosures have been reduced. No further impact was noted.

New accounting standards not yet adopted.

Amendment to IAS 1 – Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The Corporation has covenants that are subject to this amendment and evaluated that there was no impact on the classification and disclosure in the Corporation's consolidated financial statements for the year ended January 31, 2024.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

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 and judgment

The preparation of the consolidated financial statements in conformity with IFRS accounting standards requires the use of some critical accounting estimates and judgments. The determination of the carrying amounts, and of the fair value when applicable, of assets, liabilities, accruals, provisions, contingent liabilities, and other financial obligations presented in these consolidated financial statements, as well as the accounting for income and expenses, depend on the use of estimates and judgments. IFRS accounting standards also requires management to exercise judgment in the application of the Corporation's accounting policies.

The estimates and judgments are based on the best available information, facts and circumstances existing at the date of the consolidated financial statements and therefore have a direct impact on the reported amounts of income and expenses during the referenced year. Given the uncertainty of these components, actual results may sometimes differ from the estimates previously used. 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.

a) Valuation of identifiable assets and liabilities in connection with a business combination

The valuation of identifiable assets and liabilities in connection with the acquisition of a business involves items that already exist in the acquired company's statement of financial position, as well as items that have not been previously recognized in the acquired company's statement of financial position, but that must be identified and measured at fair value at acquisition date.

As quoted market prices are not always available for these assets and liabilities, different valuation methods can be used to derive fair value, involving a number of different assumptions. Items that can be both difficult to identify and value upon acquisition are, amongst others, trade name, clients' relationships, contingent liabilities and contingent consideration. All balances acquired in a business acquisition are thus subject to estimates and judgment, which are detailed in note 21.

b) Goodwill and impairment of non-financial assets

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 10. As part of assessing the goodwill and intangible assets with indefinite useful lives for impairment, the Corporation must measure the recoverable amount of CGU using complex methodologies that involve significant estimates, whether a fair value less cost of disposal methodology is used or a value in use. Key estimates and assumptions used include future cash inflows and outflows, discounts rates, terminal multiples, and lives of assets. These significant estimates require considerable judgment which, should the assumptions and estimates used in the recoverable amount calculation be incorrect, could impact the Corporation's future results.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

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4. Critical accounting estimates and judgments (continued)

c) Defined benefit pension plan obligation

The present value of the pension obligations depends on several factors that are determined on an actuarial valuation using a number of assumptions. One of the main assumptions used in the measurement of the obligation and the determination of the net cost (income) for pension plans is the discount rate, for which any changes would impact the carrying amount of the pension obligation. The Corporation determines the appropriate discount rate at the end of each reporting period, which should reflect 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 Corporation 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 include employees' length of service, salaries, plan experience and the demographic assumptions, as describe in note 22.

d) Deferred tax asset

Management exercises judgment in the assessment of the probability of future taxable income, to estimate the extent to which deferred income tax assets can be realized. Estimates are based on the Corporation's most recent approved budget and forecasts, and adjustments for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Management uses judgment to assess specific facts and circumstances to evaluate legal, economic or other uncertainties.

e) Income tax provision

The Corporation is subject to income tax laws and regulations in several jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues on the basis of amounts expected to be paid to the tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially provisioned, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

	2024 \$	2023 \$
Cash on hand	123,425	402,588
Deposits from customers	7,720	7,608
Restricted cash	28,921	7,633
	<hr/> 160,066	<hr/> 417,829

Restricted cash is composed of cash held by the Corporation for its self-insurance programs.

6. Accounts receivable

	2024 \$	2023 \$
Trade receivables	942,510	803,353
Allowance for expected credit losses	(15,381)	(17,621)
Other receivables	42,108	43,938
	<hr/> 969,237	<hr/> 829,670

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

	2024 \$	2023 \$
Not past due	772,338	669,938
Past due 0-30 days	65,553	54,571
Past due 31-60 days	37,615	30,706
Past due 61-120 days	53,982	40,370
More than 120 days	13,022	7,768
	<hr/> 942,510	<hr/> 803,353
Allowance for expected credit losses	(15,381)	(17,621)
	<hr/> 927,129	<hr/> 785,732

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

6. Accounts receivable (continued)

The change in the allowance for expected credit losses during the year was as follows:

	2024 \$	2023 \$
Opening balance	17,621	16,187
Bad debt expense	5,292	2,803
Amounts written off, net of recoveries	(7,579)	(1,999)
Effect in exchange rate	47	630
	<hr/>	<hr/>
Ending balance	15,381	17,621

Allowance for expected credit losses considers 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 and geographical locations. The Parent Company's subsidiaries grant credit to their customers in the ordinary course of business and assess the creditworthiness of potential customers. Credit terms vary across the Corporation and can range from 30 to 90 days to reflect the different risks within each country in which the Corporation operates.

There is no Corporation-wide rate provision, provisions are assessed at client level, for accounts receivable that are past due according to local conditions and past default experience. When required, the Corporation records an allowance for expected loss to reflect its best estimate of the amount of probable credit losses in its existing accounts receivable.

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

7. Inventories

	2024 \$	2023 \$
Raw material	120,322	116,920
Finished good	61,408	48,165
Aircraft parts	14,516	13,573
Others	9,072	7,852
Inventory reserve	(4,713)	(1,281)
	<hr/>	<hr/>
	200,605	185,229

Garda World Security Corporation

Notes to the Consolidated Financial Statements

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7. Inventories (continued)

The change in the inventory reserve during the year was as follows:

	2024 \$	2023 \$
Opening balance	1,281	631
Increase during the year	3,487	585
Effect in exchange rate	(55)	65
	<hr/>	<hr/>
Ending balance	4,713	1,281

For the year ended January 31, 2024, the cost of inventories recognized as an expense in operating costs in the consolidated statement of loss amounted to \$233,119 (2023 – \$186,036).

