

CGI GROUP INC  
Form 40-F  
December 20, 2012  
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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 40-F

(Check one)

Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934  
or

Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended September 30, 2012

Commission file number 1-14858

# GROUPE CGI INC./CGI GROUP INC.

(Exact name of Registrant as Specified in Its Charter)

CGI Group Inc.

(Translation of Registrant's Name Into English)

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Québec, Canada

(Province or Other Jurisdiction of Incorporation or Organization)

7374

(Primary Standard Industrial Classification Code Number)

[Not Applicable]

(I.R.S. Employer Identification Number)

1350 René-Lévesque Boulevard West

15<sup>th</sup> Floor

Montréal, Québec

Canada H3G 1T4

(514) 841-3200

(Address and Telephone Number of Registrant's Principal Executive Offices)

CGI Technologies and Solutions Inc.

11325 Random Hills

Fairfax, VA22030

(703) 267-8679

(Name, Address and Telephone Number of Agent For Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title Of Each Class	Name Of Each Exchange On Which Registered
Class A Subordinate Voting Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

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For annual reports, indicate by check mark the information filed with this form:

Annual Information Form

Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 273,771,106 Class A Subordinate Shares, 33,608,159 Class B Shares

Indicate by check mark whether the registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the Exchange Act). If  Yes is marked, indicate the file number assigned to the registrant in connection with such rule. Yes  82-\_\_ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files). Yes  No

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### **Undertaking**

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

### **Controls and Procedures**

The Registrant has established a system of controls and other procedures designed to ensure that information required to be disclosed in its periodic reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. These disclosure controls and procedures have been evaluated under the direction of the Registrant's Chief Executive Officer and Chief Financial Officer as of the end of the Registrant's most recently completed fiscal year on September 30, 2012. Based on such evaluations, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are effective. No change was made in the Registrant's internal controls over financial reporting during the fiscal year ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting. No significant changes were made in the Registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

The assessment and conclusion on the effectiveness of disclosure controls and procedures and internal controls over financial reporting excludes the controls, policies and procedures of Logica plc ( "Logica" ) which was acquired six weeks prior to the Registrant's fiscal year-end. Logica's results since the acquisition date are included in the September 30, 2012, consolidated financial statements of the Registrant and constituted approximately 58% of total assets as of September 30, 2012, and approximately 12% of revenue for the year then ended. Please refer to Note 24 to the consolidated financial statements for further details of the acquisition.

### **Audit Committee**

The Audit and Risk Management Committee of the Board of Directors is composed entirely of unrelated directors who meet the independence and experience requirements of the New York Stock Exchange, the Toronto Stock Exchange, the U.S. Securities and Exchange Commission rules and National Instrument 52-110, as amended.

The Audit and Risk Management Committee is composed of Mr. Gilles Labbé, Chair of the committee, and Messrs. Claude Boivin, Jean Brassard, and Richard B. Evans.

The Registrant's Board of Directors has determined that the following members of the Audit and Risk Management Committee of the Board of Directors are "audit committee financial experts" within the meaning of paragraph (8) of General Instruction B to Form 40-F:

Gilles Labbé

### **Principal Accountant Fees and Services**

In order to satisfy itself as to the independence of the external auditors, the Audit and Risk Management Committee has adopted an auditor independence policy which covers (a) the services that may and may not be performed by the external auditors, (b) the governance procedures to be followed prior to retaining services from the external auditors, and (c) the responsibilities of the key participants. The following is a summary of the material provisions of the policy.

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*Performance of Services*

Services are either acceptable services or prohibited services.

The acceptable services are (a) audit and review of financial statements, (b) prospectus work, (c) audit of pension plans, (d) special audits on control procedures, (e) tax planning services on mergers and acquisitions activities, (f) due diligence relating to mergers and acquisitions, (g) tax services related to transfer pricing, (h) sales tax planning, (i) research and interpretation related to taxation, (j) research relating to accounting issues, (k) proposals and related services for financial structures and large tax planning projects, (l) preparation of tax returns and (m) all other services that are not prohibited services.

The prohibited services are (a) bookkeeping services, (b) design and implementation of financial information systems, (c) appraisal or valuation services or fairness opinions, (d) actuarial services, (e) internal audit services, (f) management functions, (g) human resources functions, (h) broker-dealer services, (i) legal services, (j) services based on contingency fees and (k) expert services.

*Governance Procedures*

The following control procedures are applicable when considering whether to retain the external auditors' services:

For all services falling within the permitted services category, whether they are audit or non-audit services, a request for approval must be submitted to the Audit and Risk Management Committee through the Executive Vice-President and Chief Financial Officer prior to engaging the auditors to perform the services.

In the interests of efficiency, certain permitted services are pre-approved quarterly by the Audit and Risk Management Committee and thereafter only require approval by the Executive Vice-President and Chief Financial Officer as follows:

The Audit and Risk Management Committee can pre-approve envelopes for certain services to pre-determined dollar limits on a quarterly basis;

Once pre-approved by the Audit and Risk Management Committee, the Executive Vice-President and Chief Financial Officer may approve the services prior to the engagement;

For services not captured within the pre-approved envelopes and for costs in excess of the pre-approved amounts, separate requests for approval must be submitted to the Audit and Risk Management Committee;

At each meeting of the Audit and Risk Management Committee a consolidated summary of all fees by service type is presented including a breakdown of fees incurred within each of the pre-approved envelopes.

*Fees Billed by the External Auditors*

During the years ended September 30, 2012 and September 30, 2011, CGI's external auditors billed the following fees for their services:

Service retained	Fees billed	
	2012	2011
Audit fees	\$ 7,219,323	\$ 3,269,836
Audit related fees <sup>(a)</sup>	\$ 815,130	\$ 1,471,952
Tax fees <sup>(b)</sup>	\$ 621,190	\$ 245,006
All other fees <sup>(c)</sup>	\$ 50,085	\$ 6,736

<b>Total fees billed</b>	<b>\$ 8,705,728</b>	<b>\$ 4,993,530</b>
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- (a) The audit related fees billed by the external auditors for the year ended September 30, 2012 were in relation to service organization control procedures audits and assistance, International Financial Reporting Standards transition assistance, information technology assistance and advisory services, and 401(k) and special audits. Those billed for the year ended September 30, 2011 were in relation to service organization control procedures audits and assistance, International Financial Reporting Standards transition assistance, assistance in mergers and acquisitions matters, information technology assistance and advisory services, and 401(k) and special audits.

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- (b) The tax fees billed by the external auditors for the years ended September 30, 2012 and 2011 were in relation to tax compliance and advisory services. 2012 also includes human capital services.
- (c) The other fees billed by the external auditors for the years ended September 30, 2012 and 2011 were in relation to government contract compliance services, and other advisory services.

### **Code of Ethics**

In addition to its *Code of Ethics and Business Conduct* that applies to all the Registrant's employees, officers and directors, the Registrant has adopted an *Executive Code of Conduct* that applies specifically to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or other persons performing similar functions (collectively, the "Officers"). The *Executive Code of Conduct* is designed to deter wrongdoing and to promote:

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

Full, fair, accurate, timely, and understandable disclosure in reports and documents that the Registrant files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Registrant;

Compliance with applicable governmental laws, rules and regulations;

The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and

Accountability for adherence to the code.

The Registrant's *Executive Code of Conduct* and of its *Code of Ethics and Business Conduct* have been posted on the Registrant's website at <http://www.cgi.com>.

The Board of Directors monitors compliance with the Code of Ethics and Business Conduct and under the Board of Directors charter is responsible for any waivers of the codes' provisions granted to directors or officers. No such waivers have been granted to date.

### **Corporate Governance Practices**

CGI's corporate governance practices conform to those followed by U.S. domestic companies under the *New York Stock Exchange* listing standards.

### **Off-balance sheet arrangements**

The Registrant does not enter into off-balance sheet financing as a matter of practice except for the use of operating leases for office space, computer equipment and vehicles, none of which are off-balance sheet arrangements within the meaning of paragraph (11) of General Instruction B to Form 40-F. In accordance with Canadian GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet as the terms of the leases do not meet the threshold for capitalization.

As disclosed in Note 30 to the Registrant's Consolidated Financial Statements, in the normal course of business, the Registrant enters into agreements that may provide for indemnification and guarantees to counterparties in transactions such as consulting and outsourcing services, business divestitures, lease agreements and financial obligations. These indemnification undertakings and guarantees may require the Company to compensate counterparties for costs and losses incurred as a result of various events, including breaches of representations and warranties, intellectual property right infringement, claims that may arise while providing services or as a result of litigation that may be suffered by counterparties. The nature of most indemnification undertakings prevent the Registrant from making a reasonable estimate of the maximum potential amount the Registrant could be required to pay counterparties, as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. The

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Registrant does not expect that any sum it may have to pay in connection with these guarantees will have a materially adverse effect on its Consolidated Financial Statements.

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**Table of Contents****Tabular Presentation of Contractual Obligations**

As of September 30, 2012, the Registrant's known contractual obligations were as follows:

Contractual Obligations (in 000 of Canadian dollars)	Payment due by period				
	Total	Less than 1 year	2 <sup>nd</sup> and 3 <sup>rd</sup> years	4 <sup>th</sup> and 5 <sup>th</sup> years	After 5 years
Long-Term Debt Obligations	3,178,276	18,942	1,008,869	1,766,404	384,061
Capital (Finance) Lease Obligations	85,124	33,405	42,666	8,767	286
Operating Lease Obligations <sup>(1)</sup>	1,932,336	435,698	610,768	412,852	473,018
Purchase Obligations	35,457	17,597	13,120	4,740	
<b>Total</b>	<b>5,231,193</b>	<b>505,642</b>	<b>1,675,423</b>	<b>2,192,763</b>	<b>857,365</b>

(1) Included in these obligations are \$81.5 million of office space leases from past acquisitions.

**Information to be Filed on This Form**

The following materials are filed as a part of this Annual Report:

1. Annual Information Form for the fiscal year ended September 30, 2012
2. Audited Annual Financial Statements for the fiscal year ended September 30, 2012
3. Management's Discussion and Analysis of Financial Position and Results of Operations

The following documents are filed as exhibits to this Annual Report:

- 23.1 Consent of Ernst & Young LLP
- 99.1 Certification of the Registrant's Chief Executive Officer required pursuant to Rule 13a-14(a).
- 99.2 Certification of the Registrant's Chief Financial Officer required pursuant to Rule 13a-14(a).
- 99.3 Certification of the Registrant's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.4 Certification of the Registrant's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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# **ANNUAL INFORMATION FORM**

For the fiscal year ended

September 30, 2012

December 10, 2012

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This *Annual Information Form* is dated December 10, 2012 and, unless specifically stated otherwise, all information disclosed in this form is provided as at September 30, 2012, the end of CGI's most recently completed fiscal year. All dollar amounts are in Canadian dollars, unless otherwise stated.

## **INCORPORATION AND DESCRIPTION OF CAPITAL STOCK**

### **Corporate Structure**

*CGI Group Inc.* (the Company, CGI, we, us or our) was incorporated on September 29, 1981 under Part IA of the *Companies Act* (Quebec) predecessor to the *Business Corporations Act* (Quebec), which came into force on February 14, 2011 and which now governs the Company. The Company continued the activities of *Conseillers en gestion et informatique CGI inc.*, which was originally founded in 1976. The executive and registered offices of the Company, as of September 30, 2012, were situated at 1130 Sherbrooke Street West, 7th floor, Montreal, Quebec, Canada, H3A 2M8 and as of November 27, 2012, the executive and registered offices of the Company are situated at 1350 boul. René-Lévesque Blvd. West, 15<sup>th</sup> Floor, Montreal, Quebec Canada H3G 1T4. CGI became a public company on December 17, 1986, upon completing an initial public offering of its Class A subordinate voting shares (Class A subordinate voting shares).

The following chart shows the direct and indirect subsidiaries of CGI (i) whose total assets represented more than 10% of CGI's consolidated assets as at September 30, 2012, or (ii) whose revenues represented more than 10% of CGI's consolidated revenues for the year ended September 30, 2012. Each subsidiary is 100% owned by its immediate parent company.

In addition to its principal operating subsidiaries, CGI has a number of other subsidiaries that serve specific markets, serve as holding companies, or serve other corporate purposes.

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**Capital Structure**

The Company's authorized share capital consists of an unlimited number of Class A subordinate voting shares carrying one vote per share and an unlimited number of Class B shares (multiple voting) ( Class B shares ) carrying 10 votes per share, all without par value, of which, as of December 10, 2012, 274,100,984 Class A subordinate voting shares and 33,608,159 Class B shares, were issued and outstanding. These shares represent respectively 44.9% and 55.1% of the aggregate voting rights attached to the outstanding Class A subordinate voting shares and Class B shares. Two classes of preferred shares also form part of CGI's authorized capital: an unlimited number of First Preferred Shares, issuable in series, and an unlimited number of Second Preferred Shares, also issuable in series. As of December 10, 2012 there were no preferred shares outstanding.

The Company incorporates by reference the disclosure contained under the headings *Class A Subordinate Voting Shares and Class B Shares* on page 2, and *First Preferred Shares* and *Second Preferred Shares* on page 5 of CGI's *Management Proxy Circular* dated December 10, 2012 which was filed with Canadian securities regulatory authorities and which is available at [www.sedar.com](http://www.sedar.com) and on CGI's web site at [www.cgi.com](http://www.cgi.com). A copy of the *Management Proxy Circular* will be provided promptly to shareholders upon request.

*Stock Splits*

As of December 10, 2012, the Company had proceeded with four subdivisions of its issued and outstanding Class A subordinate voting shares as follows:

August 12, 1997 on a two for one basis;  
December 15, 1997 on a two for one basis;  
May 21, 1998 on a two for one basis; and  
January 7, 2000 on a two for one basis.

**Market for Securities, Trading Price and Volume**

CGI's Class A subordinate voting shares are listed for trading on the *Toronto Stock Exchange* under the symbol GIB.A and on the *New York Stock Exchange*, under the symbol GIB. A total of 171,980,784 Class A subordinate voting shares were traded on the *Toronto Stock Exchange* during the year ended September 30, 2012 as follows:

Month	High <sup>(a)</sup>	Low <sup>(a)</sup>	Volume
	(\$)	(\$)	
October 2011	20.82	17.92	18,642,886
November 2011	20.95	18.32	15,753,205
December 2011	19.61	18.20	9,900,701
January 2012	20.45	17.88	11,718,642
February 2012	21.41	20.00	15,362,488
March 2012	22.40	20.01	14,988,216
April 2012	22.30	20.31	10,471,632
May 2012	25.03	20.35	19,915,832
June 2012	24.47	22.65	13,393,082
July 2012	24.93	22.78	15,258,000
August 2012	25.98	23.33	14,830,500
September 2012	27.00	25.65	11,775,600

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(a) The high and low prices reflect the highest and lowest prices at which a board lot trade was executed in a trading session during the month.



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*Normal Course Issuer Bid and Share Repurchases*

On February 1, 2012, CGI announced that it was renewing its normal course issuer bid to repurchase up to 10% of the public float of its issued and outstanding Class A subordinate voting shares during the next year. See *Description of CGI's Business - Significant developments of the Three Most Recent Fiscal Years - Fiscal Year ended September 30, 2012 - Share Repurchase Program* later in this document.

**CORPORATE GOVERNANCE****Board and Standing Committee Charters and Codes of Ethics**

CGI's Code of Ethics and Business Conduct, its Executive Code of Conduct, the charter of the Board of Directors and the charters of the standing committees of the Board of Directors, including the charter of the *Audit and Risk Management Committee*, are set out in CGI's *Fundamental Texts* which are annexed as Appendix A to this *Annual Information Form*.

**Audit Committee Information**

The Company incorporates by reference the disclosure contained under the heading *Expertise and financial and operational literacy* on page 42 and following and the disclosure under the heading *Report of the Audit and Risk Management Committee* on page 51 and following of CGI's *Management Proxy Circular* dated December 10, 2012 which was filed with Canadian securities regulatory authorities and which is available at [www.sedar.com](http://www.sedar.com) and on CGI's web site at [www.cgi.com](http://www.cgi.com). A copy of the *Management Proxy Circular* will be provided promptly to shareholders upon request.

**Directors and Officers***Directors*

The Company incorporates by reference the disclosure under the heading *Nominees for Election as Directors* relating to the Company's directors contained on pages 8 to 15, and the table on Board of Directors committee membership on page 40 of CGI's *Management Proxy Circular* dated December 10, 2012 which was filed with Canadian securities regulatory authorities and which is available at [www.sedar.com](http://www.sedar.com) and on CGI's web site at [www.cgi.com](http://www.cgi.com). A copy of the *Management Proxy Circular* will be provided promptly to shareholders upon request.

*Officers*

The following table states the names of CGI's senior officers, their place of residence and their principal occupation:

<b>Name and place of residence</b>	<b>Principal occupation</b>
R. David Anderson  Montreal, Quebec  Canada	Executive Vice-President and Chief Financial Officer
João Baptista  London, United Kingdom	President, Nordics, Southern Europe and South America
François Boulanger  Brossard, Quebec	Senior Vice-President and Corporate Controller

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Canada  
Benoit Dubé

Executive Vice-President, Chief Legal Officer and Assistant Corporate Secretary

St-Lambert, Quebec

Canada  
Serge Dubrana

President, Central and Eastern Europe

Asnières sur Seine

France

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<b>Name and place of residence</b>	<b>Principal occupation</b>
Julie Godin Verdun (Ile-des-Soeurs), Quebec Canada	Executive Vice-President, Human Resources and Strategic Planning
Serge Godin Westmount, Quebec Canada	Founder and Executive Chairman of the Board
Timothy W. Gregory Chislehurst, Kent England	President, United Kingdom
Colin Holgate Pymble, Sydney Australia	President, Asia Pacific
André Imbeau Beloeil, Quebec Canada	Founder, Vice-Chairman of the Board and Corporate Secretary
Jean-Marc Lazzari Saint-Rémy-l Honoré France	President, France
Eva Maglis Montreal, Quebec Canada	Executive Vice-President and Global Chief Information Officer
Claude Marcoux Sainte-Foy, Quebec Canada	Chief Operations Officer, Canada
Douglas McCuaig Toronto, Ontario Canada	President, Canada
Luc Pinard St-Lambert, Quebec Canada	Executive Vice-President, Corporate Performance and Knowledge Management

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Michael E. Roach	President and Chief Executive Officer
Outremont, Quebec	
Canada	
Daniel Rocheleau	Executive Vice-President and Chief Business Engineering Officer
Longueuil, Quebec	
Canada	
Jacques Roy	Senior Vice-President, Finance and Treasury
Boucherville, Quebec	
Canada	
Donna Ryan	President, CGI Federal
Watroo, South Carolina	
USA	
Claude Séguin	Senior Vice-President, Corporate Development and Strategic Investments
Montreal, Quebec	
Canada	
George Schindler	President, United States
Fairfax, Virginia	

USA

João Baptista was appointed President, Nordics, Southern Europe and South America on August 20, 2012. Prior to his appointment as President, Nordics, Southern Europe and South America with the Company, Mr. Baptista was Chief Executive Officer Northern and Central Europe (2010-2012) and Chief Executive of International (2008-2009) with Logica plc. Before serving in these positions with Logica plc, Mr. Baptista held concurrently the following executive positions with subsidiaries Portugal Telecom, SGPS: Chairman and Chief Executive Officer of PT Investimentos Internacionais; Chairman and Chief Executive Officer of PT Investimentos Internacionais; Chairman of PT Asia, Chief Executive Officer of Africatel Holdings; and Vice Chairman of VIVO.

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Benoit Dubé was appointed Executive Vice-President, Chief Legal Officer and Assistant Corporate Secretary on June 4, 2010 and prior to his appointment was a Vice-President in the Company's Legal Department.

Serge Dubrana was appointed President, Central and Eastern Europe on August 20, 2012 and prior to his appointment was Chief Executive Officer Technology & Alliances (2008-2009), Chief Executive Officer Global operations & International (2010-2011) and Group Chief Operating Officer (2012) at Logica plc.

Prior to joining the Company in August of 2009, Julie Godin was President of *Oxygène Santé Corporative Inc.*, which was acquired by the Company on August 13, 2009. Ms. Godin joined CGI as Administrative Vice-President and was appointed Senior Vice-President, Human Resources and Strategic Planning on July 26, 2010. Ms. Godin was appointed Executive Vice-President, Human Resources and Strategic Planning, on September 1, 2012.

Timothy W. Gregory was appointed President, United Kingdom on August 20, 2012 and prior to his appointment was President, Europe and Australia with the Company (2011-2012), Business Unit Leader UK (2009-2011) and Head, United Kingdom Insurance Practice and Outsourcing (2007-2009).

Colin Holgate was appointed President, Asia-Pacific on August 20, 2012 and prior to his appointment was Chief Executive Officer Australia at Logica CMG (2007-2010), Chief Executive officer Asia Pacific (2010-2011) and Managing Director, Asia Pacific, Middle East and Africa (2011-2012) at Logica plc.

Jean-Marc Lazzari was appointed President, France on August 20, 2012 and prior to his appointment was Chief Executive Officer Outsourcing Services (2008-2010), President France (2010-2011), and Chief Client Officer and Chief Executive Officer France (2012) at Logica plc. Prior to joining Logica plc, Mr. Lazzari was Vice-President and General Manager Continental Europe at Unysis Corporation (2004-2008).

Eva Maglis was appointed as an officer of the Company on July 26, 2010 and became responsible, in her capacity as Senior Vice-President and General Manager, for CGI's global infrastructure services, solutions and consulting on October 1, 2010. She was appointed President, Global Infrastructure Services on May 27, 2011. Ms. Maglis was appointed Executive Vice-President and Global Information Officer on June 1, 2012.

Prior to his appointment as President, Canada on June 4, 2010, Doug McCuaig was a Senior Vice-President of the Company.

Luc Pinard was Executive Vice-President, Chief Technology and Quality Officer prior to being appointed Executive Vice-President, Corporate Performance and Knowledge Management on August 3, 2011.

Donna Ryan held the position of Senior Vice-President prior to being appointed President, CGI Federal on September 28, 2011.

Prior to his appointment as Chief Operations Officer, Canada on August 17, 2012, Mr. Claude Marcoux was Senior Vice-President and General Manager.

George Schindler was appointed President, CGI Federal on July 26, 2010, and President, United States on September 28, 2011.

Except as noted above, all of the officers named in the table have either held the position set out opposite their names, or other executive or equivalent management functions in the Company or its subsidiaries during the last five years.

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*Ownership of Securities on the Part of Directors and Officers*

The Company incorporates by reference the disclosure under the heading *Principal Holders of Class A Subordinate Voting Shares and Class B Shares* on page 5 of CGI's *Management Proxy Circular* dated December 10, 2012 which was filed with Canadian securities regulatory authorities and which is available at [www.sedar.com](http://www.sedar.com) and on CGI's web site at [www.cgi.com](http://www.cgi.com). A copy of the *Management Proxy Circular* will be provided promptly to shareholders upon request.

**DESCRIPTION OF CGI'S BUSINESS****Mission and Vision**

The mission of CGI is to help its clients with professional services of outstanding quality, competence and objectivity, delivering the best solutions to fully satisfy client objectives in information technology ( IT ), business processes and management. In all we do, we foster a culture of partnership, intrapreneurship and integrity, building a global IT and business process services ( BPS ) company. CGI's vision is to be a world class IT and BPS leader helping our clients win and succeed.

CGI's *Mission, Vision, Dream and Values* are explained in the Company's *Fundamental Texts*, which are annexed as Appendix A, and are posted on the Company's web site at [www.cgi.com](http://www.cgi.com).

**Business Structure**

In 2012, we modified our basis of reporting such that the growth and profitability of the India activities were reallocated from our previously combined U.S. and India segment to each reporting segment, namely: Global Infrastructure Services ( GIS ), Canada, United States, and Europe & Asia Pacific. This view reflects each segment's utilization of our delivery centres in India; the segmented results for the year and three months ended September 30, 2011 were therefore retrospectively revised. The GIS segment incorporates all services we provide to our clients globally for the management of their technology infrastructure. In the fourth quarter of fiscal 2012, our acquisition of *Logica plc* ( Logica ) became effective six weeks before our fiscal year end; see *Description of CGI's Business - Significant Developments of the Three Most Recent Fiscal Years - Acquisition of Logica plc* later in this document. Logica's results for these six weeks are reported in a separate segment. We are currently integrating Logica's operations into CGI's business structure and we will finalize its integration into our reporting segments in the first quarter of fiscal 2013.

The following table shows the revenue for each of the segments in fiscal 2012 and 2011:

<i>In 000s of dollars</i>		
<b>Segment</b>	<b>2012</b>	<b>2011</b>
GIS revenue	684,870	816,663
Canada revenue	1,212,615	1,287,056
U.S. revenue	2,091,112	1,896,002
Europe and Asia Pacific revenue	215,982	224,221
Logica revenue	567,875	-
<b>Total</b>	<b>4,772,454</b>	<b>4,223,942</b>

*Services Offered by CGI*

CGI provides high-end IT consulting, systems integration, IT outsourcing and business solutions. The Company's delivery model provides for work to be carried out onsite at client premises, or through one of its centers of excellence located throughout the world.

In addition, CGI has a wide range of proprietary business solutions which help shape opportunities and drive value for our clients and shareholders, including the following:

*Momentum* is an integrated enterprise resource planning suite in use by over 85 federal organizations across the three branches of the U.S. federal government, including 16 agencies subject to the *Chief Financial Officer and Federal Financial Reform Act of 1990*.

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CGI's leading enterprise resource planning solution, *CGI Advantage*, helps state and local governments improve their back office operations and better serve their citizens with a full suite of built-for-government tools, including financial management, payroll, budgeting, human resources management, procurement and grants management. The CGI Advantage client organizations include 22 states, two of the five largest cities, and three of the five largest counties.

CGI's Credit Services Solutions, including *CACS*, *CACS-G*, *Bureaulink*, *Strata* and other components, are in use by hundreds of businesses around the world to improve their customer and small business credit operations.

*Management of IT and Business Functions - Outsourcing*

Clients delegate entire or partial responsibility for their IT or business functions to CGI to achieve significant savings and access the best suited technology, while retaining control over strategic IT and business functions. As part of such agreements, we implement our quality processes and proven practices to improve the efficiency of the client's operations. We also integrate client's operations into our technology network. Finally, we may take on specialized professionals from our clients, enabling our clients to focus on key operations. Services provided as part of an outsourcing contract may include development and integration of new projects and applications; applications maintenance and support; technology management (enterprise and end-user computing and network services); transaction and business processing such as payroll, insurance processing and document management services. Outsourcing contracts typically have terms of up to ten years.

*Consulting and Systems Integration*

CGI provides a full range of IT and business consulting services, including business transformation, IT strategic planning, business process engineering and systems architecture.

CGI integrates and customizes leading technologies and software applications to create IT systems that respond to clients' strategic needs.

*Markets for CGI's Services*

CGI offers its end-to-end services to a focused set of industry vertical markets (verticals) where we have developed extensive and deep subject matter expertise. This allows us to fully understand our clients' business realities and to have the knowledge and solutions needed to advance their business goals. Our targeted verticals include government, financial services, manufacturing retail and distribution, telecommunications and utilities, and health.

*Client Base*

CGI works with more than 10,000 large and medium sized businesses in the private and public sectors worldwide. The Company's clientele is well balanced in terms of quality, quantity, stability and diversity.

*Human Resources*

As of December 10, 2012, CGI had approximately 72,000 employees whom we call members.

In order to encourage the high degree of commitment necessary to ensure the quality and continuity of client service, CGI has had a member share purchase plan in place for several years. From the beginning, the Company has had a *Profit Participation Plan* which, from 1990 onwards, has been based on the performance of its business units and overall corporate results.



**Table of Contents***CGI Offices and Global Delivery Model*

CGI and its affiliated companies operate from more than 400 offices. CGI also serves its clients from global delivery centers located on four continents. These delivery centers enable CGI to provide its clients with the right mix of onshore, nearshore and offshore IT services that best suits their business needs.

CGI's delivery centers and its main offices are listed below:

<b>Canada</b>			
Burnaby, BC	Halifax, NS	Montréal, QC	Sherbrooke, QC
Calgary, AB	Laval, QC	Ottawa, ON	Toronto, ON
Charlottetown, PEI	Markham, ON	Quebec City, QC	Victoria, BC
Edmonton, AB	Mississauga, ON	Regina, SK	
Fredericton, NB	Moncton, NB	Saguenay, QC	
<b>United States</b>			
Albany, NY	Cleveland, OH	Lebanon, VA	Richmond, VA
Annapolis Junction, MD	Columbia, SC	Lexington, KY	Sacramento, CA
Arlington, VA	Columbus, OH	Los Angeles, CA	San Antonio, TX
Atlanta, GA	Dallas / Fort Worth, TX	Manassas, VA	San Diego, CA
Austin, TX	Denver, CO	Miami, FL	Sarasota, FL
Baltimore, MD	Fairfax, VA	New Orleans, LA	Sierra Vista, AZ
Bellevue, WA	Fairview Heights, IL	New York, NY	St. Louis, MO
Belton, TX	Honolulu, HI	Norfolk, VA	Tampa, FL
Birmingham, AL	Hotsprings, AR	Norman, OK	Troy, AL
Boston, MA	Houston, TX	Oakland, CA	Tucson, AZ
Buffalo, NY	Huntsville, AL	Oklahoma City, OK	Washington, DC
Charleston, SC	Jacksonville, FL	Phoenix, AZ	
Chicago, IL	Juneau, AK	Pittsburgh, PA	
Clarksville, TN	Lawton, OK	Raleigh, NC	
<b>Europe, Asia Pacific and Africa</b>			
Amsterdam, Netherlands	Cairo, Egypt	Lyon, France	Rabat, Morocco
Bangalore, India	Düsseldorf, Germany	Madrid, Spain	Reading, U.K.
Basingstoke, U.K.	Frankfurt, Germany	Malaga, Spain	Rotterdam, Netherlands
Ballerup, Denmark	Hannover, Germany	Malmö, Sweden	Selangor, Malaysia
Bordeaux, France	Helsinki, Finland	Manila, Philippines	Stevenage, U.K.
Brentwood, U.K.	Hyderabad, India	Melbourne, Australia	Sydney, Australia
Brno, Czech Republic	Krakow, Poland	Milton Keynes, U.K.	Stockholm, Sweden
Brussels, Belgium	Kuala Lumpur, Malaysia	Mumbai, India	Tampere, Finland
Cairo, Egypt	Leinfelden-Echterdingen, Germany	Munich, Germany	Tartu, Estonia
Canberra, Australia	Lisbon, Portugal	Oslo, Norway	Tallinn, Estonia
Casablanca, Morocco	London, U.K.	Paris, France	Utrecht, Netherlands
Chennai, India	Luxembourg, Luxembourg	Prague, Czech Republic	Warsaw, Poland

indicates cities where CGI operates global delivery centres.

All of CGI's offices are located in rented premises with the exception of the following properties, which are owned by CGI: one property in Montreal, Quebec where one of our data centres is located; two properties in Mississauga, Ontario, one of which is a data centre and the other of which is an office building; one property in Santiago, Chile; one property in Riihimäki, Finland; one property in Mumbai, India consisting of an office building, but that is built on land that we lease; one property in Odivelas, Portugal; one property in Bromölla, Sweden; two properties in Bridgend, United Kingdom, one of which is an office building and the other of which is a parcel of land; and one property in Caracas,

Venezuela.

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### *Commercial Alliances*

CGI currently has commercial alliance agreements with various business partners. These non-exclusive commercial agreements with hardware and software providers allow the Company to provide its clients with high quality technology, often on advantageous commercial terms. CGI's business partners include prominent hardware and software providers.

### *Quality Processes*

CGI's ISO 9001 certified operations that are reflected in its management frameworks ensure that its clients' objectives are clearly defined, that projects are properly scoped and that the necessary resources are applied to meet objectives. These processes ensure that clients' requirements drive CGI's solutions. Clients are constantly kept informed; their degree of satisfaction is regularly measured and part of the incentive remuneration of CGI managers is linked to the results.

In 1993, the Company began working towards obtaining ISO 9001 certification for the portion of its operations covered by its *Project Management Framework*. CGI's Quebec City office was granted ISO 9001 certification in June 1994, which allowed CGI to become North America's first organization in the IT consulting field to receive ISO 9001 certification for the way in which it managed projects. Since 1995, CGI expanded the ISO 9001 certification throughout its Canadian, U.S. and international offices as well as its corporate headquarters. Over the past several years, in the context of CGI's high growth rate, its ISO certified quality system has been a key ingredient in spreading its culture, in part because it helps to integrate new members successfully.

Extending the ISO 9001 certification to the operations resulting from the Logica acquisition is a key ingredient in CGI's integration program.

As clients grow and IT projects become increasingly complex, CGI strives to further refine its quality processes while allowing them to branch out across all its activities. CGI's enhanced quality system of which the *Client Partnership Management Framework* ( CPMF ) forms part, is simpler and provides the Company's business units with greater autonomy in a context of decentralized activities. One of CGI's key focus areas remains the successful management of client relationships, leading to long-term partnerships. CGI applications development centres in Mumbai, Hyderabad, Chennai and Bangalore in India, have achieved SEI CMMi Level 5 quality certification and ISO 27001 security management system certification.

CGI also obtained ISO 9001 certification for the application of its *Member Partnership Management Framework* in its operations and, in 2004, we similarly obtained ISO 9001 certification for the portion of our operations covered by our *Shareholder Partnership Management Framework* ( SPMF ). The SPMF structures the processes and information flows between CGI and its shareholders as well as with the investment community.

CGI now holds ISO quality certification for the management of its partnerships with each of its three major stakeholder groups, namely customers, members and shareholders.

## **The IT Services Industry**

### *Size, Structure and Recent Developments*

Although the current state of the economy makes it difficult to predict future trends in IT spending, CGI intends to continue its *Build and Buy* profitable growth strategy. Most businesses and governments still require IT services in challenging market conditions and clients are expected to be looking for increased value and lower costs, thereby presenting opportunities that the Company has successfully exploited in the past. With respect to IT and business process services outsourcing, we believe that the potential remains enormous. CGI has from time to time commissioned a study from *International Data Corp.* ( IDC ) which provides CGI with insight as to spending on IT and business process services in Canada, the United States and Europe.

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According to IDC's research conducted in 2011, the potential business opportunity for IT outsourcing was estimated to be US\$607 billion in the U.S., US\$606 billion in Europe and US\$53 billion in Canada. These numbers exclude the value of services already outsourced and indicate a large untapped potential market.

*Industry Trends and Outlook*

Our industry continues to evolve rapidly. In the early to mid-1990s, 75% of the industry's revenue came from per diem services, i.e. from specialized assistance within specific projects. Such services did not require a large or complex organization nor did they allow for much differentiation between firms, which resulted in fierce competition.

Today, large IT firms' revenues are generated by systems integration or outsourcing projects aimed at comprehensive business solutions. Both public and private sector organizations are looking for new ways to provide better services at lower cost. For organizations, the emergence of internet applications and web based business models have shortened implementation time for solutions while increasing pressure to retain scarce professional resources. Their need to concentrate on core competencies and to increase flexibility explains why companies increasingly turn to externally sourced professionals for the development and management of some of their specialized functions, including information systems. They are demanding proven technological solutions implemented rapidly at a lower total cost of ownership and operation.

Prospective clients continue to place significant emphasis on cost reductions and are therefore inclined to consider outsourcing part or all of their IT services. These factors help to explain the popularity of global outsourcing services.

**Vision and Strategy**

The first two pillars of our strategy focus on organic growth. The first pillar focusses on contract wins in the area of consulting and systems integration as well as outsourcing renewals and extensions. The second involves the pursuit of new large long-term outsourcing contracts, leveraging our end-to-end services, global delivery model and critical mass.

The third pillar of our growth strategy focuses on the acquisition of smaller firms or niche players. We identify niche acquisitions through a strategic mapping program that systematically searches for targets that will strengthen our vertical market knowledge or increase the richness of our service offerings.

The fourth pillar involves the pursuit of transformational acquisitions focused on expanding our geographic presence and critical mass. This approach further enables us to strengthen our qualifications to compete for large outsourcing contracts. CGI continues to be a consolidator in the IT services industry.

Throughout its history, CGI has been highly disciplined in following this four-pillar growth strategy, with an emphasis on earnings accretion and maximizing shareholder value.

**Competitive Environment**

As a global provider of end-to-end information technology and business process services, CGI operates in a highly competitive and rapidly evolving global industry. Our competition comprises a variety of global players, from niche companies providing specialized services to other end-to-end service providers, mainly in the U.S., Europe and India, all of whom are competing to deliver some or all of the services we provide. Recent merger and acquisition activity has resulted in CGI being positioned as one of the few remaining IT services firms that operates independently of any hardware or software vendor. This independence allows CGI to deliver the best-suited technology available globally to our clients.

CGI offers its end-to-end services to a select set of targeted vertical markets in which we have deep business and technical expertise covering 90% of global IT spend. These vertical markets are:

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government, financial services, manufacturing retail and distribution, telecommunications and utilities, and health. To compete effectively, CGI focuses on high-end systems integration, consulting and outsourcing where vertical market industry knowledge and expertise are required.

Our client proximity metro markets business model combined with our global delivery model results in highly responsive and cost competitive delivery. CGI's global delivery model provides clients with a unique blend of onshore, nearshore and offshore delivery options that caters to their strategic and cost requirements. CGI also has a number of leading business solutions that support long-term client relationships. Moreover, all of CGI's business operations are executed based on the same management foundation, ensuring consistency and cohesion across the Company.

There are many factors involved in winning and retaining IT and BPS contracts, including the following: total cost of services; ability to deliver; track record; vertical market expertise; investment in business solutions; local presence; global delivery capability; and the strength of client relationships.

**Significant Developments of the Three Most Recent Fiscal Years***Key Performance Measures*

All financial information for the fiscal year ended September 30, 2012 is presented in accordance with *International Financial Reporting Standards*. Financial information for the fiscal years ended September 30, 2010 and 2011 is presented in accordance with *Canadian Generally Accepted Accounting Principles*.

We use a combination of financial measures, ratios, and non-GAAP measures to assess the Company's performance. The table below summarizes our most relevant key performance measures:

<b>Profitability</b>	<p><i>Adjusted EBIT</i> is a measure of earnings before acquisition-related and integration costs, finance costs, finance income, other income, share of profit on joint venture, and income tax expense. Management believes this measure best reflects the profitability of our operations.</p> <p><i>Diluted earnings per share</i> is a measure of earnings generated for shareholders on a per share basis, assuming all dilutive elements are exercised.</p>
<b>Liquidity</b>	<p><i>Cash provided by operating activities</i> is a measure of cash generated from managing our day-to-day business operations. We believe strong operating cash flow is indicative of financial flexibility, allowing us to execute our corporate strategy.</p> <p><i>Days sales outstanding</i> is the average number of days to convert our trade receivables and work in progress into cash. Management tracks this metric closely to ensure timely collection, healthy liquidity, and is committed to maintaining a DSO target of 45 days.</p>
<b>Growth</b>	<p><i>Constant currency growth</i> is a measure of revenue growth before foreign currency impacts. This growth is calculated by translating current period results in local currency using the conversion rates in the equivalent period from the prior year. We believe that it is helpful to adjust revenue to exclude the impact of currency fluctuations to facilitate period-to-period comparisons of business performance.</p> <p><i>Backlog</i> represents management's best estimate of revenue to be realized in the future based on the terms of respective client agreements in effect at a point in time.</p> <p><i>Book-to-Bill ratio</i> is a measure of the proportion of contract wins to our revenue in the period. This metric allows management to monitor the company's business development efforts to ensure we grow our backlog and our business over time. Management remains committed to maintaining a target ratio greater than 100% over a 12-month period.</p>

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Management believes that the longer period is a more effective measure as the size and timing of bookings could cause this measurement to fluctuate significantly if taken for only a three-month period.

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Information regarding our bookings is a key indicator of the volume of our business over time. However, due to the timing and transition period associated with outsourcing contracts, the realization of revenue related to these bookings may fluctuate from period to period. The values initially booked may change over time due to their variable attributes, including demand-driven usage, modifications in the scope of work to be performed caused by changes in client requirements as well as termination clauses at the option of the client. As such, information regarding our bookings is not comparable to, nor should it be substituted for an analysis of our revenue; it is instead a key indicator of our future revenue used by the Company's management to measure growth.

**Capital Structure**

*Net Debt to Capitalization ratio* is a measure of our level of financial leverage net of our cash and cash equivalents and short-term investments and marketable long-term investments. Management uses this metric to monitor the proportion of debt versus capital used to finance our operations and it provides insight into our financial strength.

*Return on Equity* is a measure of the rate of return on the ownership interest of our shareholders. Management looks at ROE to measure its efficiency at generating profits for the Company's shareholders and how well the Company uses the invested funds to generate earnings growth.

*Return on Invested Capital* is a measure of the Company's efficiency at allocating the capital under its control to profitable investments. Management examines this ratio to assess how well it is using its money to generate returns.

*Fiscal Year ended September 30, 2012*

*Significant Developments*

The Company continued to grow year-over-year and our adjusted EBIT margin continues to remain strong, providing necessary cash from operations to pay down our long-term debt and to increase the return to our shareholders. The highlights are below:

Revenue of \$4.8 billion, increase of 12.1% year-over-year on a constant currency basis;

Bookings of \$5.2 billion resulting in a book-to-bill ratio of 109%;

Backlog of \$17.6 billion;

Strong underlying profitability delivered across legacy CGI operations;

Accelerating profitable growth and bookings in U.S. operations; and

Cash from operations of \$613.3 million, or \$2.24 per share.

*Acquisition of Logica plc*

On August 20, 2012, CGI completed the recommended cash acquisition of Logica for 105 pence (C\$1.63) per ordinary share, equivalent to a total purchase price of £1.7 billion (C\$2.7 billion as at August 20, 2012) plus the assumption of Logica's net debt of £571.0 million (C\$866.7 million). The cash acquisition of all the issued and to be issued ordinary shares of Logica was effected by means of a Court-sanctioned scheme of arrangement in the United Kingdom. Our results for the year incorporate the operations of Logica subsequent to August 20, 2012. CGI has

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incurred \$255.0 million in acquisition-related and integration costs over the last half of fiscal 2012.

Logica is a business and technology services company, employing 41,000 people. It provides business consulting, systems integration and outsourcing services to clients around the world, including many of Europe's largest business.



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Logica and the Company entered into a cooperation agreement dated May 31, 2012 (the *Cooperation Agreement*) in connection with the acquisition. Pursuant to the Cooperation Agreement, Logica and the Company each agreed to cooperate in relation to the obtaining of any and all regulatory consents, clearances, permissions and waivers as may be necessary, and the making of all regulatory filings as may be necessary, in connection with the acquisition, and Logica and the Company each agreed to work together to implement certain appropriate proposals in relation to Logica share schemes and employment benefits.

The consideration paid under the Logica acquisition was funded through a combination of:

cash proceeds of C\$1.0 billion from the issuance of 46,707,146 subscription receipts exchangeable for new Class A subordinate voting shares in the Company to *Caisse de dépôt et placement du Québec* (the *Caisse*) at \$21.41 per subscription receipt pursuant to a subscription agreement entered into by the Caisse and the Company on May 31, 2012 (the *Subscription Agreement*), a subscription receipt agreement entered into by the Caisse, the Company and *Computershare Trust Company of Canada* as subscription receipt agent, on May 31, 2012 (the *Subscription Receipt Agreement*);

debt funding from a syndicate of lenders pursuant to £1.245 billion (C\$1.9 billion) senior unsecured term loan credit facilities under a credit agreement dated May 31, 2012 (the *Term Loan Credit Agreement*), a fee letter dated May 31, 2012 (the *Fee Letter*) and a syndication letter dated May 31, 2012 (the *Syndication Letter*); and

debt funding from a syndicate of lenders pursuant to a revolving credit facility under the Company's existing \$1.5 billion credit agreement.

Under the Subscription Receipt Agreement, the 46,707,146 subscription receipts that were issued to the Caisse on May 31, 2012 were automatically exchanged into new Class A subordinate voting shares as a result of the completion of the Logica acquisition on August 20, 2012.

The Subscription Agreement contains among its terms and conditions:

customary representations and warranties by the Company to the Caisse; and

an indemnity from the Company in favour of the Caisse in respect of breaches of covenants or representations and warranties by the Company and in respect of orders, investigations or other proceedings prohibiting, restricting or materially affecting the trading or distribution of the subscription receipts or underlying shares. The representations, warranties and indemnities will be in effect until August 20, 2014, except for customary exceptions for tax matters and in the case of fraud.

As contemplated in the Subscription Agreement, the Company and the Caisse entered into a registration rights agreement dated August 20, 2012 (the *Registration Rights Agreement*) which provides, among other terms and conditions:

The Caisse will have the right, as long as it beneficially owns or exercises control or direction over 15% or more of the outstanding Class A subordinate voting shares, to recommend to the Company one nominee to be part of any slate proposed by the Company and included in a proxy circular relating to the election of directors of the Company, provided that the nominee shall have no material relationship with the Company or the Caisse, shall be eligible to serve as a director under the Company's articles and laws of incorporation and that the nomination shall be subject to a favourable recommendation of the Company's Corporate Governance

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Committee. CGI has no shareholder's agreement with the Caisse and the Caisse has not yet exercised its board nomination right;

The Registration Rights Agreement also provides that the Caisse is entitled, at any time and from time to time, as long as it beneficially owns or exercises control or direction over 20% or more of all outstanding Class A subordinate voting shares, to require CGI to file a Canadian prospectus and take such other steps as may be reasonably necessary to facilitate a secondary offering in Canada, at the Caisse's expense, on the terms and conditions set out in the Registration Rights Agreement;

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In addition, if the Company proposes to make a distribution in Canada for its own account or if an existing shareholder proposes to make a distribution in Canada through a secondary offering, the Company will be required, at that time, upon request by the Caisse, provided that it beneficially owns or exercises control or direction over 15% of the outstanding Class A subordinate voting shares, use commercially reasonable efforts to cause to be included in the distribution the shares that the Caisse has requested to be included, up to a maximum of 15% of the shares to be offered in the distribution, with expenses to be shared on a pro rata basis, and otherwise upon the terms and conditions set out in the Registration Rights Agreement;

In connection with any prospectus-exempt sale by the Caisse in Canada or in the U.S., the Company will be required to use commercially reasonable efforts, at the Caisse's expense, to assist the Caisse and its representatives in the preparation of the required documentation and to allow any prospective buyer to conduct reasonable due diligence on the Company. If the Company proposes to file a registration statement for the distribution of shares to the public in the U.S., the Caisse and the Company will, prior to such distribution taking place, supplement the Registration Rights Agreement so as to provide the Caisse with registration rights enabling the distribution of shares to the public in the U.S. that are substantially equivalent to the registration rights provided under the Registration Rights Agreement.

We filed a Business Acquisition Report in relation to our acquisition of Logica on November 5, 2012.

*Credit Facility and Private Debt Placement*

On December 7, 2011, the Company renewed its unsecured revolving credit facility of \$1.5 billion for an additional five years, through December 2016. The facility, which can be extended annually, includes an accordion feature in support of acquisitions providing for an additional \$750.0 million, bringing the facility's potential capacity to \$2.25 billion. In addition, during the first quarter of fiscal 2012, the Company received the proceeds of the US\$475.0 million private debt placement with US institutional investors that was entered into during the fourth quarter of fiscal 2011.

*Bookings and Book-to-Bill Ratio*

The Company achieved a book-to-bill ratio of 109% for the year. Of the \$5.2 billion in bookings signed during the year, 56% came from new business, while 44% came from extensions and renewals.

Our largest verticals for bookings were government and financial services, making up approximately 45% and 22% of total bookings, respectively. From a geographical perspective, the U.S. accounted for 58% of total bookings, followed by Canada at 27% and Europe at 15%.

*Share Repurchase Program*

On February 1, 2012, the Company's Board of Directors authorized and received the approval from the *Toronto Stock Exchange* for the renewal of the Normal Course Issuer Bid (NCIB) to purchase up to 10% of the public float of the Company's Class A subordinate voting shares over the next twelve months. The NCIB enables CGI to purchase, on the open market, up to 22,064,163 Class A subordinate voting shares for cancellation. The Class A subordinate shares may be purchased under the NCIB commencing February 9, 2012 and ending on the earlier of February 8, 2013, or the date on which the Company either acquired the maximum number of Class A subordinate voting shares allowable under the NCIB, or elected to terminate the NCIB.

During fiscal 2012, the Company repurchased 5,368,000 of its Class A subordinate voting shares for \$102.8 million at an average price of \$19.16, under the current and previous NCIB. As at September 30, 2012, the Company could purchase up to an additional 21.0 million shares under the current NCIB.

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*Foreign currency impact*

Foreign currency rate fluctuations favourably impacted our revenue by 0.9%. This compares with an unfavourable impact of 3.1% in fiscal 2011, and a favourable impact of 5.8% in fiscal 2010. The foreign currency impact in 2012 was mainly due to the weakening of the U.S. dollar.

*Fiscal Year ended September 30, 2011*

*Significant Developments*

The Company continued to grow year-over-year and our adjusted EBIT margin continued to remain strong, providing necessary cash from operations to pay down our long-term debt and to increase the return to our shareholders. The highlights below include the impacts of the Performance Improvement Plan as explained below under *Performance Improvement Plan*:

Bookings of \$4.9 billion;

Book-to-bill ratio of 113%;

Constant currency revenue growth of 18.9% over the prior fiscal year;

Adjusted EBIT margin remained high at 13.0%;

Basic and diluted EPS grew by 29.1% and 27.4% respectively compared to the prior fiscal year;

Return on equity reached 19.5%;

Cash provided by continuing operating activities remained strong, representing 13.2% of revenue; and

Repurchased 16.4 million Class A subordinate voting shares of the Company.

*Conseillers en informatique d affaires CIA Inc.*

On April 4, 2011, CGI concluded a transaction whereby *Conseillers en informatique d affaires CIA inc.* ( CIA ) repurchased its shares held by CGI. CGI simultaneously purchased the operations carried out in CIA's Paris office. The sale and acquisition did not have a material impact on the Company's net earnings or financial position. The revenue reported in Canada decreased by approximately \$17.3 million during the year from fiscal 2010.

*Private Debt Debt Placement*

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During the fourth quarter, the Company entered into a US\$475.0 million private debt placement financing with large U.S. institutional investors. The private placement is comprised of three tranches of senior U.S. unsecured notes, with a weighted average maturity of 8.2 years and a weighted average fixed coupon of 4.57%. The Company drew the proceeds during the fourth quarter of fiscal 2012, and executed interest rate swaps subject to favourable market conditions in order to reduce its financing costs and maximize flexibility. The Company used the proceeds of the private placement to pay down part of the Company's existing revolving term facility.