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

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8. Property, plant, and equipment

	Buildings \$	Computer equipment \$	Equipment and office furniture \$	Vehicles \$	Aircraft and Aircraft rotables \$	Armored vehicles \$	Uniforms \$	Leasehold Improve- ments \$	Total \$
For the year ended									
January 31, 2023									
Net value - beginning	2,949	17,680	64,632	30,819	97,899	31,159	22,736	43,156	311,030
Business acquisitions	7,155	736	20,223	-	-	-	-	9,284	37,398
Additions	390	11,764	50,577	8,385	8,860	31,749	26,397	22,682	160,804
Proceeds from disposal	-	-	(521)	(2,454)	(296)	(29)	-	-	(3,300)
Derecognition of right-of-use assets (note 9)	-	-	182	598	-	4,635	-	-	5,415
Depreciation	(251)	(5,942)	(30,114)	(14,011)	(12,181)	(33,926)	(22,752)	(9,123)	(128,300)
Gain (loss) on disposal	-	(106)	(1,491)	1,182	232	(1,176)	(114)	(17)	(1,490)
Effect in exchange rate	581	82	2,226	713	4,800	494	826	1,079	10,801
Net value – end	10,824	24,214	105,714	25,232	99,314	32,906	27,093	67,061	392,358
As of January 31, 2023									
Cost	11,695	37,576	207,215	97,630	170,935	282,287	88,818	115,225	1,011,381
Accumulated depreciation	(871)	(13,362)	(101,501)	(72,398)	(71,621)	(249,381)	(61,725)	(48,164)	(619,023)
Net value – end	10,824	24,214	105,714	25,232	99,314	32,906	27,093	67,061	392,358
For the year ended									
January 31, 2024									
Net value - beginning	10,824	24,214	105,714	25,232	99,314	32,906	27,093	67,061	392,358
Business acquisitions	-	(18)	-	-	-	-	-	-	(18)
Additions	298	12,622	69,123	7,872	9,100	28,611	27,142	9,475	164,243
Proceeds from disposal	-	(23)	(227)	(2,220)	(1,428)	(6)	(16)	-	(3,920)
Derecognition of right-of-use assets (note 9)	-	-	367	773	-	395	-	-	1,535
Depreciation	(459)	(8,721)	(43,952)	(13,782)	(8,882)	(28,941)	(27,019)	(11,907)	(143,663)
Gain (loss) on disposal	(42)	(91)	(549)	1,801	485	(623)	-	(129)	852
Effect in exchange rate	(500)	(272)	(1,093)	(877)	344	51	(565)	88	(2,824)
Net value – end	10,121	27,711	129,383	18,799	98,933	32,393	26,635	64,588	408,563
As of January 31, 2024									
Cost	11,262	38,044	259,787	94,977	176,691	294,358	95,683	122,685	1,093,487
Accumulated depreciation	(1,141)	(10,333)	(130,404)	(76,178)	(77,758)	(261,965)	(69,048)	(58,097)	(684,924)
Net value – end	10,121	27,711	129,383	18,799	98,933	32,393	26,635	64,588	408,563

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9. Right-of-use assets

	Buildings \$	Equipment \$	Vehicles \$	Total \$
For the year ended January 31, 2023				
Net value – beginning	233,656	6,032	55,091	294,779
Business acquisitions	17,741	-	-	17,741
Additions	55,431	1,121	55,380	111,932
Derecognition	-	(182)	(5,233)	(5,415)
Depreciation	(72,696)	(4,093)	(29,816)	(106,605)
Effect in exchange rate	10,392	243	(418)	10,217
Net value – end	244,524	3,121	75,004	322,649
As of January 31, 2023				
Cost	487,493	30,665	213,445	731,603
Accumulated depreciation	(242,969)	(27,544)	(138,441)	(408,954)
Net value – end	244,524	3,121	75,004	322,649
For the year ended January 31, 2024				
Net value – beginning	244,524	3,121	75,004	322,649
Additions	73,157	2,133	48,173	123,463
Derecognition	-	(367)	(1,168)	(1,535)
Depreciation	(78,134)	(3,118)	(29,619)	(110,871)
Effect in exchange rate	391	18	(4,189)	(3,780)
Net value – end	239,938	1,787	88,201	329,926
As of January 31, 2024				
Cost	548,391	17,961	241,044	807,396
Accumulated depreciation	(308,453)	(16,174)	(152,843)	(477,470)
Net value – end	239,938	1,787	88,201	329,926

	2024 \$	2023 \$
<u>Additional information included in the consolidated statement of loss</u>		
Unwinding of discount – lease liabilities	25,462	23,488
Short-term leases and low value assets	1,680	1,360
Variable lease payments not included in leases liabilities	17,002	12,031
<u>Additional information included in the consolidated statement of cash flows</u>		
Cash outflows for low value assets, short-term and variable leases	17,571	13,771

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10. Goodwill and Intangible assets

	Software \$	Service contracts and client relationships \$	Trade name \$	Total Intangible assets \$	Goodwill \$
For the year ended January 31, 2023					
Net value – beginning	44,388	716,789	272,362	1,033,539	2,254,119
Business acquisitions	67,553	451,120	-	518,673	785,696
Additions	34,473	10,897	-	45,370	-
Amortization of intangible assets	(21,988)	(128,463)	-	(150,451)	-
Impairment	-	-	-	-	(110,000)
Effect in exchange rate	5,056	26,267	-	31,323	79,981
Net value – end	129,482	1,076,610	272,362	1,478,454	3,009,796
As of January 31, 2023					
Cost	175,518	1,475,150	272,362	1,923,030	3,009,796
Accumulated amortization	(46,036)	(398,540)	-	(444,576)	-
Net value – end	129,482	1,076,610	272,362	1,478,454	3,009,796
For the year ended January 31, 2024					
Net value – beginning	129,482	1,076,610	272,362	1,478,454	3,009,796
Business acquisitions (note 21)	-	10,294	-	10,294	6,146
Additions	34,160	30,592	-	64,752	-
Non-cash additions	16,559	-	-	16,559	-
Amortization of intangible assets	(29,942)	(144,541)	-	(174,483)	-
Effect in exchange rate	652	1,148	-	1,800	4,554
Net value – end	150,911	974,103	272,362	1,397,376	3,020,496
As of January 31, 2024					
Cost	208,321	1,514,209	272,362	1,994,892	3,020,496
Accumulated amortization	(57,410)	(540,106)	-	(597,516)	-
Net value – end	150,911	974,103	272,362	1,397,376	3,020,496

Additions of intangible assets for the year ended January 31, 2024, included \$20,458 of assets acquired from third parties (2023 – \$26,942) and \$44,294 of assets internally developed (2023 – \$18,428).

With regards to the additions of intangible assets internally developed, \$21,137 related to software (2023 – \$15,267) and \$23,157 related to other intangible assets (2023 – \$3,161).

As of January 31, 2024, the remaining useful life of software was 5.21 years and 7.09 years for service contracts and client relationships (2023 – 5.20 and 9.25 years respectively).

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10. Goodwill and Intangible assets (continued)

Goodwill and intangible assets with indefinite useful life impairment test

For the purpose of the impairment testing, the goodwill and the GardaWorld trade name with indefinite useful life are allocated to the Corporation's CGUs which represent the lowest level within the Corporation at which the goodwill and trade name are monitored for internal management purposes. As of January 31, 2024, and 2023, the aggregate carrying amount of goodwill and trade name allocated to each CGU was as follows:

	2024	2023
	\$	\$
Goodwill allocation by CGU		
Cash Services – Canada	79,589	79,589
Cash Services – United States	165,688	164,237
Intelligence devices	762,725	759,472
Security Services – Critical infrastructure	723,313	730,779
Security Services – Crisis	293,492	281,200
Security Services – Aviation	216,679	216,679
Security Services – Guarding Canada	445,521	445,521
Security Services – Guarding United States	333,489	332,319
	<u>3,020,496</u>	<u>3,009,796</u>
	2024	2023
	\$	\$
Trade name by CGU		
Cash Services – Canada	26,204	26,204
Cash Services – United States	70,028	70,028
Security Services – Critical infrastructure	89,239	89,239
Security Services – Aviation	31,771	31,771
Security Services – Guarding Canada	55,120	55,120
	<u>272,362</u>	<u>272,362</u>

The Corporation performed its goodwill and trade name with indefinite useful life impairment test on January 31. The impairment test consists of comparing the carrying amount of the CGU with its recoverable amount.