### *Performance Improvement Plan*

During the fourth quarter, the Company accelerated the on-going optimization of its cost structure in light of the current economic environment and outlook. Technological advancements enabled our workforce to become increasingly mobile. This increased mobility of our workforce along with the growth in our global delivery centres evolved our real estate needs. As a result, and in order to remain competitive, a total pre-tax charge of \$45.4 million was taken mainly comprised of provisions on excess real estate, related leasehold improvements and severance costs in the amount of \$33.7 million. Also, through a review of the Company's business solutions portfolio and following the deferral of investments by some of our clients, management decided to lower the outlook for certain of the Company's business solution investments resulting in the impairment of two business solutions. An impairment charge of \$11.7 million

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was taken on these solutions primarily for the financial services market. Of the \$45.4 million charge, \$29.6 million is included in Cost of services, selling and administrative, while the \$11.7 million impairment charge and \$4.1 million of leasehold improvements write-off was included in Amortization on the consolidated statement of earnings in the financial booklet of the 2011 Annual Report entitled *Numbers*. Please see Section 7 Fourth Quarter Results of the 2011 *Management's Discussion & Analysis* for more information.

*Bookings and Book-to-Bill Ratio*

The Company achieved a book-to-bill ratio of 113% for the year. Of the \$4.9 billion in bookings signed during the year, 63% came from new business, while 37% came from extensions and renewals.

Our largest verticals for bookings were government and financial services, making up approximately 54% and 24% of total bookings, respectively. From a geographical perspective, the U.S. accounted for 64% of total bookings, followed by Canada at 31% and Europe at 5%.

*Significant Bookings in the Year*

<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
October 21, 2010	U.S. General Services Administration	Five years	US\$76.0 million
	CGI was selected as one of the 11 companies awarded a five-year, government-wide Blanket Purchase Agreement for Infrastructure as a Service by the U.S. General Services Administration. During this contract CGI offers government agencies virtual machines and Web hosting services in a cloud environment.		
November 5, 2010	SaskEnergy	Seven years	Not released
	CGI's work includes the replacement of SaskEnergy's legacy customer and billing information system utilizing Oracle's Customer Care and Billing application to manage critical business functions including customer service, billing, collections and meter management.		
November 17, 2010	U.S. Defense Information Technology Contracting Organization	Five years	US\$28.0 million
	CGI supports the Kyrgyzstan Border Service's efforts to better coordinate control of their border as well as provide IT support to the U.S. Army Communications-Electronics Command's counter narcotics efforts.		
January 11, 2011	U.S. Department of Housing and Urban Development ( HUD )	Until Sept 30, 2011	US\$40.3 million

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<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
	In conjunction with state and local housing agencies, CGI administered HUD's multi-family housing programs in California, Florida, New York, Ohio, and Washington, DC. CGI's contract was performance-based and, since its award 10 years earlier, the company demonstrated a strong track record of performance on behalf of its partner housing agencies.		
January 12, 2011	Industrial Alliance Insurance and Financial Services, Inc.	Ten year extension and expansion	\$137.0 million
	CGI continues to support the strategic growth of Industrial Alliance, the fourth largest life and health insurance firm in Canada, by having become its preferred IT vendor delivering a wide range of IT services.		
January 12, 2011	Centers for Medicare & Medicaid Services	Five years	US\$55.0 million
	CGI continues software development and operational support services for the Provider Enrolment Chain Ownership System including Health Information Technology for Economic and Clinical Health registration and attestation functionality.		
January 18, 2011	Société Générale Corporate & Investment Banking ( SG CIB )	Three years	Not released
	CGI provides application development and support services using its global delivery centres to SG CIB locations in Paris, London, New York, Singapore and Hong Kong.		
March 2, 2011	Highmark Blue Cross Blue Shield	Five year renewal	Not released
	CGI provides comprehensive claims audit services to identify provider overpayments and coding errors on claims submitted from providers throughout the Commonwealth of Pennsylvania. The work is performed by consultants, claims investigators, clinicians, and coding specialists using the company's proprietary Customized Audit System software, an enterprise-wide solution designed to support the prediction, identification, management, and analysis of claims.		
April 26, 2011	State of California Franchise Tax Board ( FTB )	Five and a half years	US\$399.0 million
	CGI's innovative solution supports fundamental changes in FTB's tax processing that will generate an estimated US\$2.8 billion in additional revenue for the State by 2016-2017, helping to narrow its substantial tax revenue gap. The Enterprise Data to Revenue project is a performance-based, benefits-funded contract where CGI is paid from a percentage of the increased revenues generated. The contract includes a five-year option for maintenance and operation valued at an additional US\$139 million.		

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<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
May 17, 2011	Space and Naval Warfare Systems Center CGI continues to provide production execution, testing, and technical support for U.S. military Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance and Reconnaissance (C5ISR) mission modules.	Not Released	US\$49.0 million
May 18, 2011	Environmental Protection Agency ( EPA ) Under the multi-vendor ITS-EPA II Program Blanket Purchase Agreement, CGI partners with EPA to develop and implement a new cyber security approach focused on strengthening the internal security posture, streamlining processes, re-engineering operations, and enhancing service tracking.	Seven years	US\$34.0 million
May 19, 2011	Evrax CGI provides IT services support to its North American operations.	Until 2016	Not released
May 31, 2011	Commonwealth of Pennsylvania, Department of Public Welfare CGI helps prevent, detect, deter and correct provider improper payments within Pennsylvania's Medicaid Medical Assistance program. CGI uses its proprietary data mining software, the Customized Audit System, to conduct reviews of claims and records, identify over and underpayments for recovery, and provide support for appeals activities.	Four year renewal	US\$44.9 million
June 7, 2011	University Health Network CGI's solution provides a secure, shared repository for storage, retrieval and viewing of diagnostic images such as X-rays and MRIs, and associated documents across multiple hospital sites in greater Toronto and central Ontario.	Seven years	\$50.0 million
July 22, 2011	State of Alaska's Department of Administration CGI provides services for project management, business process redesign, system configuration and development, data conversion and training. The State subscribes to CGI's managed services offering, Managed Advantage, for application maintenance, technical upgrades and help desk support.	Seven years	US\$54.0 million
July 22, 2011	Encana Corporation CGI manages over 370 custom applications Encana requires to run its business. CGI is leveraging its near-shore delivery capabilities and predictive cost model to minimize risk and reduce cost.	Five years	Not released



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<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
August 10, 2011	Scotiabank	Seven years	Not released
	CGI replaces multiple legacy trade and supply chain applications at Scotiabank with a single, integrated platform to enhance service to clients, reduce costs, and provide greater visibility and transparency into its North America, Latin America, Caribbean and Asia operations.		
September 13, 2011	Environmental Protection Agency	Six year renewal	US\$207.0 million
	CGI continues to support EPA's Central Data Exchange through a wide range of technology services, including information assurance/cyber security, web application and systems development, program management, user support, and operations and maintenance services.		
September 15, 2011	Wake County, North Carolina	Twelve years	US\$30.5 million
	CGI hosts the system and securely manages day-to-day operations under its Managed Advantage program, which includes application maintenance, technical upgrades, disaster recovery services, and client support. The County benefits from a single point of accountability for software, services, and hosting as well as a predictable cost over the contract term for product upgrades, infrastructure, and maintenance.		
October 3, 2011	Environmental Protection Agency	Five years	US\$64.5 million
	CGI provides production application platform management to support EPA's primary data center, the National Computing Center, including support for application deployment checklist process, management of numerous applications platforms, and delivery of technical consulting services. This contract was signed prior to but announced subsequent to September 30, 2011.		
October 5, 2011	Wyoming State Auditor's Office	Five year renewal	US\$28.7 million
	CGI continues to provide secure day-to-day ERP operations management, including application maintenance, technical upgrades, disaster recovery services, and client support. This contract was signed prior to but announced subsequent to September 30, 2011.		

*Significant Contract Vehicles*

In addition to the significant bookings outlined above, CGI also participates in a number of contract vehicles that simplify and streamline the procurement process. Ordering against these vehicles meets U.S. federal requirements for full and open competition, and assures that our past performance credentials have been thoroughly validated. These contract vehicles offer CGI the flexibility to respond to broad agency requirements in a quick and efficient manner. Bookings are registered only when a specific task order is awarded from the contract vehicles. The key vehicles are outlined below along with their term and total value.

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<b>Contract Vehicles</b>	<b>Term</b>	<b>Vehicle US\$ Ceiling*</b>
US Army AMCOM EXPRESS	March 1, 2005 to January 31, 2012	Not released
GSA Alliant	May 1, 2009 to April 30, 2014	\$50.0 billion
Navy Seaport-e	April 5, 2004 to April 4, 2014	\$39.0 billion
	<i>With five option years</i>	
NIH CIOSP2	December 20, 2000 to December 20, 2011	\$19.5 billion
DISA ENCORE	Ending May 31, 2013	
	<i>Includes five one-year options</i>	\$12.2 billion
US Army FIRST	January 1, 2007 to January 1, 2014	\$9.0 billion
CMS-ESD	September 14, 2007 to September 13, 2017	\$4.0 billion
EPA-ITS	July 1, 2009 to September 30, 2016	\$955.0 million
US Marine Corps CEOs	September 5, 2006 to September 30, 2016	\$500.0 million
	<b>Awarded in FY 2011:</b>	
VA T-4	Five years	\$12.0 billion
CDC CIMS	Two years	
	<i>With four two-year options</i>	\$4.0 billion
Treasury TIPSS 4	December 28, 2010 to December 27, 2020	
	<i>With nine option years</i>	\$4.0 billion
US Army OPTARSS II	March 1, 2011 to March 1, 2016	\$2.5 billion
GSA Infrastructure (IaaS)	Years 2010 to 2015	\$76.0 million

\* Vehicle dollar amount ceilings are for all awarded vendors including CGI.

*Share Repurchase Program*

On January 26, 2011, the Company's Board of Directors authorized and received the approval from the *Toronto Stock Exchange* for the renewal of the NCIB to purchase up to 10% of the public float of the Company's Class A subordinate voting shares during the next year. The NCIB enabled CGI to purchase, on the open market, up to 23,006,547 Class A subordinate voting shares for cancellation. The Class A subordinate voting shares could be purchased under the NCIB commencing February 9, 2011 and ending on the earlier of February 8, 2012, or the date on which the Company either acquired the maximum number of Class A subordinate voting shares allowable under the NCIB, or elected to terminate the NCIB.

During fiscal 2011, the Company repurchased 16,373,400 of its Class A subordinate voting shares for \$305.0 million at an average price of \$18.63, under the then-current and previous NCIB.

*Foreign currency impact*

The impact of foreign currency during fiscal 2011 decreased revenues by 3.1%. This compared with a decrease of 5.8% in fiscal 2010, and an increase of 5.1% in fiscal 2009. The foreign currency impact in 2011 was mainly due to the weakening of the U.S. dollar.

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*Fiscal Year ended September 30, 2010*

*Significant Developments*

As a result of the restructuring initiatives implemented in fiscal 2009, we positioned ourselves to compete strategically and seize opportunities as our economy emerged from the recession. Over the course of fiscal 2010, we returned to positive constant currency growth, enjoyed record high earnings margins, and continued to improve on our key indicators. Clients slowly regained confidence in the economy and increased their willingness to reinvest in their IT initiatives. On the buy side of our strategy, we acquired Stanley, Inc. ( Stanley ) to expand our U.S. presence and to give CGI an entry into the U.S. federal defence market. Highlights for fiscal 2010 were:

Bookings of \$4.6 billion;

Book-to-bill ratio of 124%;

Constant currency growth of 3.4%;

Adjusted EBIT margin remained strong at 13.7%;

Basic and diluted EPS from continuing operations grew by 23.3% and 21.6% respectively;

Return on equity reached 16.4%;

Return on invested capital remains high at 16.3%;

Cash provided by continuing operating activities remained strong, representing 14.8% of revenue; and

Repurchased 35.6 million Class A subordinate voting shares of the Company.

*Acquisition of Stanley Inc.*

On May 7, 2010, CGI announced a definitive merger agreement with Stanley, a provider of IT services and solutions to U.S. defense, intelligence and federal civilian government agencies. Under the terms of the merger agreement, CGI, through an indirect wholly-owned subsidiary, CGI Fairfax Corporation ( CGI Fairfax ), commenced a cash tender offer to acquire all of Stanley's outstanding shares of common stock at US\$37.50 per share. As a condition to CGI entering into the merger agreement, certain executive officers of Stanley, who held approximately 13% of the Stanley shares, entered into a stockholders agreement with CGI pursuant to which they agreed, among other things, to tender their shares pursuant to the offer.

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On August 17, 2010, CGI completed its cash tender offer and accepted for purchase approximately 95% of the Stanley shares. CGI Fairfax subsequently effected a short-form merger under Delaware law, and Stanley became an indirect wholly-owned subsidiary of CGI. As a result of the merger, all then-outstanding Stanley shares, other than those held by CGI Fairfax, were cancelled and converted into the right to receive \$37.50 per share in cash.

Total cash consideration for this transaction was \$923.2 million, and was funded from CGI's cash on hand and existing credit facilities.

We filed copies of the merger agreement and the stockholders agreement as material documents on SEDAR on May 7, 2010. We also filed a Business Acquisition Report in relation to our acquisition of Stanley on SEDAR on October 29, 2010.

Our results for the year incorporated the operations of Stanley subsequent to August 17, 2010. Since the completion of the transaction, we focused on the integration of Stanley into CGI and for fiscal 2010 and fiscal 2011, total acquisition-related and integration costs incurred were \$20.9 million.

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*Bookings and Book-to-Bill Ratio*

The Company achieved a book-to-bill ratio of 124% for fiscal 2010. Of the \$4.6 billion in bookings signed during the year, 51% came from new business, while 49% came from extensions and renewals.

Our largest verticals for bookings were government & healthcare and financial services, making up approximately 45% and 36% of total bookings, respectively. From a geographical perspective, Canada accounted for 53% of total bookings, followed by the U.S. at 42% and Europe at 5%.

*Significant Bookings in the Year*

<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
October 5, 2009	U.S. Environmental Protection Agency ( EPA ) CGI Federal delivers IT infrastructure support services to the EPA under the ITS-EPA II program and assists the Office of Environmental Information in achieving more innovative, agile, and scalable IT services for the ITS-EPA II program. The seven-year agreement, awarded to seven vendors includes a US\$955 million ceiling value over the BPA's period of performance and positions.	Seven years	Not released
November 3, 2009	Yellow Pages Group CGI manages the applications and infrastructure of Yellow Pages Group's computer network, as well as other projects, namely business intelligence and the optimization of the company's research tools.	10-year extension	\$100 million
November 5, 2009	U.S. Department of Housing and Urban Development ( HUD ) CGI administered HUD multi-family housing programs in California, Florida, New York, Ohio and Washington, DC, in conjunction with its state and local housing agency partners.	One year renewal	US\$58.1 million
December 15, 2009	North American financial institutions CGI signed new contracts and renewals with North American financial institutions totalling \$1.1 billion during its fiscal 2010 first quarter (October-December). Services provided under these new deals include systems integration, application maintenance, IP-based solutions as well as long term, multi-year managed services contracts.	New contracts & renewals	\$1.1 billion
January 19, 2010	U.S. Department of State and U.S. Agency for International Development	10 years	US\$395 million

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CGI provides systems integration, consulting services, and operational support for more than 5,000 Joint Financial Management System users in more than 300 posts and missions around the world.

April 6, 2010

Telekomunikacja Polska Group

Three years

Not released

CGI frameworks were deployed to help TP Group consolidate its current multi application, multi vendor environment to improve overall time to market and total cost of ownership.

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<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
May 4, 2010	California Department of Health Care Services	10 years	US\$168 million
	CGI partners with ACS to deliver enhanced fiscal intermediary administrative services and an advanced Medicaid Management Information System for California's Department of Health Care Services.		
May 18, 2010	Centers for Medicare & Medicaid Services	Five years	US\$73.2 million
	CGI continues the modernization, application management, and maintenance efforts on three external websites that provide information to 44 million beneficiaries and millions more healthcare providers and other stakeholders.		
June 17, 2010	State of Maine	11 years	Not released
	CGI delivers managed application services for the State's AMS Advantage® enterprise resource planning system which supports financial management and procurement operations. CGI hosts the State's AMS Advantage ERP system and provide disaster recovery services. CGI also manages operations of all technical aspects of the system during the term of the contract.		
June 29, 2010	Atlantic Lottery Corporation	Seven years	\$125 million
	CGI manages Atlantic Lottery's data center and provides related application support and development.		
July 7, 2010	The Beer Store	Seven years	Not released
	This agreement establishes CGI as the infrastructure IT supplier for The Beer Store, and also encompasses infrastructure services for Brewers Distributor Ltd. (BDL), a wholesale distributor of beer and the collector of returnable, refillable and recyclable beer containers within the four Western Canadian Provinces, as well as Northwest Territories and the Yukon.		
July 20, 2010	Rexel Group	Six years	\$50 million
	This agreement, which supports productivity improvements, established CGI as not only one of the preferred IT suppliers for Rexel's Canadian operations, but also for Rexel's U.S. operations.		
July 29, 2010	Manulife Financial	Until 2013	Not released
	Under the contract renewal, CGI continues to leverage its Halifax delivery center to provide systems development, maintenance and integration services to Manulife Financial.		
August 11, 2010	Plexxus	Five years	\$34 million
	CGI supported Plexxus in the design, build, implementation and management of on-going IT services including SAP supply chain and finance systems for Plexxus, a not-for-profit organization and its 12 member hospitals.		
September 30, 2010	U.S. General Services Administration	Five years	US\$46 million
	Under the Data.gov Dataset Hosting Services BPA, CGI provides hosting services for this important government information, as well as technology tools for dataset analysis, and professional services.		

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<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
October 5, 2010	Bombardier Aerospace	Five years	US\$160 million

CGI is responsible for delivering various types of IT infrastructure services to Bombardier Aerospace, including end-user device support, service desk, telephony and local area network. CGI is also responsible for Canadian legacy application support. This contract was signed prior to but announced subsequent to our year-end.

*Share Repurchase Program*

On January 27, 2010, the Company's Board of Directors authorized and received the approval from the *Toronto Stock Exchange* for the renewal of the NCIB to purchase up to 10% of the public float of the Company's Class A subordinate voting shares during the next year. The NCIB enabled CGI to purchase, on the open market, up to 25,151,058 Class A subordinate voting shares for cancellation. The Class A subordinate voting shares could have been purchased under the NCIB commencing February 9, 2010 and ending on the earlier of February 8, 2011, or the date on which the Company either acquired the maximum number of Class A subordinate voting shares allowable under the NCIB, or elected to terminate the NCIB.

During fiscal 2010, the Company repurchased 35,602,085 of its Class A subordinate voting shares for \$516.7 million at an average price including commissions of \$14.51, under the then-current and previous NCIB.

*Foreign currency impact*

The impact of foreign currency during fiscal 2010 decreased revenues by 5.8%. This compared with an increase of 5.1% in fiscal 2009, and a reduction of 3.3% in fiscal 2008. The foreign currency impact in 2010 was mainly due to the weakening of the U.S. dollar.

**FORWARD LOOKING INFORMATION AND RISKS AND UNCERTAINTIES****Forward-Looking Information**

All statements in this *Annual Information Form* that do not directly and exclusively relate to historical facts constitute forward-looking statements within the meaning of that term in Section 27A of the United States *Securities Act of 1933*, as amended, and Section 21E of the United States *Securities Exchange Act of 1934*, as amended, and are forward-looking information within the meaning of applicable Canadian securities legislation. These statements and this information represent CGI's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements or forward-looking information.

These factors include and are not restricted to the timing and size of new contracts, acquisitions and other corporate developments; the ability to attract and retain qualified members; market competition in the rapidly-evolving IT industry; general economic and business conditions, foreign exchange and other risks identified in this *Annual Information Form*, in the *Management's Discussion & Analysis* filed with Canadian securities authorities (filed on SEDAR at [www.sedar.com](http://www.sedar.com)), and in CGI's *Annual Report* on Form 40-F filed with the U.S. *Securities and Exchange Commission* (filed on EDGAR at [www.sec.gov](http://www.sec.gov)) as well as assumptions regarding the foregoing.

The words believe, estimate, expect, intend, anticipate, foresee, plan, and similar expressions and variations thereof, identify certain forward-looking statements or forward-looking information, which speak only as of the date on which they are made. In particular, statements relating to future performance are forward-looking statements and forward-looking information. CGI disclaims any intention or obligation to publicly update or revise any forward-looking statements or forward-looking information,



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whether as a result of new information, future events or otherwise, except as required by applicable law. Readers are cautioned not to place undue reliance on these forward-looking statements or on this forward-looking information.

**Risks and Uncertainties**

While we are confident about our long-term prospects, the following risks and uncertainties could affect our ability to achieve our strategic vision and objectives for growth and should be considered when evaluating our potential as an investment.

*Risks Related to the Market*

*Economic risk*

The level of business activity of our clients, which is affected by economic conditions, has a bearing upon the results of our operations. We can neither predict the impact that current economic conditions will have on our future revenue, nor predict when economic conditions will show meaningful improvement. During an economic downturn, our clients and potential clients may cancel, reduce or defer existing contracts and delay entering into new engagements. In general, companies also decide to undertake fewer IT systems projects during difficult economic times, resulting in limited implementation of new technology and smaller engagements. Since there are fewer engagements in a downturn, competition usually increases and pricing for services may decline as competitors, particularly companies with significant financial resources, decrease rates to maintain or increase their market share in our industry and this may trigger pricing adjustments related to the benchmarking obligations within our contracts. Our pricing, revenue and profitability could be negatively impacted as a result of these factors.

*Risks Related to our Industry*

*The competition for contracts*

CGI operates in a global marketplace in which competition among providers of IT services is vigorous. Some of our competitors possess greater financial, marketing, sales resources, and larger geographic scope in certain parts of the world than we do, which, in turn, provides them with additional leverage in the competition for contracts. In certain niche, regional or metropolitan markets, we face smaller competitors with specialized capabilities who may be able to provide competing services with greater economic efficiency. Some of our competitors have more significant operations than we do in lower cost countries that can serve as a platform from which to provide services worldwide on terms that may be more favourable. Increased competition among IT services firms often results in corresponding pressure on prices. There can be no assurance that we will succeed in providing competitively priced services at levels of service and quality that will enable us to maintain and grow our market share.

*The availability and retention of qualified IT professionals*

There is strong demand for qualified individuals in the IT industry. Hiring and retaining a sufficient amount of individuals with the desired knowledge and skill set may be difficult. Therefore, it is important that we remain able to successfully attract and retain highly qualified professionals and establish an effective succession plan. If our comprehensive programs aimed at attracting and retaining qualified and dedicated professionals do not ensure that we have staff in sufficient numbers and with the appropriate training, expertise and suitable government security clearances required to serve the needs of our clients, we may have to rely on subcontractors or transfers of staff to fill resulting gaps. This might result in lost revenue or increased costs, thereby putting pressure on our earnings.

*The ability to continue developing and expanding service offerings to address emerging business demands and technology trends*

The rapid pace of change in all aspects of IT and the continually declining costs of acquiring and maintaining IT infrastructure mean that we must anticipate changes in our clients' needs. To do so, we

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must adapt our services and our solutions so that we maintain and improve our competitive advantage and remain able to provide cost effective services. The market for the services and solutions we offer is extremely competitive and there can be no assurance that we will succeed in developing and adapting our business in a timely manner. If we do not keep pace, our ability to retain existing clients and gain new business may be adversely affected. This may result in pressure on our revenue, profit margin and resulting cash flows from operations.

*Infringing on the intellectual property rights of others*

Despite our efforts, the steps we take to ensure that our services and offerings do not infringe on the intellectual property rights of third parties may not be adequate to prevent infringement and, as a result, claims may be asserted against us or our clients. We enter into licensing agreements for the right to use intellectual property and may otherwise offer indemnities against liability and damages arising from third-party claims of patent, copyright, trademark or trade secret infringement in respect of our own intellectual property or software or other solutions developed for our clients. In some instances, the amount of these indemnity claims could be greater than the revenue we receive from the client. Intellectual property claims or litigation could be time-consuming and costly, harm our reputation, require us to enter into additional royalty or licensing arrangements, or prevent us from providing some solutions or services. Any limitation on our ability to sell or use solutions or services that incorporate software or technologies that are the subject of a claim could cause us to lose revenue-generating opportunities or require us to incur additional expenses to modify solutions for future projects.

*Benchmarking provisions within certain contracts*

Some of our outsourcing contracts contain clauses allowing our clients to externally benchmark the pricing of agreed upon services against those offered by other providers in an appropriate peer comparison group. The uniqueness of the client environment is factored in and, if results indicate a difference outside the agreed upon tolerance, we may be required to work with clients to reset the pricing for their services.

*Protecting our intellectual property rights*

Our success depends, in part, on our ability to protect our proprietary methodologies, processes, know-how, tools, techniques and other intellectual property that we use to provide our services. CGI's business solutions will generally benefit from available copyright protection and, in some cases, patent protection. Although CGI takes reasonable steps to protect and enforce its intellectual property rights, there is no assurance that such measures will be enforceable or adequate. The cost of enforcing our rights can be substantial and, in certain cases, may prove to be uneconomic. In addition, the laws of some countries in which we conduct business may offer only limited intellectual property rights protection. Despite our efforts, the steps taken to protect our intellectual property may not be adequate to prevent or deter infringement or other misappropriation of intellectual property, and we may not be able to detect unauthorized use of our intellectual property, or take appropriate steps to enforce our intellectual property rights.

*Risks Related to our Business**Risks associated with our growth strategy*

CGI's *Build and Buy* strategy is founded on four pillars of growth: first, organic growth through contract wins, renewals and extensions in the areas of outsourcing and system integration; second, the pursuit of new large outsourcing contracts; third, acquisitions of smaller firms or niche players; and fourth, transformational acquisitions.

Our ability to grow through organic growth and new large outsourcing transactions is affected by a number of factors outside of our control, including a lengthening of our sales cycle for major outsourcing contracts.

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Our ability to grow through niche and transformational acquisitions requires that we identify suitable acquisition targets and that we correctly evaluate their potential as transactions that will meet our financial and operational objectives. There can be no assurance that we will be able to identify suitable acquisition candidates and consummate additional acquisitions that meet our economic thresholds, or that future acquisitions will be successfully integrated into our operations and yield the tangible accretive value that had been expected.

If we are unable to implement our *Build and Buy* strategy, we will likely be unable to maintain our historic or expected growth rates.

*The variability of financial results*

Our ability to maintain and increase our revenues is affected not only by our success in implementing our *Build and Buy* strategy, but also by a number of other factors, including: our ability to introduce and deliver new services and products; a lengthened sales cycle; the cyclical nature of purchases of technology services and products; the nature of a customer's business; and the structure of agreements with customers. For example, clients are increasingly demanding extended terms of payment, often stretching for more than a year. These, and other factors, make it difficult to predict financial results for any given period.

*Business mix variations*

The proportion of revenue that we generate from shorter-term systems integration and consulting ( SI&C ) projects, versus revenue from long-term outsourcing contracts, will fluctuate at times, affected by acquisitions or other transactions. An increased exposure to revenue from SI&C projects may result in greater quarterly revenue variations.

*The financial and operational risks inherent in worldwide operations*

We manage operations in numerous countries around the world. The scope of our operations subjects us to various issues that can negatively impact our operations: currency fluctuations; the burden of complying with a wide variety of national and local laws; the differences in and uncertainties arising from local business culture and practices; political, social and economic instability including the threats of terrorism, civil unrest, war, natural disasters and pandemic illnesses. Any or all of these risks could impact our global business operations and cause our profitability to decline.

*Organizational challenges associated with our size*

With the acquisition of Logica, our organization has doubled in size with expanded operations in both Europe and Asia. Our culture, standards, core values, and our policies need to be instilled across the newly acquired businesses as well as maintained within our existing operations. To effectively communicate and manage these standards throughout a large global organization is both challenging and time consuming. Newly acquired businesses may be resistant to change and may remain attached to past methods, standards and practices which may compromise our business agility in pursuing opportunities. Cultural differences in various countries may also present barriers to introducing new ideas or aligning our vision and strategy with the rest of the organization. If we cannot overcome these obstacles in maintaining a strategic bond throughout the Company worldwide, we may not be able to achieve our growth and profitability objectives.

*Taxes*

In estimating our income tax payable, management uses accounting principles to determine income tax positions that are likely to be sustained by applicable tax authorities. However, there is no assurance that our tax benefits or tax liability will not materially differ from our estimates or expectations. The tax legislation, regulation and interpretation that apply to our operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various

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jurisdictions in which we operate. Moreover, our tax returns are continually subject to review by applicable tax authorities; it is these tax authorities that will make the final determination of the actual amounts of taxes payable or receivable, of any future tax benefits or liabilities and of income tax expense that we may ultimately recognize. Any of the above factors could have a material adverse effect on our net income or cash flows by affecting our operations and profitability, the availability of tax credits, the cost of the services we provide, and the availability of deductions for operating losses as we develop our international service delivery capabilities.

*Credit risk with respect to accounts receivable*

In order to sustain our cash flows and net earnings from operations, we must collect the amounts owed to us in an efficient and timely manner. Although we maintain provisions to account for anticipated shortfalls in amounts collected, the provisions we take are based on management estimates and on our assessment of our clients' creditworthiness which may prove to be inadequate in the light of actual results. To the extent that we fail to perform our services in accordance with our contracts and our clients' reasonable expectations, and to the extent that we fail to invoice clients for our services correctly in a timely manner, our collections could suffer resulting in a direct and adverse impact to our revenue, net earnings and cash flows. In addition, a prolonged economic downturn may cause clients to curtail or defer projects, impair their ability to pay for services already provided, and ultimately cause them to default on existing contracts, in each case, causing a shortfall in revenue and impairing our future prospects.

*Material developments regarding major commercial clients resulting from such causes as changes in financial condition, mergers or business acquisitions*

Consolidation among our clients resulting from mergers and acquisitions may result in loss or reduction of business when the successor business IT needs are served by another service provider or are provided by the successor company's own personnel. Growth in a client's IT needs resulting from acquisitions or operations may mean that we no longer have a sufficient geographic scope or the critical mass to serve the client's needs efficiently, resulting in the loss of the client's business and impairing our future prospects. There can be no assurance that we will be able to achieve the objectives of our growth strategy in order to maintain and increase our geographic scope and critical mass in our targeted markets.

*Early termination risk*

If we should fail to deliver our services according to contractual agreements, some of our clients could elect to terminate contracts before their agreed expiry date, which would result in a reduction of our earnings and cash flow and may impact the value of our backlog. In addition, a number of our outsourcing contractual agreements have termination for convenience and change of control clauses according to which a change in the client's intentions or a change in control of CGI could lead to a termination of the said agreements. Early contract termination can also result from the exercise of a legal right or when circumstances that are beyond our control or beyond the control of our client prevent the contract from continuing. In cases of early termination, we may not be able to recover capitalized contract costs and we may not be able to eliminate ongoing costs incurred to support the contract.

*Cost estimation risks*

In order to generate acceptable margins, our pricing for services is dependent on our ability to accurately estimate the costs and timing for completing projects or long-term outsourcing contracts. In addition, a significant portion of our project-oriented contracts are performed on a fixed-price basis. Billing for fixed-price engagements is carried out in accordance with the contract terms agreed upon with our client, and revenue is recognized based on the percentage of effort incurred to date in relation to the total estimated costs to be incurred over the duration of the respective contract. These estimates reflect our best judgment regarding the efficiencies of our methodologies and members as we plan to apply them to the contracts in accordance with the CGI Client Partnership Management Framework ( CPMF ), a process framework which helps ensure that all contracts are managed according to the same high standards throughout the organization. If we fail to apply the CPMF correctly or if we are unsuccessful in accurately

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estimating the time or resources required to fulfil our obligations under a contract, or if unexpected factors, including those outside of our control, arise, there may be an impact on costs or the delivery schedule which could have an adverse impact on our expected profit margins.

*Risks related to teaming agreements and subcontracts*

We derive substantial revenues from contracts where we enter into teaming agreements with other providers. In some teaming agreements we are the prime contractor whereas in others we act as a subcontractor. In both cases, we rely on our relationships with other providers to generate business and we expect to do so in the foreseeable future. Where we act as prime contractor, if we fail to maintain our relationships with other providers, we may have difficulty attracting suitable participants in our teaming agreements. Similarly, where we act as subcontractor, if our relationships are impaired, other providers might reduce the work they award to us, award that work to our competitors, or choose to offer the services directly to the client in order to compete with our business. In either case, our business, prospects, financial condition and operating results could be harmed.

*Our partners' ability to deliver on their commitments*

Increasingly large and complex contracts may require that we rely on third party subcontractors including software and hardware vendors to help us fulfil our commitments. Under such circumstances, our success depends on the ability of the third parties to perform their obligations within agreed upon budgets and timeframes. If our partners fail to deliver, our ability to complete the contract may be adversely affected, which may have an unfavourable impact on our profitability.

*Guarantees risk*

In the normal course of business, we enter into agreements that may provide for indemnification and guarantees to counterparties in transactions such as consulting and outsourcing services, business divestitures, lease agreements and financial obligations. These indemnification undertakings and guarantees may require us to compensate counterparties for costs and losses incurred as a result of various events, including breaches of representations and warranties, intellectual property right infringement, claims that may arise while providing services or as a result of litigation that may be suffered by counterparties.

*Risk related to human resources utilization rates*

In order to maintain our profit margin, it is important that we maintain the appropriate availability of professional resources in each of our geographies by having a high utilization rate while still being able to assign additional resources to new work. Maintaining an efficient utilization rate requires us to forecast our need for professional resources accurately and to manage recruitment activities, professional training programs, attrition rates and restructuring programs appropriately. To the extent that we fail to do so, or to the extent that laws and regulations, particularly those in Europe, restrict our ability to do so, our utilization rates may be reduced; thereby having an impact on our revenue and profitability. Conversely, we may find that we do not have sufficient resources to deploy against new business opportunities in which case our ability to grow our revenue would suffer.

*Client concentration risk*

We derive a substantial portion of our revenue from the services we provide to the U.S. federal government and its agencies, and we expect that this will continue for the foreseeable future. In the event that a major U.S. federal government agency were to limit, reduce, or eliminate the business it awards to us, we might be unable to recover the lost revenue with work from other agencies or other clients, and our business, prospects, financial condition and operating results could be materially and adversely affected. Although International Financial Reporting Standards considers a national government and its agencies as a single client, our client base in the U.S. government economic sector is in fact diversified with contracts from many different departments and agencies.

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*Government business risk*

Changes in government spending policies or budget priorities could directly affect our financial performance. Among the factors that could harm our government contracting business are the curtailment of governments' use of consulting and IT services firms; a significant decline in spending by governments in general, or by specific departments or agencies in particular; the adoption of new legislation and/or actions affecting companies that provide services to governments; delays in the payment of our invoices by government payment offices; and general economic and political conditions. These or other factors could cause government agencies and departments to reduce their purchases under contracts, to exercise their right to terminate contracts, to issue temporary stop work orders, or not to exercise options to renew contracts, any of which would cause us to lose future revenue. Government spending reductions or budget cutbacks at these departments or agencies could harm our continued performance under these contracts, or limit the awarding of additional contracts from these agencies.

*Regulatory risk*

Our global operations require us to be compliant with laws in many jurisdictions on matters such as: anticorruption, trade restrictions, immigration, taxation, securities regulation, anti-competition, data privacy and labour relations, amongst others. Complying with these diverse requirements worldwide is a challenge and consumes significant resources. Some of these laws may impose conflicting requirements; we may face the absence in some jurisdictions of effective laws to protect our intellectual property rights; there may be restrictions on the movement of cash and other assets; or restrictions on the import and export of certain technologies; or restrictions on the repatriation of earnings and reduce our earnings, all of which may expose us to penalties for non-compliance and harm our reputation.

Our business with the U.S. federal government and its agencies requires that we comply with complex laws and regulations relating to government contracts. These laws relate to the integrity of the procurement process, impose disclosure requirements, and address national security concerns, among others matters. For instance, we are routinely subject to audits by U.S. government agencies with respect to compliance with these rules. If we fail to comply with these requirements we may incur penalties and sanctions, including contract termination, suspension of payments, suspension or debarment from doing business with the federal government, and fines.

*Legal claims made against our work*

We create, implement and maintain IT solutions that are often critical to the operations of our clients' business. Our ability to complete large projects as expected could be adversely affected by unanticipated delays, renegotiations, and changing client requirements or project delays. Also, our solutions may suffer from defects that adversely affect their performance; they may not meet our clients' requirements or may fail to perform in accordance with applicable service levels. Such problems could subject us to legal liability, which could adversely impact our business, operating results and financial condition, and may negatively affect our professional reputation. We typically include provisions in our contracts which are designed to limit our exposure to legal claims relating to our services and the applications we develop. These provisions may not protect us adequately or may not be enforceable under some circumstances or under the laws of some jurisdictions.

*Information and infrastructure risks*

Our business often requires that our clients' applications and information, which may include their proprietary information, be processed and stored on our networks and systems, and in data centres that we manage. Digital information and equipment is subject to loss, theft or destruction, and services that we provide may become temporarily unavailable as a result thereof or upon an equipment or system malfunction. Failures can arise from human error in the course of normal operations, maintenance and upgrading activities, or from hacking, vandalism (including denial of service attacks and computer viruses), theft and unauthorized access by third parties, as well as from power outages or surges, floods, fires, natural disasters or from any other causes. The measures that we take to protect information and software, including both physical and logical controls on access to premises and information and backup

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systems may prove in some circumstances to be inadequate to prevent the loss, theft or destruction of client information or service interruptions. Such events may expose the Company to financial loss or damages.

*Risk of harm to our reputation*

CGI's reputation as a capable and trustworthy service provider and long term business partner is key to our ability to compete effectively in the market for IT services. The nature of our operations exposes us to the potential loss, unauthorized access to, or destruction of our clients information, as well as temporary service interruptions. Depending on the nature of the information or services, such events may have a negative impact on how the Company is perceived in the marketplace. Under such circumstances, our ability to obtain new clients and retain existing clients could suffer with a resulting impact on our revenue and profit.

*Risks associated with the integration of new operations*

The successful integration of new operations that arise from our acquisitions strategy or from large outsourcing contracts requires that a substantial amount of management time and attention be focused on integration tasks. Management time that is devoted to integration activities may detract from management's normal operations focus with resulting pressure on the revenues and earnings from our existing operations. In addition, we may face complex and potentially time-consuming challenges in implementing the uniform standards, controls, procedures and policies across new operations to harmonize their activities with those of our existing business units. Integration activities can result in unanticipated operational problems, expenses and liabilities. If we are not successful in executing our integration strategies in a timely and cost-effective manner, we will have difficulty achieving our growth and profitability objectives.

*Liquidity and funding risks*

The Company's future growth is contingent on the execution of its business strategy, which, in turn, is dependent on its ability to grow the business organically as well as conclude large outsourcing contracts and business acquisitions. By its nature, our growth strategy requires us to fund the investments required to be made using a mix of cash generated from our existing operations, money borrowed under our existing or future credit agreements, and equity funding generated by the issuance of shares of our capital stock to counterparties in transactions, or to the general public. Our ability to raise the required funding depends on the capacity of the capital markets to meet our financing needs in a timely fashion and on the basis of interest rates and share prices that are reasonable in the context of profitability objectives. Increasing interest rates, volatility in our share price, and the capacity of our current lenders to meet our liquidity requirements are all factors that may have an adverse impact on our access to the funding we require. If we are unable to obtain the necessary funding, we may be unable to achieve our growth objectives.

*Foreign exchange risks*

The majority of our revenue and costs are denominated in currencies other than the Canadian dollar. Foreign exchange fluctuations impact the results of our operations as they are reported in Canadian dollars. This risk is partially mitigated by a natural hedge in matching our costs with revenue denominated in the same currency and through the use of derivatives in our world-wide hedging strategy. However, as we continue our global expansion, natural hedges may begin to diminish. Other than the use of financial products to deliver on our hedging strategy, we do not trade derivative financial instruments.

With our expanded presence in Europe, uncertainty regarding the ability of certain European countries to continue servicing their sovereign debt and related austerity measures may destabilize the Euro. Similarly, given the scope of our U.S. operation, if the U.S. dollar continues to weaken against the Canadian dollar, our worldwide financial results may not reach expectations.

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**LEGAL PROCEEDINGS**

The Company is involved in legal proceedings, audits, claims and litigation arising in the ordinary course of its business. Certain of these matters seek damages in significant amounts. Although the outcome of such matters is not predictable with assurance, the Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The charter of the *Audit and Risk Management Committee* requires that the committee review all related party transactions.

In the normal course of business, CGI is party to contracts with Innovapost Inc. pursuant to which CGI is its preferred IT supplier. Prior to December 29, 2011, the Company exercised joint control over Innovapost Inc.'s operating, financing and investing activities through its 49% ownership interest. On December 29, 2011, the Company entered into a Share Purchase Agreement with Canada Post Corporation by which the Company divested itself of its 49% ownership interest in Innovapost Inc. to Canada Post Corporation.

**TRANSFER AGENT AND REGISTRAR**

The Company's transfer agent for the Company's Class A subordinate voting shares and Class B shares is *Computershare Investor Services Inc.* whose head office is situated in Toronto, Ontario. Share transfer service is available at Computershare's Montreal, Quebec, and Toronto, Ontario, offices as well as at the principal office of *Computershare Trust Company, N.A.* in Golden, Colorado.

**MATERIAL CONTRACTS**

The following material contracts were entered into by the Company during the fiscal year ended September 30, 2012:

the Cooperation Agreement entered into by Logica and the Company on May 31, 2012;

the Subscription Agreement entered into by the Caisse and the Company on May 31, 2012;

the Subscription Receipt Agreement entered into by the Caisse, the Company and Computershare Trust Company of Canada, as subscription receipt agent, on May 31, 2012;

the Registration Rights Agreement entered into by the Caisse and the Company on August 20, 2012; and

the Term Loan Credit Agreement entered into by the Company and a syndicate of lenders on May 31, 2012, and the related Fee Letter and Syndication Letter.

These material contracts are described above under *Description of CGI's Business - Significant Developments of the Three Most Recent Fiscal Years - Fiscal Year Ended September 30, 2012 - Acquisition of Logica plc*.

**AUDITORS**



## Edgar Filing: CGI GROUP INC - Form 40-F

The auditors of the Company are *Ernst & Young LLP*. They have confirmed their independence to the Company's *Audit and Risk Management Committee*.

### **ADDITIONAL INFORMATION**

The Company will provide to any person, upon request to the Corporate Secretary of the Company, (i) a copy of the *Annual Information Form* of the Company, together with one copy of any document, or the

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pertinent pages of any document incorporated by reference in the *Annual Information Form*, (ii) a copy of the comparative consolidated financial statements of the Company for the year ended September 30, 2012 together with the accompanying report of the auditor and one copy of any subsequent interim financial statements, (iii) a copy of the *Management Proxy Circular* dated December 10, 2012 and (iv) a copy of the business booklet and of the financial booklet of the *2012 Annual Report* of the Company.

Additional information including directors' and officers' remuneration and indebtedness, securities authorized for issuance under equity compensation plans and principal holders of the Company's shares is included in the *Management Proxy Circular* dated December 10, 2012.

Additional financial information in relation to the last fiscal year ended September 30, 2012, is presented in the audited consolidated financial statements and in the *Management's Discussion & Analysis* contained in the financial booklet of the *2012 Annual Report* entitled *Numbers*.

The documents mentioned above are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's web site at [www.cgi.com](http://www.cgi.com) as well as at the Company's head office:

1350 René-Lévesque Blvd. West

15<sup>th</sup> Floor

Montreal, Quebec

H3G 1T4

Canada

Telephone: (514) 841-3200

Fax: (514) 841-3299

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**APPENDIX A**

**CGI GROUP INC.**

**FUNDAMENTAL TEXTS**

The following documents form part of CGI's *Fundamental Texts* and may be found on the pages indicated below:

Dream, Mission, Vision, and Values	2
CGI Management Foundation	12
Charter of the Board of Directors	18
Charter of the Corporate Governance Committee	27
Charter of the Human Resources Committee	33
Charter of the Audit and Risk Management Committee	38
Code of Ethics and Business Conduct	49
Executive Code of Conduct	70
Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI Group Inc. by Insiders	73

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**Table of Contents****Presentation**

This set of documents presents the fundamental texts that define CGI and its management approach. The fundamental texts address not only members of the board of directors, CGI's executive team and the company's shareholders, but also all CGI members as well as anyone who wishes to consult them. Their main objective is to provide a better understanding of the most essential aspects of the company. It is our hope that this understanding will generate a shared vision of what constitutes CGI and of the community of thought that is essential to the company's success. The document will also provide all CGI members with an understanding that will allow them to participate fully in the life of the company and to better represent CGI.

THE FUNDAMENTAL TEXTS INCLUDE:

<b>1. <u>Dream, Mission, Vision and Values</u></b>	<b>2</b>
<b>2. <u>CGI Management Foundation</u></b>	<b>12</b>
<b>3. <u>Documents and Policies Pertaining to Corporate Governance</u></b>	<b>17</b>
<u>3.1 Charter of the Board of Directors</u>	18
<u>3.2 Charter of the Corporate Governance Committee</u>	27
<u>3.3 Charter of the Human Resources Committee</u>	33
<u>3.4 Charter of the Audit and Risk Management Committee</u>	38
<b>4. <u>Codes of Ethics</u></b>	<b>48</b>
<u>4.1 Code of Ethics and Business Conduct</u>	
<u>for members, officers and directors of CGI</u>	49
<u>4.2 Executive Code of Conduct</u>	49
<u>4.3 Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI by Insiders</u>	70
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<b><u>Appendix</u></b>	<b>97</b>

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## **Dream, Mission, Vision and Values**

This document constitutes Chapter 1 of the Fundamental Texts of CGI Group Inc. It begins with the mission statement of the company and is followed by the vision, the dream and the values of CGI. By dream, we essentially mean the intent or initial desire that led to the creation of our company and continues to drive its operation and growth. It also extends to the main principles and governing ideas that define the company's philosophy in its important cultural and organic aspects. This presentation of CGI's dream and values is therefore intended to impart in a succinct manner the company's character, essence, dynamism, values and culture, and the creative impulse that culminated in its creation and of which it is an extension.

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### **A. THE CGI DREAM**

A number of governing ideas inspired the creation of CGI and continue to drive its development. These ideas constitute what we call the CGI dream. It is a dream based on a set of values to which we are profoundly attached.

The dream has allowed us to assemble, all around the world, a team of extraordinary men and women who share it and are building a company that reflects their aspirations - who are, in fact, building their own company. Over the years, our team has built a clientele we are extremely proud of and whom we are dedicated to serving with the utmost skill.

This dream has its roots in the original and simple idea that first motivated CGI's founders when they created the company:

**To create an environment in which we enjoy working together and, as owners, contribute to building a company we can be proud of.**

From this very basic idea grew an entire business philosophy.

It goes without saying that creating this type of environment is particularly challenging in consulting companies such as ours. Personnel generally work at client locations, making it difficult to develop a sense of belonging through a shared workplace. There is the risk of certain people being forgotten when they spend long periods at a client site, and this risk is amplified when these individuals have few CGI colleagues working on the same engagement.

### **B. THE CGI MISSION AND VISION**

The mission of CGI is to help our clients with professional services of outstanding quality, competence and objectivity, delivering the best solutions to fully satisfy client objectives in information technology, business processes and management.

In all we do, we foster a culture of partnership, intrapreneurship, teamwork and integrity, building a world class IT and business process services company.

With this mission statement, we are endeavouring to describe not only the company's purpose, but also our ambition and values. In doing so, we hope, in a few words, to advance an overall understanding of these essential aspects of CGI.

Our vision is to be a world class IT and business process services leader helping our clients succeed.



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The following section will foster a more thorough comprehension of the dream associated with this mission and the values referred to in the mission statement.

### **C. THE CGI CULTURE AND VALUES**

To succeed in creating a highly favourable environment within such a context, CGI has fostered a corporate culture rooted in participation in the company and focused on each of its members. Developing a corporate culture, despite members often working at a distance, began with explicitly defining and then sharing common values. Our fundamental belief is that a company with an inspiring dream, unparalleled integrity, a caring, humane management philosophy and solid values is better able to attract and respond to the profound aspirations of remarkably high-calibre, competent people. These people in turn will seek out a select clientele, one aware of the company's values, and will deliver high-quality services at a competitive price, while meeting the company's profitability objectives. The growth and profitability generated as a result will allow CGI to offer its shareholders a superior and sustained return on their investment.

To support our dream and to create such an environment, we have adhered to a number of principles or governing ideas:

1. Sharing the same values
2. Embracing the objectives of our clients
3. Adopting a caring, humane approach towards our members
4. Focusing on synergy and the strength of teamwork
5. Participating in the development of our company as its owner-shareholders, and sharing in its wealth
6. Promoting robust, healthy and sustainable growth to the benefit of all stakeholders
7. Implementing a management model aligned with our dream and values

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### **1. SHARING THE SAME VALUES**

Sharing the same values allows us to enjoy considerable autonomy and swiftness of action without compromising our cohesiveness. It also allows us to mobilize teams more rapidly and bring together the most experienced individuals from across the company, who are able to quickly work as one to address a given challenge. And, of course, these values also guide our decisions and actions.

#### **PARTNERSHIP AND QUALITY**

For us, partnership and quality are both a philosophy and a way of life. We develop and follow the best management practices and we entrench these approaches into client relationships and service delivery frameworks in order to foster long term and strong partnerships with our clients. We listen to our clients and we are committed to their total satisfaction in everything we do.

#### **OBJECTIVITY AND INTEGRITY**

We exercise the highest degree of independent thinking in selecting the products, services and solutions we recommend to clients. In doing so, we adhere to the highest values of quality, objectivity and integrity. Consequently, strict rules of business and professional conduct are applied. We do not accept any remuneration from suppliers.

#### **INTRAPRENEURSHIP AND SHARING**

Our success is based on the competence, commitment and enthusiasm of our members. Therefore, we promote a climate of innovation and initiative where we are empowered with a sense of ownership in supporting clients, thus ensuring the firm's profitable growth. Through teamwork, sharing our know-how and expertise, we bring the best of CGI to our clients. As members, we share in the value we create through equity ownership and profit participation.

#### **RESPECT**

As a global company, we recognize the richness that diversity brings to the company and welcome this diversity while embracing the overall CGI culture. In all we do, we are respectful of our fellow members, clients, business partners and competitors.

#### **FINANCIAL STRENGTH**

We strive to deliver strong, consistent financial performance which sustains long term growth and rewards our members and shareholders. Financial strength enables us to continuously invest and improve services and business solutions to the benefit of our clients. To this end, we manage our business to generate industry superior returns.

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### CORPORATE SOCIAL RESPONSIBILITY

Our business model is designed to ensure that we are close to our clients and communities. As members, we embrace our social responsibilities and contribute to the continuous development of the communities in which we live and work.

#### **2. EMBRACING THE OBJECTIVES OF OUR CLIENTS**

At CGI, we believe that accomplishing outstanding work provides one with a strong sense of fulfilment. Our high-quality work allows us to forge rewarding relationships with our colleagues and clients and to experience the pleasure of our own creativity when we find an ideal solution to address our clients' needs.