The recoverable amount has been determined based on a fair value less cost of disposal methodology, wherein the estimated future cash flows are discounted to their present value using after-tax discounted rates ranging between 10.74% and 11.74% (2023 – between 10.59% and 11.59%). The discount rates were determined based on past experience and industry weighted average cost of capital.

The first-year cash flows were estimated based on historical performance, actual operating results, and current economic market conditions. For the further periods, cash flows were projected using a revenue growth rate between 2.0% and 4.2%, while also assuming the renewal of key significant contracts. Operating margins were adjusted where deemed appropriate, accordingly with the business strategy, operational targets approved by management and specific industry trends. The terminal value used after 10 years was based on exit multiples ranging from 7.0 to 9.8 for the recurring operating profit or exit multiples from 10.0 to 16.1 for the recurring operating profit net of capital expenditures.

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

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10. Goodwill and Intangible assets (continued)

The Corporation also performed a sensitivity analysis on the most significant assumptions used in the impairment test model, and the analysis showed that a 1% increase in the discount rate or a 5% decrease in projected cash flows would not give rise to an impairment, taken individually.

11. Other Assets

	2024 \$	2023 \$
Notes receivable net of provision of \$79,398 (2023 - \$67,393)	11,384	8,624
Employee benefit assets (note 22)	21,691	18,631
Cash collateral on self-insurance programs	21,157	-
Others	19,064	18,263
	<u>73,296</u>	<u>45,518</u>

The change in the provision with respect of notes receivable for the year was as follows:

	2024 \$	2023 \$
Opening balance	67,393	52,010
Unwinding of discount	12,878	12,555
Effect in exchange rate	(873)	2,828
	<u>79,398</u>	<u>67,393</u>

The notes receivable relate to a specific customer for whom the credit risk has increased significantly since the initial recognition of the position. The provision as of January 31, 2024 was measured using the lifetime expected credit loss model.

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12. Investment

	2024 \$	2023 \$
Investment in private security company	56,315	57,833

This investment in associate, namely Vosker Corporation has been recorded using the equity method. The associate sells remote area monitoring devices and related equipment and provides subscription-based connectivity services. The associate is incorporated under the Quebec Business Corporation Act and is domiciled in Canada. The Corporation owned 17.12% in the associate. The change in the investment balance for the year was as follows:

	2024 \$	2023 \$
Opening balance	57,833	60,000
Loss on investment in private security company	(1,518)	(2,167)
Ending balance	56,315	57,833

13. Accounts payable and accrued liabilities

	2024 \$	2023 \$
Trade payables	160,874	166,280
Labour and related liabilities	259,449	230,244
Sales tax payable	16,726	12,514
Provision for interest payable	99,460	96,621
Accrued liabilities	180,895	201,238
Deferred revenues	136,003	113,249
	853,407	820,146

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14. Long-term debt

	2024 \$	2023 \$
Term loan of US\$2,127,500 (2023 – US\$2,134,500) bearing interest at Secured Overnight Financing Rate (SOFR) plus 4.25% with a reduction in relation to the leverage ratio, payable in quarterly instalments of US\$1,750 and the remaining balance payable in full at maturity on October 30, 2026 (note 14 a), d), e))	2,792,514	2,773,225
Senior note of US\$604,377 bearing interest at a fixed rate of 9.50%, payable in full at maturity on November 1, 2027, including an asset embedded derivative of \$29,327 (2023 – \$6,617) (note 14 a)	763,309	779,794
Secured senior note of US\$570,000, bearing interest at a fixed rate of 4.625%, payable in full at maturity on February 15, 2027	754,004	748,815
Senior note of US\$500,000 bearing interest at a fixed rate of 6.00%, payable in full at maturity of June 1, 2029	662,967	659,584
Senior note of US\$400,000 bearing interest at a fixed rate of 7.75%, payable in full at maturity on February 15, 2028, including an asset embedded derivative of \$6,599 (2023 – \$1,258) (note 14 a))	520,996	523,149
Term notes of KES1,096,012 (Kenyan shilling) (2023 – KES 1,096,012) and US\$3,043 (2023 – US\$3,043) bearing a fixed average interest rate of 12.38%. Interest is paid semi-annually, payable in full at maturity on December 6, 2026	13,225	15,815
Authorized revolving facilities of US\$392,000 bearing interest at SOFR plus 3.75% with a reduction in relation to the leverage ratio, repayable in full at maturity on January 30, 2028 (note 14 b), d), e))	186,032	-
Balances of purchase price payable, bearing no interest, payable in annual installments, maturing through various dates through June 2027	6,945	109,034
Others	12,931	9,765
	5,712,923	5,619,181
Less: Current portion	(19,131)	(108,923)
	5,693,792	5,510,258

- a) On January 30, 2023, the Corporation issued an aggregate amount of US\$400 million of a 7.75% secured senior notes due on February 15, 2028. The note was issued at a price of 100% of the principal amount.

On February 1, 2022, the Corporation completed the amendment to its term loan. The term loan was increased by US\$700,000 bearing interest at SOFR plus 4.25%, with a reduction in relation to the leverage ratio, payable in quarterly instalments of US\$1,750, with the remaining balance payable in full at maturity on October 30, 2026.

The embedded derivative relates to prepayment options exercisable up to August 15, 2026. The fair value of the prepayment option is determined using a valuation model based on inputs from observable market data, including independent price publications, third-party pricing services, and market exchanges.

Garda World Security Corporation

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14. Long-term debt (continued)

On April 6, 2023, the Corporation completed the amendment of its credit facilities, for which the total authorized revolving facilities were increased from \$US335,000 to US\$392,000. The authorized revolving facilities bear interest at SOFR plus 3.75%, with a reduction in relation to the leverage ratio, and are repayable in full at maturity on January 30, 2028. As of January 31, 2024, an amount of \$187,558 was used on the revolving facilities (2023 – nil).

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.

b) Commencing during the fiscal year ended January 31, 2022, the Corporation had to start making 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 is required if the amount thereof is less than the greater of \$39,000 and 10% of the consolidated earnings before interests, taxes, depreciation, and amortization on a pro forma basis.

As of January 31, 2024, and January 31, 2023, the excess cash flow prepayment under the credit facility was nil.

c) The Corporation has designated US\$2,000 million (2023 – US\$925 million) of its US dollar senior note and US term loan as a foreign exchange hedge of its net investment in its foreign operations. Accordingly, the portion of the gains and 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.

For the year ended January 31, 2024, a loss of \$9,400 was recorded in the consolidated statement of comprehensive loss relating to the translation of the US dollar senior note and US dollar term loan designated as net investment hedges (2023 – loss of \$58,368).

For the year ended January 31, 2024, an unrealized exchange loss of \$9,386, was recorded in the consolidated statement of loss relating to the translation of the long-term debt in US dollars that is not designated as a foreign exchange hedge of the Corporation's net investment in its foreign operations (2023 – loss of \$187,617).

d) As of January 31, 2024, the Corporation had letters of credit totalling \$134,768 (2023 – \$118,566) out of which \$122,189 (2023 - \$105,965) were reducing the available revolving facilities. As a result, \$215,415 (2023 - \$341,260) was available to be drawn under the revolving facilities. These letters of credit mainly guarantee worker's compensation claims to the insurance company.

e) The Corporation's management reviews compliance with the financial covenants on a monthly basis, while its Board of Directors reviews it on a quarterly basis. As of January 31, 2024, the Corporation was in compliance with all of its financial covenants.

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15. Provisions and other non-current liabilities

	Insurance provision \$	Lease liabilities \$	Deferred considera- tion \$	Contingent considera- tion \$	Post employment benefits \$	Other \$	Total provisions and other non- current liabilities \$
For the year ended, January 31, 2023							
Opening balance	19,565	313,738	12,965	94,305	–	8,839	449,412
Additional provisions	36,319	111,932	–	–	332	–	148,583
Business acquisitions	–	17,832	–	12,566	13,644	4,363	48,405
Used during the year	(38,002)	(133,377)	–	(89,677)	(264)	(1,640)	(262,960)
Remeasurement obligations	–	–	–	–	(3,484)	–	(3,484)
Change in fair value	–	–	–	(4,000)	–	–	(4,000)
Unwinding of discount	–	23,488	327	–	–	–	23,815
Effect in exchange rate	663	11,056	650	60	(702)	371	12,098
Ending balance	18,545	344,669	13,942	13,254	9,526	11,933	411,869
Current provisions	6,909	87,386	–	11,681	292	1,426	107,694
Non-current provisions	11,636	257,283	13,942	1,573	9,234	10,507	304,175
	18,545	344,669	13,942	13,254	9,526	11,933	411,869
For the year ended January 31, 2024							
Opening balance	18,545	344,669	13,942	13,254	9,526	11,933	411,869
Additional provisions	37,168	123,463	–	–	542	67	161,240
Used during the year	(32,819)	(141,882)	–	(11,747)	(417)	–	(186,865)
Remeasurement obligations	–	–	–	–	(126)	–	(126)
Unwinding of discount	–	25,462	341	–	–	–	25,803
Effect in exchange rate	(3)	(3,496)	47	66	116	19	(3,251)
Ending balance	22,891	348,216	14,330	1,573	9,641	12,019	408,670
Current provisions	8,862	89,489	3,768	800	288	27	103,234
Non-current provisions	14,029	258,727	10,562	773	9,353	11,992	305,436
	22,891	348,216	14,330	1,573	9,641	12,019	408,670

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15. Provisions and other non-current liabilities (continued)

a) Deferred consideration

Deferred consideration relates to the Whelan acquisition performed on April 5, 2019, and is payable in 16 equal quarterly installments starting July 4, 2024, discounted at 2.40%.

b) 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 of potential future events. The acquisition-related contingent consideration is remeasured at each reporting period with changes in fair value being recorded in the consolidated statements of loss. For the year ended January 31, 2024, the remeasurement of the position resulted in no change in fair value to be recorded in the consolidated statement of loss.

c) Post employment benefits

Post employment benefits obligation relates to the Gunnebo acquisition for its Swedish employees. The unfunded plans are defined benefit commitments that relate to the ITP2 plan, which considers a normal retirement age of 65, and provide a benefit in the form of an annuity. There are no assets to report in the plans.

As of January 31, 2024, the obligation was valued at \$9,641 and the weighted average duration of the plans was 16 years. Major assumptions used in the valuation included discount rate of 3.5% and future salary increase of 2.1%

16. Share capital

a) Capital risk management

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

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

	2024 \$	2023 \$
Cash and cash equivalents	(160,066)	(417,829)
Bank indebtedness	6,776	-
Long-term debt	5,712,923	5,619,181
	<hr/> 5,559,633	<hr/> 5,201,352
Equity attributable to shareholders	5,472	175,622
	<hr/> 5,565,105	<hr/> 5,376,974

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

The Corporation normally finances addition of vehicles, armored vehicles, and aircrafts 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 Term loan agreement, the Corporation is not subject to any externally imposed capital requirements.

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Share capital (continued)

b) Authorized – in unlimited number, without par value

Unlimited number of common shares, voting and participating

Unlimited number of Class C preferred shares, non-voting and redeemable at the option of the Corporation

The holders of the Class C preferred shares shall be entitled to receive, as and when declared by the Board of Directors of the Corporation, a cumulative dividend of an annual rate of 6% for the first 8 years, 12% for the ninth year following the date of issuance and for each year thereafter until redemption, an annual rate equal to the rate for the preceding year plus 1%. Class C preferred shares have been issued on August 23, 2022.

c) Share capital

	2024 \$	2023 \$
2,087,349,712 Common Shares (2023 – 2,087,349,711 common shares)	1,228,374	1,228,374
300,000,000 preferred shares “class C” (net of issuance cost of \$2,041)	297,959	297,959
	<hr/> 1,526,333	<hr/> 1,526,333

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16. Share capital (continued)

d) Stock options

Under a share-based arrangement of the Parent Company of the Corporation, some employees of the Corporation receive 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 and of internal rate of return target.

For the year ended January 31, 2024, the Corporation recorded a stock-based compensation expense of \$11,481 (2023 - \$6,300), in the consolidated statement of loss with an offsetting effect on contributed surplus.

The table below summarizes the changes in the outstanding stock options:

	2024	2023
Opening balance	6,744,549	6,476,573
Grant	77,215	429,627
Forfeit	(105,678)	(161,651)
Ending balance	6,716,086	6,744,549

The weighted average exercise price as at January 31, 2024 is 66.00\$ (2023 – 65.87\$). The weighted average remaining contractual life is 5.75 years (2023 – 6.75 years). The fair value of options granted in the year was estimated on the date of the grant using the Monte Carlo option-pricing model based on the following assumptions:

	2024	2023
	\$	\$
Expected dividend rate	Nil	Nil
Volatility	26.7%	26.7%
Expected life of options	1 to 6 years	1 to 7 years
Risk-free interest rate	4.85%	3.23%
Number of options	77,215	429,627
Fair value of options	\$6.56	\$6.04
Exercise price	\$86.71	\$79.45 and \$86.71

For the year ended January 31, 2024, 77,215 stock options were granted at an exercise price of \$86.71 (2023 – 301,432 and 128,195 options at an exercise price of \$79.45 and \$86.71\$, respectively).