To this end, we strongly encourage our members to develop a listening attitude to ensure that an understanding of the client's particular situation and needs takes priority in all that we do. For this reason, we foster a culture of independence, objectivity and integrity. We want our clients to know that we understand their objectives and are committed to finding the solution that is right for them. Our flexibility in establishing customized business relationships demonstrates our keen interest in our clients' objectives, cultural environment and values.

This in-depth understanding of our clients' objectives is one of the keys to our success and is as present in our short-term engagements as it is in our outsourcing contracts extending over multiple years.

However, embracing the objectives of our clients goes far beyond simply understanding them. It demands, for example, that we sincerely commit to offering the very best of ourselves in order to demonstrate to clients that we support them as completely as if we were their own employees. It is essential that they experience our commitment.

#### **3. ADOPTING A CARING, HUMANE APPROACH TOWARDS OUR MEMBERS**

Although the demands of our industry are considerable, CGI has always believed that this in no way conflicts with the very humane and caring approach we take in all of the relationships we foster. And while our human resources policies and Member Partnership Management Framework embody this concern and commitment, for CGI, this is also an issue of maturity and genuine leadership. It is a question of the quality of being. To foster this attitude of caring and sensitivity towards others, CGI has led by example. Since the inception of the company, this approach has been transmitted, most notably through the example set by our founders as well as by teamwork and the CGI Leadership Institute, and is today an integral component of CGI's spirit and culture.

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### **4. FOCUSING ON SYNERGY AND THE STRENGTH OF TEAMWORK**

CGI favours the accomplishment of work through synergy, which refers to the pooling of our members' skills, experience and creative abilities in all aspects of corporate life. Whether deciding on the direction to take in a service proposal or determining the best solution for a client, we incorporate synergy into everything we do.

Normally, a synergy group will hold meetings at key milestones throughout the entire lifespan of a given engagement. The group not only includes subject matter experts, but also less experienced members, who gain knowledge from their colleagues and are therefore able to more rapidly hone their own expertise. The objective is always to find appropriate and proven solutions for our clients. This practice is entrenched in our Quality System, which has earned ISO 9001 certification.

The practice of synergy underscores an outstanding cultural trait: at CGI, we believe that we are stronger and that everyone benefits when we work as a team. Our clients receive services of higher quality, and our members constantly learn from one another through concrete achievements.

### **5. PARTICIPATING IN THE DEVELOPMENT OF OUR COMPANY AS ITS OWNER-SHAREHOLDERS**

It is important that our members consider CGI as their company and that they participate in its growth and development. Involvement in professional groups that help maintain CGI's leadership position is just one of the many such forms of participation.

However, for this involvement in the company to be complete and rewarding, we feel it necessary that all CGI members be able to also share in the benefits generated by their activities. For this reason, since its founding, CGI has offered all of its members the opportunity to be shareholders and owners of their company. To this end, CGI has implemented a Share Purchase Plan, through which it pays half the cost of shares up to a certain amount. Members also qualify for a portion of the company's annual profits when objectives are met (Profit Participation Plan). This capital sharing opportunity has existed since CGI was established.

**It is an approach that incorporates many advantages:**

#### **FOR OUR CLIENTS**

Because of this approach, CGI has very few freelance or contract employees. This helps assure our clients that the experience we acquire

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through working with them is more likely to remain in the company. Moreover, the people they deal with at CGI are also owners of the company and are therefore completely committed to producing high-quality, dependable work in order to strengthen the client relationship.

### **FOR OUR SHAREHOLDERS**

Our external shareholders can rest assured that, as fellow owners, all of CGI's members have their mutual interests at heart, i.e. a desire to see the company grow and the drive to execute each contract in a way that will yield the targeted profit margin. This also impacts business development, for, as shareholders, our members strive to promote the company's growth, but will not sacrifice profitability by submitting counter-productive bids. And finally, shareholders are also assured that all of our members will manage the company's costs as if they were their own.

### **FOR OUR MEMBERS**

As members and shareholders, we feel above all that the growth in value, which we are contributing to, does provide us with a lucrative return over the long term. It is indeed more stimulating to work for a company that values the sharing of wealth. This also guarantees greater transparency in the management of the company. Because we must communicate our financial results to everyone, all of CGI's managers are more accountable to the people they lead and are more likely to involve them in the decision process. We believe that our approach to corporate ownership fosters greater overall dynamism and cohesiveness of action. This also allows us to attract and retain individuals with a genuine desire to build and develop the company.

## **6. PROMOTING ROBUST, HEALTHY AND SUSTAINED GROWTH TO THE BENEFIT OF ALL STAKEHOLDERS**

Robust, healthy and sustained growth is vital to the company's success. Much of our clientele consists of large companies with operations extending over many countries. We are committed to serving these clients well, often through long-term relationships that require us to deploy professionals in sufficient numbers where clients operate. The growth of our clients' business requires that we grow with them. Also, as a result of our success, an increasing number of clients call upon us to provide them with services. Robust growth is therefore intrinsic to the nature of the business we are in.

Growth is not only a vital component of our activities and essential to our clients, it also benefits our members. It provides them with an opportunity to embark upon new and stimulating challenges and develop their own potential. And growth, when financially healthy and profitable, clearly benefits all of our shareholders (including our member shareholders) through the value it generates.

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To maintain healthy and sustained growth, it is important that the companies or groups that join our ranks be welcomed and well integrated into our operations. In order to succeed in its growth strategy, CGI has developed its integration capability into a core competency. This capacity to integrate is based on three main axes. The first axis is aimed primarily at welcoming newcomers, answering their legitimate questions, confirming their new conditions of employment and, above all, allowing them to discover CGI by sharing its dream and values. The second axis is directed towards establishing the various synergy goals linked to an acquisition or an outsourcing deal. This encourages all parties to understand that this combination of strengths offers new, stimulating opportunities. The third axis is aimed at assuring the organizational transition and a rapid transfer to the CGI Management Foundation, especially with regards to the Quality System.

It follows that there ought to be an equilibrium of interests among all of the company's core stakeholders: clients, members and shareholders.

It is of course also essential that, as it grows, our company continues to act as a responsible corporate citizen by respecting and supporting the communities in which it operates and by respecting the environment.

The following are a few concrete examples of how this balanced approach promotes the healthy and sustained growth of CGI:

- ⋈ We must ensure, at every step of our growth, that we preserve the quality of the services we offer to our current and future clients.
- ⋈ We must also ensure that our members are adequately prepared to face the new challenges we offer them and that they have the resources needed to accomplish their work.
- ⋈ Growth must not come at the expense of the communities where we do business, or of the environment in general. In fact, we are committed to participating in the development of these communities and the protection of the environment.
- ⋈ We strive to ensure that our growth and development efforts provide short-term benefits without negatively impacting our long-term performance. We believe this also to be in the best interests of our shareholders.

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When the above conditions are met, robust, healthy, balanced and sustainable growth will follow.

**7. IMPLEMENTING A MANAGEMENT MODEL ALIGNED WITH OUR DREAM AND VALUES**

CGI's dream is being fulfilled every day through the constant efforts of our members who share and believe in this dream. It is also achieved through a disciplined management approach that is based on the company's objectives to produce high quality work for its clients, promote the development of its members and provide high value to its shareholders.

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## **CGI Management Foundation**

### INTRODUCTION

In the above diagram, we have assembled the key elements that define and guide the management of CGI. For this reason, these elements have been called the CGI Management Foundation. They reflect our collective experience and have been developed to make our actions as efficient as possible. This efficiency must first and foremost respect a number of principles, which are themselves integrated into the CGI Management Foundation and deserve to be emphasized:

- 1) the primacy of the dream, the mission, the vision and the values of the company;
- 2) the equilibrium between the legitimate interests of our clients, members and shareholders;
- 3) the balance between the need to assure cohesiveness and rigour in the management of the company and the commitment to promote autonomy, initiative and entrepreneurship.

The CGI Management Foundation intends to guide rather than prescribe.

Thus, it offers a certain amount of freedom in order to remain focused on our essential goal: to provide high-quality services truly adapted to our clients' needs.

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We will now examine the individual elements of the Foundation.

### DREAM, MISSION, VISION, VALUES, QUALITY POLICIES, STRATEGIC DIRECTIONS AND PLANS

The first section of the diagram aims at ensuring that all decisions are well aligned on the dream, mission, vision and values of the company. These are described in the first section of this document.

The next component is our Quality Policy. It has earned ISO 9001 certification, which requires that CGI demonstrate every year to external evaluators that its Quality Policy is applied across all of its operations.

The final component of this uppermost section focuses on Strategic Directions and Plans. These are established on an annual and triennial basis according to a rigorous process that includes extensive participation from within the company as well as from our clients and our shareholders. The emphasis placed on involving all business units and corporate services in the planning process helps ensure that the objectives established and methods selected are shared by all to the fullest extent possible and that they generate enthusiastic commitment in their implementation.

### GOVERNANCE POLICIES AND FRAMEWORKS, HUMAN RESOURCES POLICIES, FINANCIAL POLICIES AND ORGANIZATIONAL MODEL

The first component of the second section refers to the company's governance policies and frameworks. These policies and frameworks are comprised of the following documents:

- 1) The Charters of the Board of Director and its committees;
  - 2) the Codes of Ethics, to which members, officers and directors of the company must adhere;
  - 3) the Operations Management Framework, which outlines the delegation framework with respect to decision making (e.g. who may authorize and sign a million dollar proposal; who may authorize promotion to a vice-president's position).
- The second component involves human resources policies. All new members of the CGI team are asked to read You and CGI, which outlines all of the company's human resources policies, from compensation and training to career development.

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The third component focuses on financial policies. It covers how we determine our profitability objectives, target ratios (e.g. profit margins, maximum percentage allotted to certain expenses), how and when our financial results are prepared, the rules governing disclosure of results, etc. These policies and rules are outlined in a document under the responsibility of the Chief Financial Officer, and the most pertinent elements are communicated to all of our members.

Finally, the organizational model favoured by CGI is one that provides considerable autonomy to our business units. This model consists of creating business units in major cities in the regions that we serve. We also put a high priority on establishing solid business relationships within these regions, particularly with the decision makers from the companies operating in these cities. Each of these metropolitan business units is structured according to the key economic sectors served by CGI (finance, telecommunications, etc.). The implementation of a service offering for clients which have operations in multiple regions or countries is achieved through collaboration among business units, which, in the case of large contracts and particularly those involving outsourcing, can result in entire business units being dedicated to our major clients or to groups of clients who share the same needs. Consulting services and centres of expertise throughout CGI ensure that knowledge, strategies and leading-edge solutions are shared within the entire company.

### BUSINESS UNIT PROCESSES AND PARTNERSHIP MANAGEMENT FRAMEWORKS

The Business Unit Processes explain how the Client Partnership Management Framework and the Member Partnership Management Framework are applied locally in each business unit. They also describe how business development activities and other initiatives crucial to the smooth operation of each business unit should be managed.

The activities at the core of the operational management of CGI are aligned onto three management frameworks: the Client Partnership Management Framework, the Member Partnership Management Framework and the Shareholder Partnership Management Framework. These frameworks are the cornerstones of a continuous improvement process that is supported by the documentation and the systematic, audited application of our best practices. The process is also constantly fuelled by client, member and shareholder evaluations of our activities and performance.

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The first is the Client Partnership Management Framework. CGI's leadership position in its industry is contingent upon its ability to deliver services of the highest quality to its clients at competitive prices and within the established time frames. The Client Partnership Management Framework is the basis of how we manage our relationships with our clients. For each of type of mandates (outsourcing, projects, and consulting services), this framework guides our teams in the achievement of all phases of their work, from the proposal to its completion of the mandate. It is based not only on our best practices, but also relies on the industry's best standards and practices. A rigorous, regular program to evaluate the satisfaction of our clients allows us to measure our progress and continuously improve our practices. This evaluation is conducted on a face-to-face basis with the client, who must sign the evaluation. Each year, CGI establishes improvement objectives based on the results obtained the previous year.

The Member Partnership Management Framework guides all of our managers through the communications and dialogue activities they have with their teams. This cycle begins with welcoming activities and is followed by informal meetings, team meetings at various levels, career planning and performance reviews. We measure the satisfaction of our members annually through a survey conducted by an outside firm. Members can also use the survey to communicate their observations and suggestions to the head of their business unit or the CGI executive team. The results are published, and commitments are made by the leaders of both the business units and the company itself to address the comments submitted and make needed improvements.

The Shareholder Partnership Management Framework describes our information and relationship program with our investors beyond the prescribed activities associated with corporate governance, transparency and the disclosure of results.

The final section refers to the way we measure our results. First and foremost, we systematically measure the satisfaction levels of active clients regularly. We also measure member satisfaction annually, and we are currently developing a shareholder satisfaction measurement tool.

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## **Documents and Policies Pertaining to Corporate Governance**

### **3.1 Charter of the Board of Directors**

#### **IMPORTANT NOTE**

Chapter 1, Dream, Mission, Vision and Values of the CGI Group Inc. Fundamental Texts constitutes the fundamental principles of this Charter. This Charter should therefore be read in conjunction with Chapter 1.

#### **1. INTERPRETATION**

**Financially Literate** means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

**Independent Director** means a director who meets the independence criteria set out in section 1.4 of Multilateral Instrument 52-110 Audit Committees adopted by the Canadian Securities Administrators and as amended and in effect as of June 30, 2005, which is reproduced in Appendix A.

#### **2. OBJECTIVES**

CGI's shareholders are the first and most important element in the Company's governance structures and processes. At each annual general meeting, the Company's shareholders elect the members of the Company's Board of Directors and give them a mandate to manage and oversee the management of the Company's affairs for the coming year.

In the normal course of operations, certain corporate actions which may be material to CGI are initiated from time to time by the Company's senior management and, at the appropriate time, are submitted to CGI's Board of Directors for consideration and approval. When appropriate, such matters are also submitted for consideration and approval by CGI's shareholders. All such approvals are sought in accordance with the charters of the Board of Directors and standing committees, CGI's corporate governance practices and applicable corporate and securities legislation.

The overall stewardship of the Company is the responsibility of the Board of Directors. In accomplishing the mandate it receives from the Company's shareholders, the Board of Directors may delegate certain of

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its authority and responsibilities to committees and management and reserve certain powers to itself. Nonetheless, it will retain full effective control over the Company.

### 3. COMPOSITION

- 3.1 The majority of the Board of Directors shall be comprised of Independent Directors. The application of the definition of Independent Director to the circumstances of each individual director is the responsibility of the Board of Directors which will disclose on an annual basis whether it is constituted with the appropriate number of directors which are Independent Directors and the basis for its analysis. The Board of Directors will also disclose which directors are Independent Directors or not and provide a description of the business, family, direct and indirect shareholding or other relationship between each director and the Company.
- 3.2 The Company expects and requires directors to be and remain free of conflictual interests or relationships and to refrain from acting in ways which are actually or potentially harmful, conflictual or detrimental to the Company's best interests. Each director shall comply with the Company's formal code of ethics and business conduct that governs the behaviour of members, directors and officers and shall complete and file annually with the Company any and all documents required pursuant to such formal code of ethics and business conduct with respect to conflict of interests. This matter will also be reviewed annually by the Corporate Governance Committee. The Board of Directors will monitor compliance with said code as well as with the Company's executive code of conduct applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or other persons performing similar functions within the Company. The Board will also be responsible for the granting of any waivers from compliance with the codes for directors and officers. The Board of Directors will disclose in due time the adoption of such codes as well as all waivers and specify the circumstances and rationale for granting the waiver.
- 3.3 The Board of Directors, following advice of its Corporate Governance Committee, is responsible for evaluating its size and composition and establishing a Board comprised of members who facilitate effective decision-making. The Board of Directors has the ability to increase or decrease its size.
- 3.4 It is a general requirement under the Company's corporate governance practices that all directors possess both financial and operational literacy. In addition, the membership of the Board of Directors will include a sufficient number of directors who are Financially Literate and at least one director who qualifies as a financial expert as defined in the applicable corporate governance rules imposed by regulatory bodies in order to ensure that the Audit and Risk Management Committee membership complies with those rules.

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- 3.5 A director who makes a major change in principal occupation will forthwith disclose this fact to the Board of Directors and will offer his or her resignation to the Board of Directors for consideration. It is not intended that directors who retire or whose professional positions change should necessarily leave the Board of Directors. However, there should be an opportunity for the Board of Directors to review the continued appropriateness of the Board of Directors membership under such circumstances.
- 3.6 The Board of Directors is responsible for approving new nominees to the Board. New directors will be provided with an orientation and education program which will include written information about the duties and obligations of directors, the business and operations of the Company, documents from recent Board of Directors meetings and opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director will be tailored to that director's individual needs and areas of interest. The prospective candidates should fully understand the role of the Board of Directors and its committees and the contribution expected from individual directors and the Board of Directors will ensure that they are provided with the appropriate information to that effect. In addition, the Board of Directors will ascertain and make available to its members, when required, continuing education as per the business and operations of the Company.

## **4. RESOURCES**

- 4.1 The Board of Directors will implement structures and procedures to ensure that it functions independently of management.
- 4.2 The Board of Directors appreciates the value of having certain members of senior management attend each Board of Directors meeting to provide information and opinion to assist the directors in their deliberations. The Executive Chairman of the Board will seek the Board of Directors' concurrence in the event of any proposed change to the management attendees at Board of Directors meetings. Management attendees will be excused for any agenda items which are reserved for discussion among directors only.

## **5. RESPONSIBILITIES AND DUTIES**

The principal responsibilities and duties of the Board of Directors include the following, it being understood that in carrying out their responsibilities and duties, directors may consult with management and may retain external advisors at the expense of the Company in appropriate circumstances. Any engagement of external advisors shall be subject to the approval of the Chair of the Corporate Governance Committee.



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5.1 General Responsibilities

- 5.1.1 The Board of Directors will oversee the management of the Company. In doing so, the Board of Directors will establish a productive working relationship with the Executive Chairman of the Board and the Chief Executive Officer and other members of senior management.
- 5.1.2 The Board of Directors will oversee the formulation of long-term strategic, financial and organizational goals for the Company. It shall approve the Company's strategic plan and review same on at least an annual basis. This plan will take into account the opportunity and risks of the Company's business.
- 5.1.3 As part of the responsibility of the Board of Directors to oversee management of the Company, the Board of Directors will engage in active monitoring of the Company and its affairs in its stewardship capacity.
- 5.1.4 The Board of Directors will engage in a review of short and long-term performance of the Company in accordance with approved plans.
- 5.1.5 The officers of the Company, headed by the Executive Chairman of the Board and the Chief Executive Officer, shall be responsible for general day to day management of the Company and for making recommendations to the Board of Directors with respect to long term strategic, financial, organizational and related objectives.
- 5.1.6 The Board of Directors will periodically review the significant risks and opportunities affecting the Company and its business and oversee the actions, systems and controls in place to manage and monitor risks and opportunities. The Board of Directors may impose such limits as may be in the interests of the Company and its shareholders.
- 5.1.7 The Board of Directors will oversee how the Company communicates its goals and objectives to its shareholders and other relevant constituencies.
- 5.1.8 The Board of Directors will oversee the succession planning including appointing, training and monitoring senior management and the Executive Chairman of the Board in particular.
- 5.1.9 The Board of Directors is responsible for overseeing a Communication Policy for the Company. In doing so, the Board of Directors will ensure that the policy (i) addresses how the Company interacts with analysts, investors, other key stakeholders and the public, (ii) contains measures for

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the Company to comply with its continuous and timely disclosure obligations and to avoid selective disclosure, and (iii) is reviewed at least annually.

5.1.10 The Board of Directors will oversee the integrity of the Company's internal control and management information systems.

5.1.11 The Board of Directors will make sure that the Company adopt prudent financial standards with respect to the business of the Company and prudent levels of debt in relation to the Company's consolidated capitalization.

5.1.12 The Board of Directors will also consider and approve:

- i) transactions out of the ordinary course of business including, without limitation, proposals on mergers, acquisitions or other major investments or divestitures;
- ii) all matters that would be expected to have a major impact on shareholders;
- iii) the appointment of any person to any position that would qualify such person as an officer of the Company; and
- iv) any proposed changes in compensation to be paid to members of the Board of Directors on the recommendation of the Human Resources Committee.

5.1.13 The Board of Directors will also receive reports and consider:

- i) The quality of relationships between the Company and its key customers;
- ii) Changes in the shareholder base of the Company from time to time and relationships between the Company and its significant shareholders;
- iii) Periodic reports from Board of Directors' committees with respect to matters considered by such committees;
- iv) Health, safety and environmental matters as they affect the Company and its business; and

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v) Such other matters as the Board of Directors may, from time to time, determine.

5.1.14 The Board of Directors will oversee management through an ongoing review process.

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5.1.15 The Board of Directors will, together with the Executive Chairman of the Board develop a position descriptions for the Executive Chairman of the Board and the Chief Executive Officer. The Board of Directors will also approve the corporate objectives that the Executive Chairman of the Board is responsible for meeting and assess management's performance in relation to such objectives. The Board of Directors will raise any concerns related to the performance of the Chief Executive Officer with the Executive Chairman of the Board as appropriate.

5.1.16 The Board of Directors will receive a report from its Human Resources Committee on succession planning as set forth in such committee's mandate.

5.2 Annual Assessment of the Board of Directors

The Board of Directors will annually review the assessment of the Board of Directors' performance and recommendation provided by the Corporate Governance Committee. The objective of this review is to increase the effectiveness of the Board of Directors and contribute to a process of continuous improvement in the Board of Directors' execution of its responsibilities. It is expected that the result of such reviews will be to identify any areas where the directors and/or management believe that the Board of Directors and/or the directors individually could make a better contribution to the affairs of the Company. The Board of Directors will take appropriate action based upon the results of the review process.

5.3 Committees

5.3.1 The Board of Directors shall appoint committees to assist it in performing its duties and processing the quantity of information it receives.

5.3.2 Each committee operates according to a Board of Directors approved written mandate outlining its duties and responsibilities. This structure may be subject to change as the Board of Directors considers from time to time which of its responsibilities can best be fulfilled through more detailed review of matters in committee.

5.3.3 The Board of Directors will review annually the work undertaken by each committee and the responsibilities thereof.

5.3.4 The Board of Directors will annually evaluate the performance and review the work of its committees, including their respective mandates and the sufficiency of such mandates.

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5.3.5 The Board of Directors will annually appoint a Lead Director as well as a member of each of its committees to act as Chair of the committee.

5.3.6 Subject to subsection 5.3.8, committees of the Board of Directors shall be composed of a majority of Independent Directors.

5.3.7 The Board of Directors shall appoint members of committees after considering the recommendations of the Corporate Governance Committee and the Executive Chairman of the Board as well as the skills and desires of individual Board members, all in accordance with the mandates of such committees approved by the Board.

5.3.8 The Audit Committee shall be composed only of Independent Directors. All members of the Audit Committee shall be Financially Literate and at least one member shall be a financial expert within the meaning of applicable regulatory requirements.

5.4 Lead Director

5.4.1 The Lead Director shall be an Independent Director. He will oversee that the Board of Directors discharges its responsibilities, ensure that the Board of Directors evaluates the performance of management objectively and that the Board of Directors understands the boundaries between the Board of Directors and management responsibilities.

5.4.2 The Lead Director will chair periodic meetings of the Independent Directors and assume other responsibilities which the Independent Directors as a whole might designate from time to time.

5.4.3 The Lead Director should be able to stand sufficiently back from the day-to-day running of the business to ensure that the Board of Directors is in full control of the Company's affairs and alert to its obligations to the shareholders.

5.4.4 The Lead Director shall provide input to the Executive Chairman of the Board on preparation of agendas for Board and committee meetings.

5.4.5 The Lead Director shall chair Board meetings when the Executive Chairman of the Board is not in attendance, subject to the provisions of the by-laws of the Company.

5.4.6 The Lead Director shall provide leadership for the independent directors and ensure that the effectiveness of the Board is assessed on a regular basis.

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- 5.4.7 The Lead Director shall set the agenda for the meetings of the Independent Directors.
- 5.4.8 The Lead Director shall report to the Board concerning the deliberations of the independent directors as required.
- 5.4.9 The Lead Director shall, in conjunction with the Executive Chairman of the Board, facilitate the effective and transparent interaction of Board members and management;
- 5.4.10 The Lead Director shall provide feedback to the Executive Chairman of the Board and act as a sounding board with respect to strategies, accountability, relationships and other issues.

5.5 Review of the Board Mandate

In order to ensure that this mandate is kept current in the light of changes which may occur in corporate practice or the structure of the Company, the Board of Directors will annually reconfirm this mandate or initiate a review to revise it.

5.6 Board of Directors Compensation

The Human Resources Committee will review the adequacy and form of compensation of the senior management and directors each year. The Committee shall make recommendations to the Board of Directors for consideration when it believes changes in compensation are warranted. Furthermore, the Board of Directors will ensure the compensation realistically reflects the responsibility and risk involved in being a director.

**6. COMMUNICATIONS POLICY**

- 6.1 The Board of Directors will consider and review the means by which shareholders can communicate with the Company including the opportunity to do so at the annual meeting, communications interfaces through the Company's website and the adequacy of resources available within the Company to respond to shareholders through the office of the Corporate Secretary and otherwise. However, the Board of Directors believes that it is the function of the management to speak for the Company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that individual directors may from time to time be requested by management to assist with such communications. It is expected, if communications from stakeholders are made to individual directors, management will be informed and consulted to determine any appropriate response.