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17. Revenues

	2024 \$	2023 \$
Security Services		
- North America	2,913,364	2,589,405
- International	1,214,617	1,111,758
	<u>4,127,981</u>	<u>3,701,163</u>
Cash Services		
- North America	1,643,297	1,447,184
- International	138,558	117,881
	<u>1,781,855</u>	<u>1,565,065</u>
	<u>5,909,836</u>	<u>5,266,228</u>

18. Depreciation and amortization

	2024 \$	2023 \$
Depreciation of Property, plant, and equipment – Operating costs	124,392	113,272
Depreciation of Property, plant, and equipment – Selling and administrative	19,271	15,028
	<u>143,663</u>	<u>128,300</u>
Depreciation of Right-of-use assets – Operating costs	109,742	105,379
Depreciation of Right-of-use assets – Selling and administrative	1,129	1,226
	<u>110,871</u>	<u>106,605</u>
Amortization of Intangible assets - Operating costs	174,483	150,451
	<u>429,017</u>	<u>385,356</u>

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19. Finance costs

	2024	2023
	\$	\$
Interest on long-term debt	483,207	354,106
Other interest	18,011	12,807
Amortization of deferred financing costs	27,477	23,687
Amortization of premiums and discounts	489	530
Unwinding of discount – lease liabilities	25,462	23,488
Unwinding of embedded derivative	(5,391)	(4,509)
Unwinding of discount – other assets	12,878	12,555
Unwinding of discount – other liabilities	341	327
	<u>562,474</u>	<u>422,991</u>

20. Expenses by nature

	2024	2023
	\$	\$
Salaries and fringe benefits	3,762,530	3,412,402
Depreciation of Property, plant, and equipment	143,663	128,300
Depreciation of Right-of-use assets	110,871	106,605
Amortization of Intangible assets	174,483	150,451
Stock-based compensation	11,481	6,300
Subcontractors	291,547	285,718
Transportation expenses	212,525	223,444
Facility rent and related expenses	55,873	41,981
Cost of inventories recognized as an expense	233,119	186,036
Operating related costs	344,830	268,580
Administration related costs	178,927	221,707
	<u>5,519,849</u>	<u>5,031,524</u>
Operating costs	4,810,793	4,375,366
Selling and administrative expenses	709,056	656,158
	<u>5,519,849</u>	<u>5,031,524</u>

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21. Business acquisitions

During the year ended January 31, 2024, the Corporation acquired certain assets of Gavin de Becker & Associates LP and of Detect Eau Solution on February 1, 2023 and May 11, 2023, respectively. These new businesses operate in the Security Services segment and allow the Corporation to expand its operational security platforms as part of its strategy to grow through business acquisitions and internal growth.

From these acquisition dates, the contribution of the acquired businesses to the Corporation's consolidated revenues and income before taxes was \$9,312 and \$1,805, respectively.

The transactions have been recorded under the acquisition method and the operating results of the acquired businesses have been included in the Corporation's consolidated financial statements since the acquisition dates.

During the year ended January 31, 2024, the Corporation made certain adjustments to the preliminary purchase price allocations for Arca Holding LLC, Collinson Assistance Services Limited and TAI Technologies Inc. previously reported as of January 31, 2023. For Arca Holding LLC, the adjustments made resulted in an increase to goodwill of \$482 and a decrease to non-cash working capital liabilities of \$99. For Collinson Assistance Services Limited, the adjustments resulted in an increase to goodwill of \$631. For TAI Technologies Inc., the adjustments resulted in an increase in non-cash working capital liabilities of \$1,109, and a decrease in goodwill and in the purchase price balance of \$170 and \$1,298, respectively.

The table below presents the preliminary purchase price determination of the acquired businesses, including revisions to previous preliminary purchase price allocations.

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21. Business acquisitions (continued)

	2024	2023
	\$	\$
Assets		
Cash	-	52,899
Non-cash working capital	-	62,858
Property, plant and equipment	(18)	37,398
Other assets	-	590
Right-of-use assets	-	17,741
Intangible assets	10,294	518,673
Goodwill	6,146	785,696
Deferred income tax assets	1,773	20,757
Total	<u>18,195</u>	<u>1,496,612</u>
Liabilities		
Non-cash working capital	1,168	1,222
Current portion of LT liabilities	-	1,610
Long-term debt	-	468,202
Other LT Liabilities	-	34,229
Deferred income tax liabilities	-	71,926
Total	<u>1,168</u>	<u>577,189</u>
Net assets	<u>17,027</u>	<u>919,423</u>
Consideration		
Cash	18,175	773,611
Contingent consideration	-	12,566
Shares of Garda World ultimate Parent Company issued	-	15,117
Balance of purchase prices payable	<u>(1,148)</u>	<u>118,129</u>
Total consideration	<u>17,027</u>	<u>919,423</u>

For the year ended January 31, 2024, out of the total intangible assets and goodwill acquired, an amount of \$15,497 was deductible for tax purposes.

For the year ended January 31, 2024, the amount of goodwill acquired of \$6,146 was allocated to the CGUs, of which \$5,664 relates to Security Services – Crisis and \$482 relates to Intelligence devices. The acquired goodwill is mainly attributable to the experienced workforce and the synergies expected from the integration of the acquired businesses into the Corporation's existing operations.

During the year ended January 31, 2024, the Corporation incurred \$6,696 of transaction costs in relation with business acquisitions (2023 – \$37,517).

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22. Employees benefits

a) Defined benefit pension plans

For the year ended January 31, 2024, the Corporation had defined benefit pension plans for 1,437 of its employees (2023 – 1,458) to which the Corporation contributes.

The Corporation has measured its accrued benefit obligations and the fair value of plan assets for accounting purposes as of January 31, 2024. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2023, and the next required valuation will be as of January 1, 2024.

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

Employee benefits assets:

	2024 \$	2023 \$
Fair value of plan assets	94,083	89,602
Accrued benefit obligation	(72,392)	(70,971)
Plan surplus – Employee benefit assets	<u>21,691</u>	<u>18,631</u>

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

	2024 \$	2023 \$
Equity securities	62.5%	61.2%
Debt securities	32.4%	29.3%
Money market fund	5.1%	9.5%

As at January 31, 2024, all investments of the plans were classified as Level 1 instruments as defined in note 24.