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- 6.2 The Board of Directors has the responsibility for monitoring compliance by the Company with the corporate governance requirements and guidelines of the Toronto Stock Exchange and the New York Stock Exchange. The Board of Directors will approve the disclosure of the Company's system of governance and the operation of such system.

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## **3.2 Charter of the Corporate Governance Committee**

### IMPORTANT NOTE

Chapter 1, Dream, Mission, Vision and Values of the CGI Group Inc. Fundamental Texts constitutes the fundamental principles of this Charter. This Charter should therefore be read in conjunction with Chapter 1.interpretation

Committee means the Corporate Governance Committee of the Board of Directors of the Company.

Independent Director means a director who meets the independence criteria set out in section 1.4 of Multilateral Instrument 52-110 Audit Committees adopted by the Canadian Securities Administrators and as amended and in effect as of June 30, 2005, which is reproduced in Appendix A.

### **1. OBJECTIVES**

The Committee is responsible for: (a) developing the Company's approach to Board governance issues and the Company's response to the corporate governance guidelines; (b) reviewing the composition and contribution of the Board and its members and recommending Board nominees; (c) overseeing the orientation program for new directors; and (d) helping to maintain an effective working relationship between the Board of Directors of the Company and management.

### **2. COMPOSITION**

3.1 The Committee shall be composed of a majority of Independent Directors.

3.2 The Board of Directors shall appoint an independent director as the Chair of the Committee. If the Chair is absent from a meeting, the members shall select a Chair from those in attendance to act as Chair of the meeting.

### **3. MEETINGS**

4.1 Meetings of the Committee shall be held at the call of the Chair, but not less than twice annually. Meetings of the Committee may be called by the Chair of the Committee, the Executive Chairman of the Board or the Chief Executive Officer.

4.2 The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than two members of the Committee from time to time. Subject to the



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foregoing requirement, unless otherwise determined by the Board of Directors, the Committee shall have the power to fix its quorum and to regulate its procedure. Matters decided by the Committee shall be decided by majority vote.

- 4.3 Notice of each meeting shall be given to each member, to the Executive Chairman of the Board, to the Chief Executive Officer and to the Corporate Secretary of the Company.
- 4.4 The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee, including in particular the Chief Executive Officer.
- 4.5 The Committee shall appoint a secretary to be the secretary of all meetings of the Committee and to maintain minutes of all meetings and deliberations of the Committee.

**4. RESPONSIBILITIES AND DUTIES**

5.1 Role and responsibilities of the Committee Chair:

5.1.1 The Chair of the Committee:

5.1.1.1 Provides leadership for the committee by ensuring that:

- (i) The responsibilities of the committee are well understood by committee members and management.
- (ii) The committee works as a cohesive team.
- (iii) Adequate resources and timely and relevant information are available to the committee to support its work.
- (iv) The effectiveness of the committee is assessed on a regular basis.
- (v) The committee's structure and mandate is appropriate and adequate to support the discharge of the committee's responsibilities.

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- (vi) The scheduling, organization and procedures of committee meetings provide adequate time for the consideration and discussion of relevant issues.

- 5.1.1.2 Works with the Executive Chairman of the Board and Corporate Secretary to set the calendar of the committee's regular meetings.

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- 5.1.1.3 Has the authority to convene special meetings as required.
- 5.1.1.4 Sets the agenda in collaboration with the Executive Chairman of the Board and the Corporate Secretary.
- 5.1.1.5 Presides at meetings.
- 5.1.1.6 Acts as liaison with management with regard to the work of the committee.
- 5.1.1.7 Reports to the Board concerning the work of the committee.
- 5.1.1.8 Exercises the authority specifically delegated to the Chair by the Committee, if any.

5.2 General Responsibilities

Board Members

- 5.2.1 Review criteria regarding the composition of the Board of Directors and committees of the Board of Directors, such as size, proportion of Independent Directors and as to criteria to determine relatedness as well as profile of the Board of Directors (age, geographical representation, disciplines, etc.) and establish a Board of Directors comprised of members who facilitate effective decision-making.
- 5.2.2 Review criteria relating to tenure as a director, such as limitations on the number of times a director may stand for re-election, and the continuation of directors in an honorary or similar capacity.
- 5.2.3 Review criteria for retention of directors unrelated to age or tenure, such as attendance at Board of Directors and committee meetings, health or the assumption of responsibilities which are incompatible with effective Board of Directors membership; and assess the effectiveness of the Board of Directors as a whole, the committees of the Board of Directors, the contribution of individual directors on an ongoing basis and establish in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities it seeks in new Board members in order to add value to the Company.
- 5.2.4 Recommend to the Board of Directors the list of candidates for directors to be nominated for election by shareholders at annual meetings of shareholders.

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5.2.5 Recommend to the Board of Directors candidates to fill vacancies on the Board of Directors occurring between annual meetings of shareholders.

5.2.6 Recommend to the Board of Directors the removal of a director in exceptional circumstances, for example (a) such director is in a position of conflict of interest or (b) the criteria underlying the appointment of such director change.

5.2.7 Ensure that the Board of Directors can function independently of management. To this end, arrange for meetings on a regular basis of the Independent Directors without management present. In such cases, meetings will be chaired by the Lead Director.

Director Orientation

5.2.8 As an integral element of the process for appointing new directors, put in place an orientation and education program for new recruits to the Board of Directors and review from time to time the value and benefit of such program.

Compliance

5.2.9 Ensure corporate compliance with applicable legislation including director and officer compliance.

5.2.10 Review proposed amendments to the Company's by-laws before making recommendations to the Board of Directors.  
Codes of Business Conduct

5.2.11 Periodically review and make recommendations to the Board of Directors with respect to the Company's formal code of ethics and business conduct for its members, directors and officers and its executive code of conduct applicable to the Company's principal executive officer, principal financing officer, principal accounting officer or controller, or other persons performing similar functions within the Company; including the disclosure of the adoption of such codes.

5.2.12 Monitor adherence to the codes and review potential situations related thereto brought to the attention of the Committee by the Corporate Secretary of the Company in order to recommend or not in certain circumstances to the Board of Directors to grant or not waivers from compliance with the codes for directors and officers. The Committee shall also ensure that when such waivers are granted, the Board of Directors shall disclose same in due time and specify the circumstances and rationale for granting the waiver.

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Corporate Governance Principles

- 5.2.13 Make recommendations to the Board of Directors as deemed appropriate in the context of adherence to corporate governance guidelines in effect from time to time.
- 5.2.14 In conjunction with the Executive Chairman of the Board of Directors, recommend to the Board of Directors the membership and chairs of the committees of the Board of Directors.
- 5.2.15 Review annually the Board/management relationship.
- 5.2.16 Advise the Board of Directors on the disclosure to be contained in the Company's public disclosure documents, such as the Company's annual management proxy circular or annual report, on matters of corporate governance as required by the Toronto Stock Exchange, the New York Stock Exchange or any other applicable exchange or regulator.
- 5.2.17 Generally advise the Board of Directors on all other matters of corporate governance.

External and Internal Resources

- 5.2.18 Retain such independent external advisors as it may deem necessary and advisable for its purposes.
- 5.2.19 Report to the Board of Directors on its proceedings, reviews undertaken, and any associated recommendations.
- 5.2.20 Have adequate resources to discharge its responsibilities;
- 5.2.21 Have the right, for the purposes of discharging the powers and responsibilities of the Committee, to inspect any relevant records of the Company and its subsidiaries.
- 5.2.22 The Chair of the Committee shall review the opportunity for the Board of Directors of the Company or individual directors to retain external advisors at the expense of the Company in certain appropriate circumstances in carrying out their responsibilities.

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Shareholder Proposals

5.2.23 Review and make recommendations on shareholder proposals to the Board of Directors or refer them to the Executive Chairman of the Board as appropriate.

5.3 Other Responsibilities

The Committee shall carry out such other mandates as the Board of Directors may request from time to time.

5.4 Review of Mandate of the Committee

The Board of Directors should review and reassess the adequacy of the mandate on an annual basis.

5.5 Compensation

Members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board of Directors may determine from time to time.

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## **3.3 Charter of the Human Resources Committee**

### IMPORTANT NOTE

Chapter 1, Dream, Mission, Vision and Values of the CGI Group Inc. Fundamental Texts constitutes the fundamental principles of this Charter. This Charter should therefore be read in conjunction with Chapter 1.

#### **1. INTERPRETATION**

**Committee** means the Human Resources Committee of the Board of Directors of the Company.

**Independent Director** means a director who meets the independence criteria set out in section 1.4 of Multilateral Instrument 52-110 Audit Committees adopted by the Canadian Securities Administrators and as amended and in effect as of June 30, 2005, which is reproduced in Appendix A.

#### **2. OBJECTIVES**

The Committee is responsible for reviewing and making recommendations to the Board of Directors of the Company for the appointment of Senior Executives of the Company and for determining terms of employment of Senior Executives. It shall also perform functions such as reviewing succession planning and matters of compensation as well as such other matters the Committee may consider suitable with respect to compensation or as may be specifically directed by the Board of Directors of the Company from time to time.

#### **3. COMPOSITION**

3.1 The Committee shall be composed of a majority of Independent Directors.

3.2 The Board of Directors shall appoint one of the Independent Directors as the Chair of the Committee. If the Chair is absent from a meeting, the members shall select a Chair from those in attendance to act as Chair of the meeting.

#### **4. MEETINGS**

4.1 Meetings of the Committee shall be held at the call of the Chair, but not less than three times annually. Meetings of the Committee may be called by the Chair of the Committee, the Executive Chairman of the Board or the Chief Executive Officer.

4.2 The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than two members of the Committee from time to time. Subject to the

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foregoing requirement, unless otherwise determined by the Board of Directors, the Committee shall have the power to fix its quorum and to regulate its procedure. Matters decided by the Committee shall be decided by majority vote.

- 4.3 Notice of each meeting shall be given to each member, to the Executive Chairman of the Board, to the Chief Executive Officer and to the Corporate Secretary of the Company.
- 4.4 The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee, including in particular the Executive Chairman of the Board.
- 4.5 The Committee shall appoint a secretary to be the secretary of all meetings of the Committee and to maintain minutes of all meetings and deliberations of the Committee.

**5. RESPONSIBILITIES AND DUTIES**

5.1 Role and responsibilities of the Committee Chair:

5.1.1 The Chair of the Committee:

5.1.1.1 Provides leadership for the committee by ensuring that:

- (i) The responsibilities of the committee are well understood by committee members and management.
- (ii) The committee works as a cohesive team.
- (iii) Adequate resources and timely and relevant information are available to the committee to support its work.
- (iv) The effectiveness of the committee is assessed on a regular basis.
- (v) The committee's structure and mandate is appropriate and adequate to support the discharge of the committee's responsibilities.



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- (vi) The scheduling, organization and procedures of committee meetings provide adequate time for the consideration and discussion of relevant issues.

- 5.1.1.2 Works with the Executive Chairman of the Board and Corporate Secretary to set the calendar of the committee's regular meetings.

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- 5.1.1.3 Has the authority to convene special meetings as required.
- 5.1.1.4 Sets the agenda in collaboration with the Executive Chairman of the Board and the Corporate Secretary.
- 5.1.1.5 Presides at meetings.
- 5.1.1.6 Acts as liaison with management with regard to the work of the committee.
- 5.1.1.7 Reports to the Board concerning the work of the committee.
- 5.1.1.8 Exercises the authority specifically delegated to the Chair by the Committee, if any.

5.2 General Responsibilities

- 5.2.1 The Committee shall, among other things, have responsibility to advise the Board of Directors on human resources planning, compensation of members of the Board of Directors, Executive Officers and other employees, short and long-term incentive plans, benefit plans, and Executive Officer appointments.
- 5.2.2 The Committee shall review and report to the Board of Directors on:
  - 5.2.2.1 Management's succession plans for Executive Officers, with special emphasis on the Executive Chairman of the Board and Chief Executive Officer succession;
  - 5.2.2.2 Compensation philosophy of the organization, including a remuneration strategy and remuneration policies for the Executive Officer level, as proposed by the Executive Chairman of the Board and the Chief Executive Officer;
  - 5.2.2.3 Recommendations to the Board of Directors for the appointment of the Executive Chairman of the Board, the Chief Executive Officer and other Executive Officers, corporate objectives which the Executive Chairman of the Board and such other Executive Officers, as the case may be, are responsible for meeting, assessment of the Executive Chairman of the Board and of the Chief Executive Officer against these objectives, monitoring of the Executive Chairman of the Board's performance and providing advice and counsel in the execution of his duties;



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- 5.2.2.4 Total remuneration plan including adequacy and form of compensation realistically reflecting the responsibilities and risks of the position for the Executive Chairman of the Board and for the Chief Executive Officer of the Company and, in connection therewith, consider appropriate information, including information from the Board of Directors with respect to the overall performance of the Executive Chairman of the Board and of the Chief Executive Officer;
  - 5.2.2.5 Remuneration for Executive Officers, annual adjustment to executive salaries, and the design and administration of short and long-term incentive plans, stock options, benefits and perquisites as proposed by the Executive Chairman of the Board and the Chief Executive Officer;
  - 5.2.2.6 Employment and termination arrangements for senior management;
  - 5.2.2.7 Adoption of new, or significant modifications to, pay and benefit plans;
  - 5.2.2.8 Appointment of new officers as appropriate;
  - 5.2.2.9 Significant organizational changes;
  - 5.2.2.10 The Committee's proposed executive compensation report to be contained in the Company's annual proxy circular;
  - 5.2.2.11 Management development programs for the Company;
  - 5.2.2.12 Any special employment contracts or arrangements with officers of the Company including any contracts relating to change of control; and
  - 5.2.2.13 Remuneration for members of the Board of Directors and committees thereof, including adequacy and form of compensation realistically reflecting the responsibilities and risks of the positions and recommend changes where applicable.
- 5.2.3 The Committee shall perform such other duties as may from time to time be assigned to it by the Board of Directors

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including those relating to compensation of officers and senior employees and the manpower resources of the Company.

5.3 Other Responsibilities

5.3.1 The Committee shall have the right to retain such independent external advisors as it may deem necessary and advisable for its purposes and to assess and review, on an annual basis or as deemed appropriate, the independence of such external advisors.

5.3.2 The Committee shall report to the Board of Directors on its proceedings, reviews undertaken, and any associated recommendations.

5.3.3 The Committee shall have adequate resources to discharge its responsibilities.

5.3.4 The Committee shall have the right, for the purposes of discharging the powers and responsibilities of the Committee, to inspect any relevant records of the Company and its subsidiaries.

5.4 Review of Mandate of the Committee

The Board of Directors should review and reassess the adequacy of this mandate on an annual basis.

5.5 Compensation

Members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board of Directors may determine from time to time.

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## **3.4 Charter of the Audit and Risk Management Committee**

### IMPORTANT NOTE

Chapter 1, Dream, Mission, Vision and Values of the CGI Group Inc. Fundamental Texts constitutes the fundamental principles of this Charter. This Charter should therefore be read in conjunction with Chapter 1.

#### **1. INTERPRETATION**

**Committee** means the Audit and Risk Management Committee of the Board of Directors of the Company.

**Financially Literate** means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

**Independent Director** means a director who meets the independence criteria set out in section 1.4 of Multilateral Instrument 52-110 Audit Committees adopted by the Canadian Securities Administrators and as amended and in effect as of June 30, 2005, which is reproduced in Appendix A.

#### **2. OBJECTIVES**

The Committee will assist the Board of Directors in fulfilling its oversight responsibilities. In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, management, the internal auditors and the external auditors.

#### **3. COMPOSITION**

- 3.1 The Committee shall consist solely of Independent Directors, all of whom shall be Financially Literate and at least one of whom shall be a financial expert as defined in the applicable corporate governance rules imposed by regulatory bodies.
- 3.2 Following each annual meeting of shareholders, the Board of Directors shall elect three or more directors, who shall meet the independence and experience requirements of the New York Stock Exchange and the Toronto Stock Exchange as well as the other similar requirements under applicable securities regulations, to serve on the Committee until the close of the next annual meeting of shareholders of the Company or until the member ceases to be a director, resigns or is replaced, whichever first occurs. Any member may be removed from office or replaced at any time by the Board of Directors.

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- 3.3 The Board of Directors shall appoint one of the members of the Committee as the Chair of the Committee. If the Chair is absent from a meeting, the members shall select a Chair from those in attendance to act as Chair of the meeting.

**4. MEETINGS AND RESOURCES**

- 4.1 Regular meetings of the Committee shall be held quarterly. Special meetings of the Committee may be called by the Chair of the Committee, the external auditors, the Executive Chairman of the Board, the Chief Executive Officer or the Chief Financial Officer of the Company.
- 4.2 The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than two members of the Committee from time to time. Subject to the foregoing requirement, unless otherwise determined by the Board of Directors, the Committee shall have the power to fix its quorum and to regulate its procedure. Matters decided by the Committee shall be decided by majority vote.
- 4.3 Notice of each meeting shall be given to each member, the external auditors, the Executive Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer of the Company, any or all of whom shall be entitled to attend. Notice of each meeting shall also be given, as the case may be, to the internal auditor who shall also attend whenever requested to do so by the Chair of the Committee or the Corporate Secretary.
- 4.4 Notice of meeting may be given orally or by letter, telephone facsimile transmission, telephone or electronic device not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting. The notice need not state the purpose or purposes for which the meeting is being held.
- 4.5 Opportunities should be afforded periodically to the external auditors and, as the case may be, to the internal auditor and the senior management to meet separately with the Committee. In addition, the Committee may meet in camera, with only members of the Committee present, whenever the Committee determines that it is appropriate to do so.
- 4.6 The Committee shall have the authority to retain special legal counselling, accounting or other consultants as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee at the Company's expense.

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- 4.7 The Corporate Secretary of the Company or designate of the Corporate Secretary shall be the Secretary of all meetings of the Committee and shall maintain minutes of all meetings and deliberations of the Committee.

**5. RESPONSIBILITIES AND DUTIES**

- 5.1 Role and responsibilities of the Committee Chair:

- 5.1.1 The Chair of the Committee:

- 5.1.1.1 Provides leadership for the committee by ensuring that:

- (i) The responsibilities of the committee are well understood by committee members and management.
- (ii) The committee works as a cohesive team.
- (iii) Adequate resources and timely and relevant information are available to the committee to support its work.
- (iv) The effectiveness of the committee is assessed on a regular basis.
- (v) The committee's structure and mandate is appropriate and adequate to support the discharge of the committee's responsibilities.
- (vi) The scheduling, organization and procedures of committee meetings provide adequate time for the consideration and discussion of relevant issues.

- 5.1.1.2 Works with the Executive Chairman of the Board, the Chief Financial Officer and the Corporate Secretary to set the calendar of the committee's regular meetings.

- 5.1.1.3 Has the authority to convene special meetings as required.

- 5.1.1.4 Sets the agenda in collaboration with the Executive Chairman of the Board, the Chief Financial Officer and the Corporate Secretary.



5.1.1.5 Presides at meetings.

5.1.1.6 Acts as liaison with management with regard to the work of the committee.

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5.1.1.7 Reports to the Board concerning the work of the committee.

5.1.1.8 Exercises the authority specifically delegated to the Chair by the Committee, if any.

5.2 General Responsibilities

While the Committee has the responsibilities and powers set forth below, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate. This is the responsibility of management and the external auditors. Nor is it the duty of the Committee to conduct investigations, or to assure compliance with laws and regulations. The Committee shall review disagreements, if any, between management and the external auditors and shall make recommendations to resolve such disagreements. In the event that any such disagreement persists, the matter will be referred by the Committee to the Board of Directors for a final determination.

5.3 Review of Mandate of the Committee

The Board of Directors and the Committee shall review and reassess the adequacy of this mandate on an annual basis.

5.4 Publicly Disclosed Financial Information

5.4.1 The Committee shall review and recommend for approval by the Board of Directors, before release to the public:

5.4.1.1 interim unaudited financial statements;

5.4.1.2 audited annual financial statements, in conjunction with the report of the external auditors;

5.4.1.3 all public disclosure documents containing audited or unaudited financial information, including any prospectus, the annual information form and management's discussion and analysis of financial condition and results of operations, as well as related press releases, including earnings guidance; and

5.4.1.4 the compliance of management certification of financial reports with applicable legislation and attestation of the Company's disclosure controls and procedures.

5.4.2 The Committee shall review any report which accompanies published financial statements (to the extent such a report discusses financial condition or operating results) for consistency of disclosure with the financial statements themselves.



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- 5.4.3 In its review of financial statements, the Committee should obtain an explanation from management of all significant variances between comparative reporting periods and an explanation from management for items which vary from expected or budgeted amounts as well as from previous reporting periods.
- 5.4.4 In its review of financial statements, the Committee should review unusual or extraordinary items, transactions with related parties, and adequacy of disclosures, asset and liability carrying values, income tax status and related reserves, qualifications, if any, contained in letters of representation and business risks, uncertainties, commitments and contingent liabilities.
- 5.4.5 In its review of financial statements, the Committee shall review the appropriateness of the Company's significant accounting principles and practices, including acceptable alternatives, and the appropriateness of any significant changes in accounting principles and practices.
- 5.4.6 The Committee shall satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and shall periodically assess the adequacy of those procedures.

5.5 Financial Reporting and Accounting Trends

The Committee shall:

- 5.5.1 Review and assess the effectiveness of accounting policies and practices concerning financial reporting;
- 5.5.2 Review with management and with the external auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- 5.5.3 Question management and the external auditors regarding significant financial reporting issues discussed and the method of resolution; and
- 5.5.4 Review general accounting trends and issues of accounting policy, standards and practices which affect or may affect the Company.

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5.6 Internal Controls

5.6.1 The Committee shall review and monitor the Company's internal control procedures, programs and policies, and assess the adequacy and effectiveness of internal controls over the accounting and financial reporting systems, with particular emphasis on controls over computerized systems.

5.6.2 The Committee shall review:

5.6.2.1 The evaluation of internal controls by the external auditors, together with management's response;

5.6.2.2 The working relationship between management and external auditors;

5.6.2.3 The appointments of the Chief Financial Officer and any key financial executives involved in the financial reporting process;

5.6.2.4 The review and approval of the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;

5.6.2.5 Any decisions related to the need for internal auditing, including whether this function should be outsourced and, in such case, approving the supplier which shall not be the external auditors; and

5.6.2.6 Internal control procedures to ensure compliance with the law and avoidance of conflicts of interest.

5.6.3 The Committee shall undertake private discussions with staff of the internal audit function to establish internal audit independence, the level of co-operation received from management, the degree of interaction with the external auditors, and any unresolved material differences of opinion or disputes.

5.7 Internal Auditor

The Committee shall:

5.7.1 Review the mandate and annual objectives of the internal auditor, if the appointment of an internal auditor is deemed appropriate;

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- 5.7.2 Review the adequacy of the Company's internal audit resources; and
  
- 5.7.3 Ensure the internal auditor has ongoing access to the Chair of the Committee as well as all officers of the Company, particularly the Executive Chairman of the Board and the Chief Executive Officer.

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5.7.4 Review the audit plans, performance and summaries of the reports of the internal audit function as well as management's response including follow-up to any identified weakness.

5.8 External Auditors

5.8.1 The Committee shall recommend to the Board of Directors the appointment of the external auditors, which firm is ultimately accountable to the Committee and the Board of Directors.

5.8.2 The Committee shall i) receive periodic reports from the external auditors regarding the auditors independence, the performance of the auditors, the qualifications of the key audit partner and audit managers, a periodic review of the auditors' quality control procedures, material issues arising from the periodic quality control review and the steps taken by the auditors to address such findings, ii) discuss such reports with the auditors, and if so determined by the Committee, iii) recommend that the Board of Directors take appropriate action to satisfy itself as to the independence of the auditors and the quality of their performance.

5.8.3 The Committee shall take appropriate steps to assure itself that the external auditors are satisfied with the quality of the Company's accounting principles and that the accounting estimates and judgments made by management reflect an appropriate application of generally accepted accounting principles.

5.8.4 The Committee shall undertake private discussions on a regular basis with the external auditors to review, among other matters, the quality of financial personnel, the level of co-operation received from management, any unresolved material differences of opinion or disputes with management regarding financial reporting and the effectiveness of the work of the internal audit function.

5.8.5 The Committee shall review the terms of the external auditors' engagement and the appropriateness and reasonableness of the proposed audit fees as well as the compensation of any advisors retained by the Committee.

5.8.6 The Committee shall review and pre-approve any engagements for non-audit services provided by the external auditors or their affiliates to the Company or its subsidiaries, together with the fees for such services, and consider the impact of this on the independence of the external auditors. The Committee shall determine which non-audit services the external auditors are prohibited from providing.

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5.8.7 When a change of auditors is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by regulations and the planned steps for an orderly transition.

5.8.8 The Committee shall review all reportable events, including disagreements, unresolved issues and consultations on a routine basis whether or not there is to be a change of auditors.

5.8.9 When discussing auditor independence, the Committee will consider both rotating the lead audit partner or audit partner responsible for reviewing the audit after a number of years and establishing hiring policies for employees or former employees of its external auditor.

5.9 Audit Procedures

5.9.1 The Committee shall review the audit plans of the internal and external audits, including the degree of co-ordination in those plans, and shall inquire as to the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts. The audit plans should be reviewed with the external auditors and with management, and the Committee should recommend to the Board of Directors the scope of the external audit as stated in the audit plan.

5.9.2 The Committee shall review any problems experienced by the external auditors in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management.

5.9.3 The Committee shall review the post-audit or management letter containing the recommendations of the external auditors, and management's response and subsequent follow-up to any identified weakness.

5.10 Risk Management and Other Responsibilities

5.10.1 The Committee shall put in place procedures to receive and handle complaints or concerns received by the Company about accounting or audit matters including the anonymous submission by employees of concerns respecting accounting or auditing matters.