Garda World Security Corporation

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(In thousands of Canadian dollars, except as otherwise noted)

22. Employees benefits (continued)

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

	2024 \$	2023 \$
Accrued benefit obligation – beginning of year	70,971	81,839
Current service cost	1,195	1,583
Interest cost	3,393	3,036
Benefits paid	(3,066)	(3,297)
Actuarial loss (gain) arising from:		
Plan experience	1,195	(423)
Changes in financial assumptions	(1,296)	(11,767)
Accrued benefit obligation – end of year	<u>73,392</u>	<u>70,971</u>

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

	2024 \$	2023 \$
Fair value of plan assets – beginning of year	89,602	95,498
Excess (deficit) return on plan assets	2,381	(7,625)
Employer contributions	1,188	1,763
Administrative cost	(295)	(276)
Benefits paid	(3,066)	(3,297)
Interest income on plan assets	4,273	3,539
Fair value of plan assets – end of year	<u>94,083</u>	<u>89,602</u>

Expenses (gains) recognized:

	2024 \$	2023 \$
Current service cost	1,195	1,583
Interest income	(880)	(503)
Deficit (excess) return on plan assets	(2,381)	7,625
Administrative cost	295	276
Actuarial gain on the defined benefit obligation	(101)	(12,190)
	<u>(1,872)</u>	<u>(3,209)</u>
Expense recognized in the consolidated statement of loss	610	1,356
Gain recognized in the consolidated statement of comprehensive loss	(2,482)	(4,565)
	<u>(1,872)</u>	<u>(3,209)</u>

Garda World Security Corporation

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22. Employees benefits (continued)

Actuarial gains recognized in OCI:

	2024 \$	2023 \$
Cumulative actuarial gain position in OCI – beginning of year	(5,664)	(1,099)
Gain recognized during the year	(2,482)	(4,565)
Cumulative actuarial gain position in OCI – end of year	(8,146)	(5,664)

Significant actuarial assumptions used (expressed as weighted average):

	2024 \$	2023 \$
Accrued benefit obligation		
Discount rate	4.90%	4.80%
Future salary increases	2.30%	2.50%
Employee benefit expense		
Discount rate	4.90%	4.80%
Future salary increases	2.30%	2.50%

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 13.75 years.

For next fiscal year 2025, the Corporation expects to pay approximately \$1,123 in contributions to its defined benefit plans.

Through the defined benefit plan, the Corporation is exposed to several 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 plan's assets taken as a whole. The pension plans do not face a significant currency risk.

Garda World Security Corporation

Notes to the Consolidated Financial Statements

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22. Employees benefits (continued)

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.

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.

Sensitivity analysis

Each sensitivity analysis disclosed in this note was 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 obligation to variations in significant actuarial assumptions, the same method has been applied as for calculating the liability recognized in the consolidated statement of financial position.

Sensitivity analysis as of January 31, 2024, and 2023, are as follows:

	2024	2023
	\$	\$
Discount rate at 4.65% instead of 4.90% (2023 – 4.55% instead of 4.80%)	2,442	2,471
Salary growth of 2.05% instead of 2.30% (2023 – 2.25% instead of 2.50%)	(282)	(277)
Life expectancy – 90% of the mortality rates used for valuation	1,440	1,423

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 in 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, 2024, the pension expense for these plans amounted to \$30,810 (2023 – \$18,245) and was recognized in the salaries and fringe benefits in the consolidated statement of loss.

Garda World Security Corporation

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23. Income taxes

a) Reconciliation of statutory tax rate and effective tax rate

The income tax rate differs from the basic tax rate due to the following components:

	2024 \$	2023 \$
Loss before income taxes	(157,478)	(494,272)
Canadian statutory income tax rate	26.50%	26.50%
Income taxes calculated at statutory rate	(41,732)	(130,982)
Increase (decrease) resulting from:		
Benefits arising from a financing structure	(5,033)	(4,621)
Non-Canadian applicable income tax rate difference	15,788	18,689
Unrealized exchange loss on translation of long-term debt	3,187	54,933
Goodwill impairment	-	27,346
Permanent differences and other	(8,932)	366
Losses carry forward not recognized	45,603	-
Change in enacted statutory tax rate	389	1,431
	<u>9,270</u>	<u>(32,838)</u>
Provision for (recovery of) income taxes:		
Current	49,318	59,249
Deferred	(40,048)	(92,087)
	<u>9,270</u>	<u>(32,838)</u>

Garda World Security Corporation

Notes to the Consolidated Financial Statements

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(In thousands of Canadian dollars, except as otherwise noted)

23. Income taxes (continued)

b) Deferred tax assets and liabilities

Deferred income taxes represent the net tax effect of temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax bases. Significant components of the Corporation's deferred income tax assets (liabilities) as of January 31, 2024, and 2023 were as follows:

	Property, plant and equipment and intangible assets \$	Liabilities and other provisions \$	Loss carry forward \$	Total \$
For the year ended January 31, 2023				
Net value – beginning	(155,096)	100,213	223,409	168,526
Recovery of				
Deferred income taxes	25,638	30,413	36,036	92,087
Business acquisitions	(61,176)	6,887	3,120	(51,169)
OCI	–	3,992	–	3,992
Effect in exchange rate	(15,498)	8,208	9,816	2,526
Net value – end	(206,132)	149,713	272,381	215,962
As of January 31, 2023				
Deferred income tax assets	(137,195)	149,713	272,381	284,899
Deferred income tax liabilities	(68,937)	–	–	(68,937)
Net value – end	(206,132)	149,713	272,381	215,962
For the year ended January 31, 2024				
Net value – beginning	(206,132)	149,713	272,381	215,962
Recovery of (provision for)				
Deferred income taxes	48,331	(6,318)	(1,965)	40,048
Business acquisitions (note 21)	1,497	276	–	1,773
OCI	–	(682)	–	(682)
Effect in exchange rate	(5,932)	6,101	(483)	(314)
Net value – end	(162,236)	149,090	269,933	256,787
As of January 31, 2024				
Deferred income tax assets	(93,393)	149,090	269,933	325,630
Deferred income tax liabilities	(68,843)	–	–	(68,843)
Net value – end	(162,236)	149,090	269,933	256,787

The Corporation has forecasted its taxable income for the next 20 years. Based on these forecasts, the losses carry forward will be used prior to their expiration dates, which range from 2031 to 2044. Therefore, deferred income tax assets have been recognized for these losses.

As of January 31, 2024, losses carry forward not recognized as deferred income tax assets totalled \$167,824 (2023 - \$4,807).