5.10.2 The Committee shall review such litigation, claims, transactions or other contingencies as the internal auditor,



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external auditors or any officer of the Company may bring to its attention, and shall periodically review the Company's risk management programs. In that regard the Committee shall review the Company's major risk exposures and the steps taken by management to monitor, control and report such exposures.

- 5.10.3 The Committee shall review the policy on use of derivatives and monitor the risk.
- 5.10.4 The Committee shall review the related party transactions in line with the New York Stock Exchange rules and regulations and those of any other applicable exchange or regulator.
- 5.10.5 The Committee shall review assurances of compliance with covenants in trust deeds or loan agreements.
- 5.10.6 The Committee shall review business risks that could affect the ability of the Company to achieve its business plan.
- 5.10.7 The Committee shall review uncertainties, commitments, and contingent liabilities material to financial reporting.
- 5.10.8 The Committee shall review the effectiveness of control and control systems utilized by the Company in connection with financial reporting and other identified business risks.
- 5.10.9 The Committee shall review incidents of fraud, illegal acts, conflicts of interest and related-party transactions.
- 5.10.10 The Committee shall review material valuation issues.
- 5.10.11 The Committee shall review the quality and accuracy of computerized accounting systems, the adequacy of the protections against damage and disruption, and security of confidential information through information systems reporting.
- 5.10.12 The Committee shall review material matters relating to audits of subsidiaries.
- 5.10.13 The Committee shall review cases where management has sought accounting advice on a specific issue from an accounting firm other than the one appointed as auditor.
- 5.10.14 The Committee shall review any legal matters that could have a significant impact on the financial statements.

- 5.10.15 The Committee shall consider other matters of a financial nature it feels are important to its mandate or as directed by the Board of Directors.

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5.10.16 The Committee shall report regularly to the Board of Directors on its proceedings, reviews undertaken and any associated recommendations.

5.10.17 The Committee shall have the right, for the purpose of discharging the powers and responsibilities of the Committee, to inspect any relevant records of the Company and its subsidiaries.

5.11 Compensation

Members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board of Directors may determine from time to time.

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## **Codes of Ethics**

### **4.1 Code of Ethics and Business Conduct**

for members, officers and directors of CGI

To the CGI Team

This Code of Ethics and Business Conduct is based on the values and philosophy that have guided CGI successfully since the Company's inception in 1976. It constitutes a unique repository where the combination of CGI policies, guidelines, principles of conduct and best practices have been regrouped under one umbrella document, for the benefit of our members, officers and directors.

CGI's operations have grown significantly and now extend worldwide, and our business environment has become increasingly competitive and complex. The scope and pace of our business requires us to make quick and informed decisions, in a manner consistent with our values.

This Code provides guidance - and a global view - for CGI members, officers and directors to consistently achieve the professionalism that has earned our Company an enviable reputation among our clients and within our industry. It also provides guidance for CGI directors when acting for the Company.

This Code is not meant to be a complete list of ethics and business conduct covering every eventuality. It highlights situations that CGI's members, officers and directors may face in their duties and provides the basic principles to guide their actions. CGI recognizes the importance of supporting these individuals as ethical issues arise, and has an open door policy for resolving such issues with integrity.

Upon joining CGI, all members, as part of their employment contract, undertake to observe this Code in all aspects of their work. Furthermore, annually, all members shall renew such undertaking.

We must always behave responsibly and in line with the Company's core values when working on behalf of CGI for its clients and other stakeholders. By preserving our personal integrity and the professional reputation of CGI, I am confident that together we will succeed in achieving the Company's mission and vision.

Serge Godin

**Founder and Executive Chairman of the Board**

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### IMPORTANT NOTE

Chapter 1, Dream, Mission, Vision and Values of the CGI Group Inc. Fundamental Texts constitutes the fundamental principles of this Code of Ethics and Business Conduct. This Code should therefore be read in conjunction with Chapter 1.

### **1. VALUES, PHILOSOPHY, MISSION AND VISION**

#### VALUES

CGI has always believed in investing in the future to ensure continued success. From the beginning, the Company has invested in developing a strong corporate culture, based on six core values that reflect its approach to business. These values are: quality and partnership, intrapreneurship and sharing, respect, objectivity and integrity, financial strength and corporate social responsibility. These values are at the heart of CGI's success. They ensure that CGI takes a long-term view on business issues, and it builds long-lasting partnerships with its clients.

#### PHILOSOPHY

The success of CGI Group Inc. and its subsidiaries is based on the knowledge, creativity and commitment of its members. CGI ensures this success by recruiting the most qualified people available. CGI's members share in the risks and rewards of CGI's business as partners of CGI and are committed to its objectives. They take a disciplined approach to their work and constantly strive for excellence to achieve the best results for every client. In exchange, CGI strives to recognize the value of its members by offering them a stimulating work environment that fosters their personal and professional development.

#### MISSION

The mission of CGI is to help our clients with professional services of outstanding quality, competence and objectivity, delivering the best solutions to fully satisfy client objectives in information technology, business processes and management.

In all we do, we foster a culture of partnership, intrapreneurship, teamwork and integrity, building a world class IT and business process services company.

#### VISION

Our vision is to be a world class IT and business process services leader helping our clients succeed.

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### **2. PURPOSE AND SCOPE OF THE CODE**

This Code of Ethics and Business Conduct (the Code) defines CGI's character and guides the actions and decisions of the salaried employees (members), officers and directors of CGI. Compliance with the Code is essential for many reasons and notably to preserve and enhance CGI's reputation and maximize shareholder value. In keeping with CGI's values, the Code outlines the essential rules and guidelines necessary to preserve CGI's enviable reputation among its clients and within its industry. The Code is not meant to be a complete list of ethics and business conduct covering every eventuality. It highlights situations that CGI members, officers and directors may face in their duties. The code is meant to give them a broad and clear understanding of the conduct expected of them, wherever CGI does business. While the specific illustrations are primarily addressed to members, they should be read as being equally applicable to the members of CGI's Board of Directors to the extent that they may be applicable in the circumstances.

Should a member be confronted with a situation where further guidance is required, the matter should be discussed with the member's manager. CGI recognizes its obligation to support its members, officers and directors as ethical issues arise.

### **3. MEMBERS CONDUCT AND BEHAVIOUR**

#### **GENERAL CONDUCT**

Upon joining CGI, and annually thereafter, all members undertake, by signing the Member Commitment to the Code of Ethics and Business Conduct, to abide by the Company Code of Ethics and Business Conduct and related policies and guidelines.

If a member ceases to be employed by CGI for any reason, the Member Commitment specifies which elements continue to apply, namely those related to the confidentiality obligations.

#### **RESPECT AND INTEGRITY**

All members of CGI support the Company's philosophy and contribute to CGI's development and good reputation by promoting synergy and teamwork, by expressing their ideas and by adopting the highest standards of service quality and integrity. The members of CGI are its ambassadors. They must always behave responsibly and demonstrate courtesy, honesty, civility and respect for other members of CGI, for its clients and for its suppliers.

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### LOYALTY

Members are expected to act at all times with diligence and loyalty towards CGI and in such a way as to safeguard CGI's interests. Members should not act in a way or publicly hold a position that might harm the image or reputation of CGI.

### RELATIONS WITH CLIENTS

CGI's services often involve visiting or working at a client's place of business. A member working at a client's site must comply with the client's practices and procedures and treat the client's facilities with respect. The member must work as efficiently and meticulously as possible and leave the client's premises and property as he or she found them. As well, members must use the client's information and systems infrastructures for the sole purpose of the client's contract and protect those infrastructures and information at all times.

### RELATIONS WITH COMPETITORS

If a member is working with a competitor of CGI on a joint project for a client, the member must avoid any situations that could cause conflicts. The member must respect the roles that the client has assigned to each party and work as a team in the client's best interests. CGI's members also have both an ethical and a legal responsibility to portray the Company's competitors fairly and accurately. CGI does not tolerate its members using improper means for gathering information about its competitors.

### MAINTENANCE OF ASSETS

All members of CGI have a responsibility to protect CGI's assets against loss, theft, abuse and unauthorized use or disposal. If, in the course of his or her work, a member of CGI is supplied with any property belonging to CGI or to a third party, the member must use said property solely for work-related purposes as specified in the binding agreement he or she signed upon joining CGI. More specifically, the members must use CGI's systems infrastructures in a manner consistent with legal requirements, professional ethics, the policies established by the administrators of CGI's network and of any external networks that the member uses, and must respect the copyrights protecting any software that the member also uses. As well, members must never use the clients' systems infrastructures, including the clients' software, for any purpose that is not work-related. CGI applies a zero-tolerance policy to any abuse of its systems infrastructures or those of its clients.

At the end of employment, members are required to return all CGI property and assets in their possession to their manager or to a designated CGI representative.



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**4. INTEGRITY OF BOOKS AND RECORDS AND COMPLIANCE WITH SOUND ACCOUNTING PRACTICES**  
PREPARATION OF BOOKS AND RECORDS

Accuracy and reliability in the preparation of all business records is of critical importance to the decision-making process and to the proper discharge of financial, legal and reporting obligations. All business records, expense accounts, invoices, bills, payroll and member records and other reports are to be prepared with care and honesty. False or misleading entries are not permitted in CGI's books and records.

FINANCIAL TRANSACTIONS

All financial transactions are to be properly recorded in the books of account and accounting procedures are to be supported by the necessary internal controls. In turn, all books and records of CGI must be available for audit.

MEMBER RESPONSIBILITIES

CGI is committed to providing a safe and healthy work environment for all members.

Accordingly, members are expected to observe the following policies:

**Drug-Free Workplace**

CGI maintains a drug-free workplace. Accordingly, in the workplace, members may not:

- Use, sell, or possess illegal drugs;
- Abuse or misuse controlled substances, prescription drugs, or over-the-counter medications; or
- Abuse alcohol.

**Restrictions on Alcohol Use**

With the exception of specially-authorized CGI functions, no member may consume, serve, or be under the influence of alcohol while on CGI property or while performing CGI business.

Alcohol may be served at CGI functions only with the prior approval of a Senior Vice President. In such circumstances, CGI strongly encourages members to use discretion, act responsibly, and behave in a manner becoming to the Company. When working in parts of the world where alcohol use or possession is prohibited, CGI members must comply with local laws.

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### **In relation to CGI's books and records, members must:**

- i) not intentionally cause Company documents to be incorrect in any way;
- ii) not create or participate in the creation of any records that are intended to conceal anything that is improper;
- iii) properly and promptly record all disbursements of funds;
- iv) co-operate with internal and external auditors;
- v) report any knowledge of any untruthful or inaccurate statements or records or transactions that do not seem to serve a legitimate commercial purpose; and
- vi) not make unusual financial arrangements with a client or a supplier (such as, over-invoicing or under-invoicing) for payments on their behalf to a party not related to the transaction.

The nature of CGI's business places special importance on the accuracy of time keeping and expense reporting.

### **Accurate Timekeeping**

Client billing, member compensation, and cost estimating depends on CGI's ability to record and account for member time worked accurately.

Accordingly, CGI is committed to accurate total time accounting and reporting within all of its subsidiaries.

All members are required to comply with CGI's timekeeping policy and procedures and any applicable contract requirements. Members must record all time worked daily and submit reports weekly, accurately reflecting all time worked on both direct and indirect projects. Managers are responsible for ensuring that members know the correct project code for each project assignment

Knowingly mischarging your time or falsifying time records violates CGI policy and may also violate the law. No member may knowingly charge time inaccurately or knowingly approve mischarging. Similarly, shifting time worked on one project to another project also is strictly prohibited.

To ensure accurate time reporting, members must be sure that they understand and carefully follow CGI's timekeeping policy and procedures. Members must obtain the correct charge code before starting work on any new direct or indirect project. If a member has any questions regarding time charging, the question should be raised with their manager. In all cases, members must take the steps necessary to ensure that their time records are current, accurate, and complete.

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### **Expense Reimbursement**

Members must honestly and accurately report their business-related expenses for reimbursement. A member's signature on an expense report certifies that the information provided is complete and accurate and represents a valid business expense.

### **BREACHES**

Suspected breaches of the Code which directly or indirectly affect CGI's business must be reported to the Chief Financial Officer, the Chief Executive Officer or the Chair of the Audit and Risk Management Committee and to CGI's Corporate Secretary.

In addition, CGI has established a policy for incident reporting (often referred to as a whistleblower policy) as well as a process under that policy which allows any person who has direct knowledge of specific facts to report incidents where the Company is exposed to a serious risk in matters of accounting, auditing, internal accounting controls, finance, banking or financial corruption. The process in place protects the incident reporter and ensures the confidentiality of the report. See the heading "Compliance with the Code" below.

## **5. CONFIDENTIAL INFORMATION AND INTELLECTUAL PROPERTY**

### **DEFINITIONS**

#### **Confidential Information**

Confidential Information means information about the Company's business dealings, development strategies and financial results; products or processes; client lists; vendor lists or purchase prices; cost, pricing, marketing or service strategies; results of research and development work, technical know-how, manufacturing processes, computer software; reports and information related to mergers, acquisitions and divestitures.

Confidential Information also includes information that relates to intellectual property and may include, but is not limited to: business strategies, product marketing and costing information and information provided by suppliers and competitors. In addition, the way the Company puts publicly-known information together, to achieve a particular result, is often a valuable trade secret.

The following information and documents constitute confidential information or documents of CGI or its clients, as the case may be:

- i) methodologies;

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- ii) all information related to: processes, formulas, research and development, products, financials, marketing; names and lists of customers, employees and suppliers as well as related data; computer programs, all software developed or to be developed including flow charts, source and object codes;
- iii) all information related to projects undertaken by the Company whether they are merger and acquisition or divestiture projects or projects related to large client contracts, including all information obtained in due diligence initiatives, whether such information pertains to CGI or to any third party; and
- iv) all other information or documents that, if disclosed, could be prejudicial to CGI or its clients.

### **Intellectual Property**

Intellectual Property (IP) means patents, copyrights, trademarks, trade secrets and industrial designs of CGI.

### NON-DISCLOSURE UNDERTAKING

#### **CGI Confidential Information**

During the normal course of business, members will have access to confidential information about CGI. In some cases, the information may affect the value of CGI shares. Each member must protect the confidentiality of all confidential CGI information and documents. Members cannot discuss them away from work, and cannot divulge any confidential CGI information or any information that could harm CGI. Confidential CGI information could include information from other members or information acquired from outside sources, sometimes under obligations of secrecy. Members are expected to use such information exclusively for business purposes and this information must not be disclosed externally without the approval of a member's manager.

#### **Third Party Agreements**

In cases where information or records are obtained under an agreement with a third party, such as software licenses or technology purchases, members must ensure that the provisions of such agreements are strictly adhered to so that CGI will not be deemed to be in default. Unauthorized disclosure or use of information or records associated with these agreements could expose the member involved and/or CGI to serious consequences.

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DISCLOSURE GUIDELINES

**Insider Information**

Confidential information about CGI or other public companies may not be used as a basis for trading in CGI securities, or the securities of any other company in respect of which CGI or its members, consultants or advisers are in possession of insider information. For this purpose, CGI has an established policy regarding the use of insider information and trading in securities. This policy is entitled "Guidelines on Timely Disclosure of Material Information and Transactions in Securities by Insiders" which extends to all directors, officers and, when in possession of Confidential Information, members, those authorized to speak on behalf of CGI and all other insiders. It is designed to protect the integrity of the Company and its directors, officers and members while ensuring compliance with all applicable securities legislation in Canada, the United States and other countries. The law stipulates that insiders may not take advantage of inside information to trade in the securities of a company. Likewise, employees must not provide third parties with any information that would give them an unfair advantage when trading in securities of the company, including client companies or any other company that is the subject of an acquisition, divestiture or client related project.

**Material Information**

CGI's guidelines on disclosure also cover the disclosure of information with a material impact, defined as any information that, if disclosed to a potential investor, could affect his or her perception of the value of the Company as an investment. Because CGI is a publicly traded company, any information that may have a material impact on CGI's results or on the perception of the value of the stock must be communicated in accordance with CGI's "Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI by Insiders." If a member thinks that he or she is in possession of a piece of information that is not known to management and may have a material impact on the Company, the member must communicate it immediately to either the Executive Chairman of the Board, the Chief Executive Officer, the Corporate Secretary, or the Chief Financial Officer, without divulging it to anyone else.

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### **Client Information**

Just as CGI's members must protect confidential information about CGI, they must also show discretion at all times with regard to the client's business affairs. Unless a member has the client's express authorization, he or she should never reveal any information that could harm the client's interests and should never use any information that he or she obtains in the course of a project or assignment for any purpose other than that project or assignment. If the client restricts the distribution of certain information within its own organization, the member must comply with those restrictions as well.

### **Member Information**

CGI collects and maintains personal information relating to its members, including medical and benefits information. Access to such information is restricted to CGI personnel on a need-to-know basis. They must ensure that this information is not disclosed in violation of CGI's policies and practices. Personal information is released to outside parties only with the member's approval, except to satisfy the requirements considered by CGI to be appropriate for legal reasons.

### **Intellectual Property**

In the course of their duties, members may develop or create new designs, inventions, systems or processes, products or documents. When these achievements have been made as a direct result of a member's employment with the Company and through use of CGI's resources, they belong to CGI. Moreover, CGI is free to use this work as it so wishes and members cannot use nor divulge, publish or otherwise disseminate it without prior written consent from CGI. Upon request, members will execute documents made necessary to confirm or complete the assignment of rights to CGI. Upon joining CGI, and in Canada only, members agree, by signing the Member Commitment to the Code of Ethics and Business Conduct, to waive their moral rights in favour of CGI.

### **Suppliers and Partners Information**

All information on CGI suppliers and partners is also confidential and must not be disclosed without the express consent of the persons concerned.

## **6. CONFLICTS OF INTEREST DEFINITION**

The members of CGI must avoid any actual or apparent conflicts of interest and should never engage in any conduct which is harmful to CGI or its reputation. A conflict of interest exists when a member favours his or her personal interests over those of CGI or its clients or when an obligation or situation arising from a member's personal activities or financial affairs may adversely influence the member's judgement in the performance of his or her duties at CGI.

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### GUIDELINES

The following guidelines provide guidance for members to avoid situations which are or may appear to be in conflict with their responsibility to act in the best interest of the Company.

**Financial Interests** - A conflict of interest exists when a member who is able to influence business with CGI owns, directly or indirectly, a beneficial interest in an organization which is a competitor of CGI, or which has current or prospective business as a supplier, customer or contractor with CGI. This does not include the situation where the financial interest in question consists of shares, bonds or other securities of a company listed on a securities exchange and where the amount of this interest is less than one percent of the value of the class of security involved.

**Outside Work** - When a member, directly or indirectly, acts as a director, officer, employee, consultant or agent of an organization that is a competitor of CGI, or which has current or prospective business as a supplier, customer or contractor with CGI, there is a conflict of interest. Similarly, a conflict of interest may exist when a member undertakes to engage in an independent business venture or to perform work or services for another entity should that activity prevent such member from devoting the time and effort to the conduct of CGI's business, which his or her position requires.

**Gifts or Favours** - A conflict of interest will arise when a member, either directly or indirectly, solicits or accepts any gift or favour from any person or organization which is a competitor of CGI, or which has current or prospective business with CGI as a customer, supplier, partner or contractor.

For this purpose, a gift or favour includes any gratuitous service, loan, discount, money or article of value. It does not include articles of nominal value normally used for sales promotion purposes, ordinary business meals or reasonable entertainment consistent with local, social or business customs if received in a sporadic manner.

**Commissions** - CGI or its members will never accept any commissions from a third-party vendor when recommending software, hardware or any equipment to a client as part of a service agreement.

**Trading with CGI** - A conflict of interest may exist when a member is directly or indirectly a party to a transaction with CGI.

**Misappropriation of Business Opportunities** - A conflict of interest will exist when a member, without the knowledge and consent of CGI, appropriates for his or her own use, or that of another person or

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organization, the benefit of any business venture, opportunity or potential opportunity about which the member may have learned or that he or she may have developed during the course of his or her employment.

**Bribes** - Neither CGI nor its members will pay bribes to clients or client representatives to obtain business from them.

### REPORTING

If a member thinks that he or she has been placed in a conflict of interest, the member must inform his or her manager and work with him or her to determine how the situation may be corrected.

## **7. LAWS, STATUTES AND REGULATIONS**

### COMPLIANCE WITH THE LAW

It is CGI's policy to comply, not merely with the letter, but also with the spirit of the law. CGI is required to maintain compliance with various acts, statutes and regulations governing activities in the jurisdictions in which it carries on business and expects members acting on its behalf to do likewise. Members are also expected to report any situation of concern to CGI's Corporate Secretary.

### GUIDELINES FOR COMPLIANCE

This Code does not seek to provide legal guidance for all laws, statutes and regulations that impact CGI's activities. Specialized resources - legal, tax, environmental, government relations, personnel - are available within CGI for that purpose. There are, however, several items of legislation that warrant specific mention. These are listed below along with some general guidelines for compliance.

### HEALTH AND SAFETY LAWS

CGI is committed to creating and maintaining healthy and safe workplaces for its members. Members are expected to comply with all safety laws, regulations and directives from their managers (which may not necessarily be a law or regulation).

### ENVIRONMENTAL LAWS

CGI is committed to preserving and enhancing the environment in the communities where its various businesses operate through responsible and environmentally-oriented operating practices. Members are encouraged to participate in undertakings geared to improving the environment in both their workplace and their community.



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HUMAN RIGHTS LEGISLATION

Every person has the right to equal treatment with respect to employment and the right to be free of discrimination because of race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, age, pregnancy, record of offences, marital status, social conditions, political beliefs, language, veteran status (U.S. only), family status, disability or means used to overcome a disability. The following are CGI's policies on equal employment opportunity, anti-discrimination and anti-harassment as well as the procedure for reporting any breach or violation of these policies:

- i) **Equal Employment Opportunity** - CGI is committed to treating all people fairly and equitably, without discrimination. The company has established a program to ensure that groups which are often subject to discrimination are equitably represented within CGI and to eliminate any employment rules and practices that could be discriminatory. CGI regards diversity among its members as a priceless resource and one which enables the Company to work harmoniously with clients from around the world.
  
- ii) **Anti-Harassment and Anti-Discrimination Policies** - CGI recognizes that everyone has the right to work in an environment free of sexual, psychological and racial harassment. CGI will do everything in its power to prevent its members from becoming victims of such harassment. CGI defines sexual, psychological or racial harassment as any behaviour, in the form of words, gestures, or actions, generally repeated, that has undesired sexual, psychological or racial connotations, that has a negative impact on a person's dignity or physical or psychological integrity, or that results in that person being subjected to unfavourable working conditions or dismissal.

CGI will prevent any form of harassment or discrimination against job candidates and members on any of the grounds mentioned above, whether during the hiring process or during employment. This commitment applies to such areas as training, performance assessment, promotions, transfers, layoffs, remuneration and all other employment practices and working conditions.

All CGI managers are personally accountable for enforcing this policy and must make every effort to prevent discriminatory or harassing behaviour and to intervene immediately if they observe a problem or if a problem is reported to them.

CGI requires that all members refrain from any form of harassment or discrimination against anyone else. CGI will not tolerate any violations of this policy whatsoever.

- iii) **Procedure for Reporting Discrimination or Harassment** - Any member of CGI who feels discriminated against or harassed can and should, in all confidence and without fear of reprisal, personally report the facts to the vice-president of his or her business unit and to the human resources leader either in that business unit, in the country or

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at the corporate head office. The facts will be examined carefully by these two individuals. Neither the name of the person reporting the facts nor the circumstances surrounding them will be disclosed to anyone whatsoever, unless such disclosure is necessary for an investigation or disciplinary action. Any disciplinary action will be determined by these same two people and will be proportional to the seriousness of the behaviour concerned. CGI will also provide appropriate assistance to any member who is a victim of discrimination or harassment. In addition, retaliation against persons who make complaints of harassment, witness harassment, offer testimony or are otherwise involved in the investigation of harassment complaints will not be tolerated.

### COMPETITION ACT

CGI is required to make its own decisions on the basis of its best interest and must do so independent of agreements or understandings with competitors. The Competition Act (Canada) or corresponding provisions of foreign legislation in matters of competition prohibit certain arrangements or agreements with others regarding product prices, terms of sale, division of markets, allocation of customers or other practices that restrain competition. It is the responsibility of each manager to comply with the letter and spirit of all competition laws as they apply to CGI.

Should a question or doubt arise with respect to competition-sensitive issues, they must immediately be brought to the attention of CGI's Corporate Secretary.

### SECURITIES LAWS AND INSIDER TRADING

Members who possess material non-public information may not buy or sell CGI securities while such information remains non-public and must refrain from passing such information on to others, including family and friends. These trading prohibitions apply to members at all levels - not just officers or managers. The prohibition on such trading is based on such information potentially providing an unfair advantage to the member.

Material non-public information is non-public information that is significant enough that, if publicly known, is likely to affect the market price of any of CGI's securities. CGI has adopted Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI by Insiders. Each member, officer and director must abide by the provisions of these guidelines, when applicable.

### [LAWS COMBATTING BRIBERY OF PUBLIC OFFICIALS](#)

[The global scope of CGI's business means that we do business in many countries around the globe. CGI complies, and it is essential that our members, officers and directors comply at all times, both with the letter and with the spirit of the laws enacted to combat corruption and the bribery of public officials.](#)

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Examples of such laws include the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, and national laws such as the Canadian *Corruption of Foreign Public Officials Act* and the US *Foreign Corrupt Practices Act*, as well as similar laws that have been enacted by other countries in which we operate. Under these laws it is a serious criminal offense to participate, directly or indirectly, in any activity intended to influence a foreign official to act, or not act, in a way that would be in violation of their lawful duty, or to secure any improper advantage to allow CGI to obtain, or retain, business.