Garda World Security Corporation

Notes to the Consolidated Financial Statements

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24. Financial instruments

a) Classification and fair value

The classification of financial instruments as of January 31, 2024, and 2023, along with their respective carrying amounts and fair values, was as follows:

	2024 \$		2023 \$	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets-amortized cost				
Notes receivable	11,384	11,384	8,624	8,624
Financial assets at fair value through net loss				
Embedded derivative	35,926	35,926	7,875	7,875
Liability-amortized cost				
Long-term debt	5,712,923	5,745,238	5,619,181	5,577,248
Financial liabilities at fair value through net loss				
Derivative financial instrument	-	-	3,253	3,253
Contingent consideration	1,573	1,573	13,254	13,254

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 at amortized cost approximates their carrying amount due to their short-term nature or has been discounted based on cash flow projections. Assets at amortized cost are classified as level 3.

Liabilities at amortized costs – Except for the long-term debt and contingent consideration, the fair value of the Corporation's other liabilities at amortized cost approximates their carrying amount due to their short-term nature. The fair value of the 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 the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

24. Financial instruments (continued)

For financial assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy was as follows:

		2024 \$			
		Carrying amount	Level 1	Level 2	Level 3
Financial assets					
	Embedded derivative	35,926	-	35,926	-
Financial liabilities					
	Contingent consideration	1,573	-	-	1,573
		2023 \$			
		Carrying amount	Level 1	Level 2	Level 3
Financial assets					
	Embedded derivative	7,875	-	7,875	-
Financial liabilities					
	Derivative financial instrument	3,253	-	3,253	-
	Contingent consideration	13,254	-	-	13,254

The fair value of derivative financial assets and liabilities is measured as the discounted value of the difference between the value of a derivative contract at its expiry date, using the contracted rates, and the value determined using the rate that a financial institution would use in a context of a renegotiation at measurement date, under the same contract and conditions. Discount rates are also 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 was as follow:

	2024 \$	2023 \$
Balance – beginning of the year	13,254	94,305
Business acquisition	-	12,566
Used during the year	(11,747)	(89,677)
Change in fair value	-	(4,000)
Effect in exchange rate	66	60
	<hr/>	<hr/>
Balance - end of the year	1,573	13,254

Garda World Security Corporation

Notes to the Consolidated Financial Statements

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24. Financial instruments (continued)

b) Credit risk

Financial instruments which can 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.

The Corporation's credit risk is principally attributable to its accounts receivable, unbilled accounts receivable and notes receivable, although such risk is considered limited. The distribution of the Corporation's customers across different market segments and geographical locations as well as the Corporation's business risk procedures have the effect to avoid 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 of its 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.

The receivable amounts presented in the consolidated statements of financial position are net of an allowance for expected credit loss that is estimated by the Corporation's management based on the age of the receivable balance at customer level and on the current and expected collection trends. The Corporation applies the IFRS 9 simplified approach to measure the expected credit losses, using a lifetime expected loss allowance model on all accounts receivable and unbilled accounts receivable.

To measure the expected credit losses, accounts receivable and unbilled accounts receivable are grouped based on shared credit risk characteristics and days past due. Unbilled accounts receivable have substantially the same risk characteristics as the trade receivables for the same types of contracts, and as such the Corporation assumes that the expected loss rates used for trade receivables are a reasonable approximation of the loss rates on unbilled accounts receivable. The expected loss rates are determined based on the payments profiles and trends for sales covering a period of 12 months before January 31, 2024, or January 31, 2023, and on the historical credit losses experienced with the customer. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle its balances due.

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

c) Interest rate risk

As of January 31, 2024, the Corporation's interest rate risk was as follows:

Cash and cash equivalents	Variable rate
Accounts receivable	Non-interest bearing
Notes receivable	Bearing interest between 4.5% and 10.0%
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	Fixed and variable rate
Contingent consideration	Non-interest bearing

Considering that the Corporation has long-term debt bearing variable interest rates, for the year ended January 31, 2024, if interest rates would have increased by 100 basis points, the net loss for the year would have increased by approximately \$22,423 (2023 – \$20,082), all other variables remaining constant.

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24. Financial instruments (continued)

d) Foreign currency risk

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

For the year ended January 31, 2024, if the US dollar would have strengthened on average by \$0.01 in comparison to the Canadian dollar, all other variables remaining constant, net loss for the year would have increased by approximately \$21,820 (2023 – \$32,392) and accumulated other comprehensive income, would have been higher by approximately \$7,858 (2023 - \$16,294).

The Corporation's consolidated statement of financial position contains balances of cash and cash equivalents and long-term debt in currencies other than the functional currency of the Corporation.

The balances in currencies are as follows:

	2024		2023	
	USD	EUR	USD	EUR
Cash and cash equivalents	6,172	832	158,450	657
Total assets	6,172	832	158,450	657
Canadian dollar equivalent	8,268	1,209	211,531	952
Current portion of long-term debt	1,186	-	375	2,500
Long-term debt	4,344,920	-	4,211,920	-
Total liabilities	4,346,106	-	4,212,295	2,500
Canadian dollar equivalent	5,822,478	-	5,623,414	3,624

On November 15, 2023, the Corporation settled its forward exchange swap of US\$175,000 at an exchange rate of 1.3448 (US\$:CA\$). As a result, the corporation received \$3,418 for this settlement.

e) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its contractual 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.

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Notes to the Consolidated Financial Statements

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24. Financial instruments (continued)

The following table details the contractual maturities of the financial liabilities and contractual cash flow, which include interest if any as of January 31, 2023:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Financial liabilities						
Accounts payable and accrued liabilities	820,146	820,146	820,146	-	-	-
Derivative instruments	3,253	3,253	-	-	3,253	-
Contingent consideration	13,254	13,254	11,681	1,573	-	-
Insurance provision	18,545	18,545	6,909	2,866	2,499	6,271
Lease liabilities	344,669	426,194	105,993	128,496	62,661	129,044
Long-term debt	5,619,181	7,147,926	427,072	645,186	4,817,520	1,258,148
	<u>6,819,048</u>	<u>8,429,318</u>	<u>1,371,801</u>	<u>778,121</u>	<u>4,885,933</u>	<u>1,393,463</u>

The following table details the contractual maturities of the financial liabilities and contractual cash flow, which include interest if any as of January 31, 2024:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Financial liabilities						
Accounts payable and accrued liabilities	853,407	853,407	853,407	-	-	-
Contingent consideration	1,573	1,573	800	773	-	-
Insurance provision	22,891	22,891	8,862	3,605	2,890	7,534
Lease liabilities	348,216	429,539	115,338	138,759	67,176	108,266
Long-term debt	5,712,923	7,439,601	508,500	3,753,574	3,174,130	13,397
	<u>6,939,010</u>	<u>8,747,011</u>	<u>1,486,907</u>	<u>3,886,711</u>	<u>3,244,196</u>	<u>129,197</u>

25. 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.

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26. Related party disclosures

a) Key management personnel compensation

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the business activities of the Corporation. As such, it includes all directors along with certain key executives.

Key management personnel participate in the stock option plan. Subject to their employment agreements, which stipulate contractual payments for termination without cause or termination following a change of control, payments of up to one or two times their base salary, full bonus and potential accelerated vesting of restricted share options may be payable.

The remuneration of key management personnel includes the following:

	2024 \$	2023 \$
Director's fees	330	330
Salaries	10,607	10,289
Benefits	160	160
Stock-based compensation	8,189	4,491
	<hr/> 19,286	<hr/> 15,270

b) Related party transactions

Some transactions have been determined to be related party transactions because the relationship is with entities that are related by virtue to key management personnel exercising significant influence or control over the Corporation's financial and operating activities and policies.

The following provides the amount incurred for each type of transactions that occurred with a related party:

	2024 \$	2023 \$
Nature of transactions		
Professional fees included in other expenses	3,145	2,073
Professional fees included in deferred financing costs	614	420
Professional fees recorded as a reduction of share capital	-	236
	<hr/> 3,759	<hr/> 2,729
Financial positions		
Payable to Parent Company	6,600	11,934
Payable to other	44	-
	<hr/> 6,644	<hr/> 11,934

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27. Statement of cash flows

The following table details the cash flows for the year ended January 31, 2023:

	Non-cash items						Ending Balance
	Opening balance	Net cash	Business acquisition (note 21)	Net loss	Amortization	Comprehensive (loss)	
Non-current long-term debt	3,848,852	795,776	586,331	198,408	24,217	56,674	5,510,258
Derivative financial instruments	8,352	-	-	(5,099)	-	-	3,253
Contingent consideration	94,305	(89,677)	12,566	(4,000)	-	60	13,254
	<u>3,951,509</u>	<u>706,099</u>	<u>598,897</u>	<u>189,309</u>	<u>24,217</u>	<u>56,734</u>	<u>5,526,765</u>

The following table details the cash flows for the year ended January 31, 2024:

	Non-cash items						Ending Balance
	Opening balance	Net cash	Business acquisition (note 21)	Net loss (income)	Amortization	Comprehensive loss	
Non-current long-term debt	5,510,258	170,185	(1,148)	(18,665)	27,966	5,196	5,693,792
Derivative financial instruments	3,253	3,418	-	(6,671)	-	-	-
Contingent consideration	13,254	(11,747)	-	-	-	66	1,573
	<u>5,526,765</u>	<u>161,856</u>	<u>(1,148)</u>	<u>(25,336)</u>	<u>27,966</u>	<u>5,262</u>	<u>5,695,365</u>

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28. Segment information

a) Segmented information

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

	2024			2023		
	Security services	Cash services	Total	Security services	Cash services	Total
	\$	\$	\$	\$	\$	\$
Operating results						
Revenues	4,127,981	1,781,855	5,909,836	3,701,163	1,565,065	5,266,228
Operating costs	3,435,735	1,375,058	4,810,793	3,040,849	1,334,517	4,375,366
Selling and administrative expenses	458,414	250,642	709,056	439,815	216,343	656,158
	233,832	156,155	389,987	220,499	14,205	234,704
Change in fair value of contingent consideration			-			4,000
Goodwill impairment ⁽¹⁾			-			(110,000)
Unrealized exchange loss on translation of long-term debt			(9,386)			(187,617)
Unrealized exchange gain (loss) on derivative financial instruments			25,913			(10,201)
Loss on investment in private security company			(1,518)			(2,167)
Income (loss) before finance costs and income taxes			404,996			(71,281)

(1) Goodwill impairment of \$110,000 related to Cash services segment.

Additional information

Additions – Property, plant, and equipment	106,573	57,670	164,243	109,910	50,894	160,804
Additions – Right-of-use assets	82,918	40,545	123,463	68,608	43,324	111,932
Additions – Intangible assets	36,123	28,629	64,752	34,873	10,497	45,370
Business acquisitions – Property, plant, and equipment	(18)	-	(18)	7,371	30,027	37,398
Business acquisitions – Right-of-use assets	-	-	-	187	17,554	17,741
Depreciation – Property, plant, and equipment	84,486	59,177	143,663	66,306	61,994	128,300
Depreciation – Right-of-use assets	57,852	53,019	110,871	54,310	52,295	106,605
Amortization – Intangible assets	89,946	84,537	174,483	81,057	69,394	150,451

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28. Segment information (continued)

b) Segmented information – selected assets

	2024			2023		
	Security Services	Cash Services	Total	Security Services	Cash Services	Total
	\$	\$	\$	\$	\$	\$
Account receivable	699,019	270,218	969,237	601,615	228,055	829,670
Property, plant, and equipment	203,136	205,427	408,563	184,813	207,545	392,358
Right-of-use assets	136,380	193,546	329,926	116,660	205,989	322,649
Intangible assets	770,515	626,861	1,397,376	797,567	680,887	1,478,454
Goodwill	2,012,494	1,008,002	3,020,496	2,006,498	1,003,298	3,009,796

c) Geographic information

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

	2024 \$	2023 \$
Canada	1,652,620	1,543,924
USA	3,370,384	3,079,751
Middle East and Asia	366,558	196,805
East Africa	249,062	246,304
Others	271,212	199,444
	<u>5,909,836</u>	<u>5,266,228</u>

Property, plant, and equipment are attributed to countries or regions based on the actual physical location of the assets. As at January 31, 2024 goodwill and intangible assets are attributed to countries or regions based on the country of Corporation's incorporation compare to where the services are rendered at the date of initial recognition for last year presentation.

	2024					Total \$
	Canada	USA	Middle East and Asia	East Africa	Others	
	\$	\$	\$	\$	\$	
Property, plant, and equipment	103,031	265,982	7,640	13,356	18,554	408,563
Right-of-use assets	90,569	211,066	4,493	6,605	17,193	329,926
Intangible assets	337,786	885,359	80,153	14,793	79,285	1,397,376
Goodwill	741,789	1,876,033	61,136	69,761	271,777	3,020,496

Garda World Security Corporation

Notes to the Consolidated Financial Statements

January 31, 2024, and 2023

(In thousands of Canadian dollars, except as otherwise noted)

28. Segment information (continued)

	2023					
	Canada	USA	Middle East and Asia	East Africa	Others	Total
	\$	\$	\$	\$	\$	\$
Property, plant, and equipment	100,847	239,750	11,419	19,733	20,609	392,358
Right-of-use assets	91,504	200,208	5,125	5,824	19,988	322,649
Intangible assets	367,687	874,098	164,294	18,524	53,851	1,478,454
Goodwill	741,789	1,505,691	589,140	73,086	100,090	3,009,796

29. Subsequent event

On February 2, 2024, the Corporation completed the amendment to its term loan and credit facilities. The term loan was increased by US\$200 million bearing interest at SOFR plus 4.25%. The term loan maturity date was extended from October 30, 2026 to February 1, 2029. The authorized revolving facilities have been increased by US\$10 million to US\$402 million.