### EXPORT AND IMPORT LAWS

CGI members may increasingly find themselves dealing with goods or services that are the subject of export or import restrictions, such as, for example, information or technology that has military or state security applications. Members who deal with controlled goods and services must comply with the CGI policies and procedures that are designed to ensure that the controls are respected.

### LAWS THAT PROTECT CLASSIFIED INFORMATION

In the normal course of CGI's business with government clients, our members may be required to hold government security clearances and they may have access to information that is classified or facilities that are restricted. Members must comply with the letter and with the spirit of the laws, rules and regulations that apply to classified information and facilities that are restricted.

Whether a member holds a security clearance or not, members must not seek access to classified information or restricted facilities unless that access is required in order to allow them to carry out their assigned tasks. Members must not accept access to, retain, or otherwise deal with classified information, or enter restricted facilities, unless they hold a current and valid security clearance that entitles them to have the appropriate degree of access. If there is any doubt about whether information is classified or whether facilities are restricted, about the restrictions that may apply to information or facilities, or whether the member's security clearance is adequate in the circumstances, the member must first consult with the CGI security officer who has the authority to advise the member.

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**8. MEMBER, CLIENT, INVESTOR AND MEDIA RELATIONS**  
COMMUNICATIONS IN GENERAL

**Communications Policy**

- i) **Within CGI** - CGI's management philosophy demonstrates the value it places on its members' participation in the Company's activities. Communication is a key responsibility of all members. CGI encourages open communication and the sharing of information because it believes its members are its most valuable ambassadors.
- ii) **Outside of CGI** - CGI also believes in maintaining open communication with its clients, shareholders, the investment community, industry analysts, regulators, the media and other interested parties. Clear and professional communication enables CGI to promote its services and solutions to its various audiences.

**Communications within CGI**

- i) **Member Input** - CGI encourages its members to share their opinions and ideas, both at scheduled meetings and in the member surveys circulated for this purpose. Regular team meetings are held in all of CGI's business units, providing opportunities for its members to get to know their colleagues better, to discuss topics of common interest and to receive information about developments both in their business unit and in the company. During the annual tour of all business units, the senior managers of CGI provide a review for the members of the past year's performance and discuss CGI's strategies for the coming year.
- ii) **Member Satisfaction Assessment Process** - Each year, all members of CGI are asked to participate in the Member Satisfaction Assessment Process (MSAP) by filling out a survey questionnaire. The answers provided in this questionnaire and the comments made in the Message to the Senior Management section enable CGI corporate and operational management to improve policies and programs and develop action plans to achieve CGI's objective of becoming the best employer in the industry. Members of CGI can rest assured that their answers and comments on this questionnaire are kept entirely confidential.
- iii) **Newsletter, Other Communications and the Intranet site** - The purpose of internal communications is to fulfill CGI's promise to provide all members with complete, meaningful, up-to-date information about CGI's activities on an ongoing basis. Examples of ongoing communications initiatives include the member newsletter, Perspectives; quarterly (audio) webcasts, Ontrack, and CGI's enterprise Intranet site, all of which keep the members informed about CGI's current projects and recent successes. CGI's Intranet site is intended to implement an infrastructure that allows CGI to share information and corporate policies with all of its members more rapidly.

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### **Corporate Communications Department**

The Corporate Communications department of CGI is responsible for developing and managing the policies and programs for CGI's communications activities both within and outside of the company. The Corporate Communications team's mandate includes the establishment of a corporate identity that includes not only the visual branding, but also how to describe and talk about CGI. CGI's Corporate Communications Program has been designed to focus on three key audiences: members, clients and investors.

### **World Wide Web site**

As a key component of the corporate communications program, the CGI Web site is designed to ensure a flow of information to current and future members, current and prospective clients and investors. CGI's Web site is constantly changing and evolving to achieve CGI's worldwide communication strategy. CGI encourages its members and shareholders to keep up with the latest news on CGI and its activities through CGI's Website at [www.cgi.com](http://www.cgi.com).

### COMMUNICATIONS WITH CLIENTS

- i) **Initiatives with Clients** - CGI is successful because it works hard at communicating effectively with its clients around the world. A Corporate Identity Manual is available in each of the business units. This manual provides guidelines which must be followed by all members for all external communications. A branding section is posted on the Intranet that supports the overall branding effort, educating members on how best to manage the brand. It also provides rules, as well as tools, for sales collaterals and presentations, advertising, and trade show and conference participation.
- ii) **Marketing Materials** - A range of marketing materials has been developed in collaboration with leaders across CGI, representing its various business units, industry sectors and areas of expertise. Included are computer-based presentations and brochures about CGI. These materials are available to all members who work directly with the company's clients, and can be located on the company's Intranet site.

### COMMUNICATIONS WITH INVESTORS AND MEDIA

CGI strives to maintain strong relations with its shareholders and has developed an integrated program to manage communications with its shareholders as well as with others in the investment community and with the media. As a publicly traded company, CGI must demonstrate discipline in dealing with external audiences. CGI has therefore adopted Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI by Insiders. Such guidelines include (i) Timely Disclosure and Prohibition Against Selective Disclosure and (ii) CGI's Corporate Disclosure Policy.

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### **Release of Information**

CGI regularly issues news releases in North America, Europe and around the world when it concludes major agreements, signs important contracts or has any other news of general interest or material information. CGI also provides financial information to institutional investors and financial analysts and other interested parties by issuing quarterly financial news releases, quarterly shareholders' reports, annual reports, annual notices and corporate and financial profiles. These documents are distributed through newswires and/or posted on SEDAR and EDGAR, as well as on the CGI Web site. CGI also holds meetings with the investment community and hosts special events, such as its annual Investor Day and the annual general meeting of shareholders, where CGI communicates directly with the investment community and shareholders.

### **Internet Broadcasts**

CGI strives to share information democratically by using Internet technology to broadcast its major communication events to all of its shareholders, other investors, analysts and the media. CGI broadcasts live and also archives its annual shareholders' meeting for replay via its Web site. It also broadcasts live and archives its regular and special telephone conferences with investors and analysts to disclose its quarterly financial results and major news. Where possible, it also broadcasts presentations at brokerage-sponsored conferences. CGI strives to give current and prospective shareholders and analysts a transparent picture of CGI. This information helps investors better understand CGI's strategy and strengths, so that its shares will trade on the market at their fair value.

### **Authorized Spokespersons**

Media and investor interaction is the responsibility of authorized CGI spokespersons, who ensure the timely and informed communication of relevant information. All authorized spokespersons must demonstrate high standards of integrity and transparency, while refraining from unauthorized disclosure of proprietary or non-public material information.

### **Initiatives**

All initiatives related to investor and media communications must be directed through CGI's Chief Executive Officer. Furthermore, members should make sure that CGI's authorized spokespersons know about any relevant issue of local or national interest that relates to CGI's business, of which they may not be aware.

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### 9. COMMUNITY ACTIVITIES AND POLITICAL AND PUBLIC CONTRIBUTIONS

CGI respects and supports the right of its members as individuals to participate in both community and political activities outside of work hours. No contributions of any kind may be made by a member to any political party, candidate or campaign on behalf of CGI without the approval of CGI's Chief Executive Officer. However, CGI may itself make contributions to political parties as permitted by law.

### 10. COMPLIANCE WITH THE CODE MANAGEMENT RESPONSIBILITIES

CGI's managers have a special duty to be role models of appropriate business conduct and to see that the principles and policies of this Code and of other CGI guidelines and policies referred to in this Code are upheld. This means:

- i) **Copy of the Code** - Ensuring that all members have a copy of the Code, and that they understand and comply with its provisions.
- ii) **Assistance** - Offering assistance and explanations to any member who has questions, doubts or is in a difficult situation. Managers are also required to counsel members promptly when their conduct or behaviour is inconsistent with the Code.
- iii) **Enforcement** - Taking prompt and decisive action when a violation of the Code has occurred, in consultation with CGI's Corporate Secretary. If a manager knows a member is contemplating a prohibited action and does nothing, the manager will be held responsible along with the member.

### MEMBER RESPONSIBILITIES

Each member is accountable for observing the rules of conduct that are normally accepted as standard in a business enterprise. In addition they must abide by the following:

- i) **Compliance** - CGI's members are expected to comply with the Code and all policies and procedures of the company as well as to actively promote and support CGI's values.
- ii) **Preventing** - Members should take all necessary steps to prevent a Code violation.
- iii) **Reporting** - Members must immediately report to their manager (i) situations of non-compliance with respect to this Code of which they become aware and (ii) suspected violations of the Code. All information will, to the extent possible, be received in confidence. It is corporate policy not to take action against a member who reports in good faith unless unusual circumstances warrant such action.

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In addition, CGI has established a policy for incident reporting (often referred to as a whistleblower policy ) as well as a process under that policy which allows any person who has direct knowledge of specific facts to report incidents in which the Company is exposed to a serious risk in matters of accounting, auditing, internal accounting controls, finance, banking or financial corruption. The process in place protects the incident reporter and ensures the confidentiality of the report.

Incident reports may be submitted either by telephone by dialing 1-800-422-3076 toll free, by dialing (503) 748-0564 and reversing the long distance charges, or by submitting an incident report online. For telephone reports, all long distances charges will be at the expense of CGI. For those who wish to submit incident reports online, a link to the incident reporting web site is provided on CGI s Enterprise Portal or members may access the incident reporting system directly at [www.cgi-en.ethicspoint.com](http://www.cgi-en.ethicspoint.com).

CGI s incident reporting system is managed by EthicsPoint, Inc., a company unrelated to CGI which has undertaken to ensure the confidentiality of all incident reporters as well as the confidentiality of the reports they submit.

CGI s policy on incident reporting is entitled the *Serious Ethical Incidents Reporting Policy* and is available on the CGI Enterprise Portal on the policies page.

- iv) **Consequences** - Unethical behaviour, violations of this Code and of CGI s other guidelines and policies, as well as withholding information during the course of an investigation regarding a possible violation of the Code, may result in disciplinary action which will be commensurate with the seriousness of the behaviour. Such action could include termination as well as civil or criminal action.

## **11. ADMINISTRATION OF THE CODE**

### PERIODIC REVIEW

Responsibility for the periodic review and revision of the Code lies with CGI s Corporate Governance Committee.

### MONITORING COMPLIANCE

The Board of Directors of CGI will monitor compliance with the Code and will be responsible for the granting of any waivers from compliance with the Code for directors and officers of CGI. These waivers will be disclosed publicly in due course by the Board of Directors of CGI who shall also specify the circumstances and rationale for granting the waivers, as the case may be. The Corporate Secretary of CGI shall, when deemed appropriate, make reports to the Board of Directors of CGI with respect to compliance with this Code.



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QUESTIONS

Questions concerning this Code should be referred to a member's manager who, when warranted, shall report to CGI's Corporate Secretary.

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## 4.2 Executive Code of Conduct

### IMPORTANT NOTE

Chapter 1, Dream, Mission, Vision and Values of the CGI Group Inc. Fundamental Texts constitutes the fundamental principles of this Executive Code of Conduct. This Code should therefore be read in conjunction with Chapter 1.

This Executive Code of Conduct (the Code) is part of the commitment of CGI Group Inc. (CGI) to ethical business conduct and practices. This Code reflects CGI's firm commitment, not only to adherence to the law, but also to the highest standards of ethical conduct.

This Code specifically covers CGI's principal executive officer, principal financial officer, principal accounting officer or controller, or other persons performing similar functions (collectively, the officers).

### 1. HONEST AND ETHICAL CONDUCT RESPECT AND INTEGRITY

The officers of CGI are its ambassadors. They must always behave responsibly and demonstrate courtesy, honesty, civility and respect for all other employees of CGI, for its clients and for its suppliers.

#### ETHICS

Supporting CGI's objectives, officers in performing their duties will carry out their responsibilities at all times in a way that promotes ethics in their leadership. The officers will:

- (i) Undertake their responsibilities in a vigilant manner in the interests of CGI and to avoid any real or perceived impression of personal advantage;
- (ii) Advance CGI's legitimate interests when the opportunity arises at all times ahead of their own interests;
- (iii) Proactively promote ethical behavior among subordinates and peers; and
- (iv) Use corporate assets and resources in a responsible and fair manner, having regard for the interests of CGI.

#### AVOIDANCE OF CONFLICT OF INTEREST

Officers must avoid any actual or apparent conflicts of interest and should never engage in any conduct that is harmful to CGI or its reputation. Such a conflict would exist when an officer favours his or her personal interests

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over those of CGI or its clients or when an obligation or situation arising from an officer's personal activities or financial affairs may adversely influence the officer's judgment in the performance of his or her duties to CGI.

Officers will not knowingly do business with any parties related to CGI, any of CGI's clients or any firms with which CGI does business if such business would be material or would be outside of normal client related activity.

Officers shall not solicit or accept gifts or favours from related parties, clients or firms with which CGI does business beyond customary courtesies. For this purpose, a gift or favour includes any gratuitous service, loan, discount, money or article of value. It does not include articles of nominal value normally used for sales promotion purposes, ordinary business meals or reasonable entertainment consistent with local, social or business customs if received in a sporadic manner.

Officers will not perform work or render services for, or knowingly make a material investment in, organizations that compete with CGI or with which CGI does business without appropriate approval from CGI's Corporate Secretary.

If an officer thinks that he has been placed in a conflict of interest, the Officer must inform CGI's Corporate Secretary.

## **2. FULL, FAIR, ACCURATE, TIMELY AND UNDERSTANDABLE DISCLOSURE ANNUAL AND QUARTERLY REPORTS**

Each officer shall read each annual or quarterly report filed or submitted under the applicable securities laws and satisfy himself or herself that the report does not contain any untrue statement of a material fact or omit to state a material fact that is necessary in order for the statements made not to be misleading, in light of the circumstances in which such statements were made.

### **FINANCIAL STATEMENTS**

Each officer shall satisfy himself or herself that the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of CGI as of, and for, the periods presented in the report.

### **REPORTS TO SECURITIES REGULATORS**

Officers shall perform their responsibilities with a view to causing periodic reports filed with securities regulators to contain information which is accurate, complete, fair and understandable and to be filed in a timely fashion.

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REPORTING CONCERNS AND COMPLAINTS

An officer who believes it is necessary or appropriate to do so can refer concerns about the quality and scope of financial or related reporting requirements to the Chair of the Audit Committee. Any officer who receives a bona fide material complaint about financial reporting from any employee shall report such complaints to the Audit Committee. Any officer who has disclosed such concerns in good faith shall not face any form of retribution.

**3. COMPLIANCE WITH LAWS, RULES AND REGULATIONS**

The officers are cognizant of their leadership roles within the organization and the importance of compliance with the letter and spirit of applicable laws, rules and regulations relating to financial and related reporting.

**4. COMPLIANCE WITH THE CODE**

GENERAL RESPONSIBILITIES

Officers have a special duty to be role models of appropriate business conduct and see that the principles and policies of this Code and other CGI guidelines and policies are upheld.

REPORTING

Any violation or suspected violation of the Code should be personally reported by an officer to CGI's Corporate Secretary.

ACCOUNTABILITY

Non-compliance with this Code in every respect by an officer will be a matter for consideration and review by the Board of Directors of CGI.

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## **4.3 Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI by Insiders**

The present document is divided into three sections. The first section is a summary of the applicable legislation and policies regarding timely disclosure and prohibitions against selective disclosure. The second section is CGI's corporate disclosure policy which is destined to ensure compliance by CGI of the timely disclosure requirements and avoid selective disclosure of material information. Finally, the third section refers to restrictions applicable to transactions in securities of CGI by insiders.

### IMPORTANT NOTE

Chapter 1, Dream, Mission, Vision and Values of the CGI Group Inc. Fundamental Texts constitutes the fundamental principles of these Guidelines on timely disclosure of material information and transactions in securities of CGI by insiders. These Guidelines should therefore be read in conjunction with Chapter 1.

### **I. TIMELY DISCLOSURE AND PROHIBITIONS AGAINST SELECTIVE DISCLOSURE<sup>1</sup>**

It is fundamental that all persons investing in securities have equal access to information that may influence their investment decisions, therefore placing all participants in the market on an equal footing. The timely disclosure policies of the Toronto Stock Exchange (the TSX) and the New York Stock Exchange (the NYSE) (collectively, the Exchanges) and of the Canadian Securities Administrators (the CSA) (individually, a Timely Disclosure Policy and collectively, the Timely Disclosure Policies) elaborate upon the provisions of the Securities Act (Québec), and the securities legislation of all of the provinces of Canada (collectively, the Legislation) which require that when a material change occurs which is not generally known, a press release disclosing the substance of the change must be issued.

### DEFINITION OF MATERIAL INFORMATION

Material information is any information relating to the business and affairs of CGI that results in or would reasonably be expected to result in a significant change in the market price or value of CGI securities (the CGI Securities). Material information consists of both material changes and material facts relating to the business and affairs of CGI. A material change includes a decision to implement such a change made by the board of directors or by senior management who believe that confirmation of the decision by the board of directors is probable.

<sup>1</sup> Definitions provided in Sections I and II apply only to those Sections.

<sup>2</sup> Respectively, the Toronto Stock Exchange Policy Statement on Timely Disclosure, the Listed Company Manual of the New York Stock Exchange (both available on the TSX website) and National Policy 51-201 on disclosure standards and which provide guidance on best disclosure practices.

<sup>3</sup> A material change is a change in the business, operations or capital of the issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the issuer and includes a decision to implement a change made by the board of directors of the issuer or by senior management of the issuer who believe that confirmation of the decision by the board of directors is probable.

<sup>4</sup> A material fact is a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of a security of the issuer. The Securities Act (Québec) refers to privileged information which is defined as any information that has not been disclosed to the public and that could affect the decision of a reasonable investor. (Refer to Section III of this document).

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It is the responsibility of CGI to determine the materiality of information, as it relates to CGI. When making materiality judgments, CGI should consider factors such as the nature of the information, the volatility of CGI Securities and prevailing market conditions. Ongoing monitoring and assessment of market reaction by CGI to different disclosures will be helpful when making materiality judgments in the future. As a guiding principle, if there is any doubt about whether particular information is material<sup>5</sup>, the CSA encourage companies to err on the side of caution and release information publicly.

Pursuant to the Timely Disclosure Policy of the TSX, the following examples of corporate developments are likely to constitute material information requiring prompt disclosure:

- ⋮ a change in share ownership that may affect the control of the company;
  
- ⋮ a change in the corporate structure such as a merger, an amalgamation or a reorganization;
  
- ⋮ a take-over bid or issuer bid;
  
- ⋮ a major corporate acquisition, disposition or joint venture;
  
- ⋮ a stock split, consolidation, stock dividend or other change in capital structure;
  
- ⋮ the borrowing of a significant amount of funds;
  
- ⋮ the public or private sale of additional securities;
  
- ⋮ the development of a new product and/or a development affecting the company's resources, technology, products or markets;
  
- ⋮ entering into or loss of a significant contract;
  
- ⋮ firm evidence of a significant increase or decrease in near term earnings prospects;
  
- ⋮ an important change in capital investment plans or corporate objectives;
  
- ⋮ a significant change in management;

- ⋮ significant litigation;
  
- ⋮ a major labour dispute or a dispute with a major contractor or supplier;
  
- ⋮ an event of default under a financing or other agreement;

<sup>5</sup> U.S. case law has interpreted information to be material if there is a substantial likelihood that a reasonable shareholder would consider it important in making an investment decision. Also, according to the U.S. case law, information will be considered material if there is a substantial likelihood that a fact would have been viewed by the reasonable investor as having significantly altered the total mix of information available .

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- ⋮ a declaration or omission of dividends;
  
- ⋮ a call of securities for redemption; and
  
- ⋮ any other development relating to the business and affairs of a company that would reasonably be expected to significantly affect the market price or value of any of the Company's securities or that would reasonably be expected to have a significant influence on an informed investor's investment decisions.

**TIMING OF PUBLIC ANNOUNCEMENT**

Pursuant to Timely Disclosure Policies and Legislation, CGI is required to disclose material information concerning its business and affairs immediately upon the information becoming known to management or a development being approved by the Board of Directors, or in the case of information previously known, immediately upon it becoming apparent that the information is material<sup>6</sup>. Immediate release of material information is necessary to ensure that it is promptly available to all investors and to reduce the risk that persons with access to that information will act upon undisclosed information. The disclosure of material change must be made by way of a broadly disseminated news release that is followed by a material change report filed with the appropriate CSA members.

The announcement of an intention to proceed with a transaction or activity should be made when a decision has been taken to proceed with it by CGI's board of directors or by senior management with the expectation in that case of such decision being further agreed to by CGI's board of directors. However, as discussed below, a corporate development in CGI's affairs in respect of which no firm decision has yet been made, may require immediate disclosure if leaks or rumours of such corporate development are reflected in the market place.

Disclosure of corporate developments must be managed with care and judgment by company officials as to the timing of an announcement of material information whether late or premature may affect the credibility and reputation of the company and of the securities market.

In limited circumstances, disclosure of material information may be delayed for reasons of corporate confidentiality.

<sup>6</sup> Where the material information constitutes a material change, such disclosure must be followed by a material change report filed within ten days of the date on which the change occurred with the relevant securities commissions.



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### DEALING WITH RUMOURS

Except in certain circumstances, CGI is not required to respond to market rumours. It may choose a "no comment" response to market rumours. An effective way of saying "no comment" is to say, "We do not respond to market rumours." To maintain a consistent "no comment" policy, a company should not selectively comment, even if no significant corporate developments are taking place or the company knows of no reason for unusual market activity. For example, it is an inconsistent (and likely ineffective) use of a "no comment" policy if a company were to say, "There are no significant corporate developments at this time," when such is the case, but respond, "no comment" when material developments or transactions are under consideration. Using a "no comment" policy in this fashion may act as a signal to the market and defeats the purpose of the policy.

If, however, the rumour is about a material change in the company's business, operations or capital or other material information that the company has withheld from general disclosure under its confidentiality privilege, the company's obligation to make immediate disclosure of that change or information will be triggered. In the face of a rumour regarding undisclosed material information, it is impossible for a company to continue a request for confidentiality. In addition, CSA members or stock exchanges may request that a company respond to a rumour if it is the source of the rumour or if market activity indicates that trading is being affected by the rumour.

Upon such a request, prompt clarification or denial of the rumour through a news release will be necessary and, if the rumour is correct in whole or in part, immediate disclosure of the relevant material information should be made. Pending dissemination of a response to such a request, the relevant stock exchanges, or less frequently, the CSA member, may decide to halt trading in securities of the company.

Companies are often asked to respond to rumours or inquiries regarding possible differences in earnings from current Street estimates. When a company has provided no guidance on analysts' earnings estimates, except in certain circumstances, the company is under no obligation to respond to such rumours or inquiries. If it is a company's policy not to comment on analysts' earnings estimates, the company should state this policy in response to any such questions it receives.

If earnings rumours are affecting the company's share price, the company may wish to consider issuing a full news release if it believes earnings will be significantly different than Street expectations, or if it believes the rumours to be false and wants to counter them.

### MAINTAINING CONFIDENTIALITY

Pursuant to Timely Disclosure Policies, the withholding of material information may only be justified where the potential harm to CGI or to its

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investors caused by immediate disclosure may reasonably be considered to exceed the negative consequences of delaying disclosure. Pursuant to the Legislation, CGI will not be required to prepare a press release if senior management has reasonable ground to believe that disclosure would be seriously prejudicial to the interests of CGI and that no transaction in CGI Securities has been or will be carried out on the basis of the information not generally known<sup>7</sup>. In any case, confidentiality may not be maintained beyond the short term. Furthermore, in any situation where material information is being kept confidential because disclosure would be unduly detrimental to CGI's best interests, CGI's management is responsible for taking every possible precaution to ensure that no trading whatsoever takes place by any insider or any employee of CGI in possession of such information before it is generally disclosed to the public.

If the information that CGI wants to keep confidential is a material change in its business, operations or capital, CGI must file a report of that change with the appropriate CSA members on a confidential basis, together with an explanation of the reasons for the non-disclosure. To maintain the confidentiality of the filing, CGI must renew its confidential filing every 10 days in certain jurisdictions.

The Timely Disclosure Policy of the TSX enumerates as follows situations where prompt disclosure might be unduly detrimental to CGI's interests:

- ⊆ release of the information would prejudice CGI's ability to pursue specific and limited objectives or complete a transaction or series of transactions that are underway. For instance, premature disclosure of the fact that CGI intends to purchase a significant asset may increase the cost of the acquisition;
  
- ⊆ disclosure of the information would provide competitors with confidential corporate information that would significantly benefit them. Such information may be kept confidential if CGI is of the opinion that the detriment to it resulting from disclosure would exceed the detriment to the market in not having access to the information. A decision to release a new product, or details on the features of a new product, may be withheld for competitive reasons, but such information should not be withheld if it is available to competitors from other sources;

<sup>7</sup> However, in such circumstances CGI is nonetheless required to file a confidential material change report indicating the reasons why disclosure is being delayed must be provided in writing. If CGI wishes to keep the material information confidential, it must renew the confidential filing every 10 days following such filing.

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- ◊ disclosure of information concerning the status of ongoing negotiations would prejudice the successful completion of these negotiations. It is unnecessary to make a series of announcements concerning the status of negotiations with another party concerning a particular transaction. If it seems that the situation is going to stabilize within a short period, public disclosure may be delayed until a definitive announcement can be made. Disclosure should be made once concrete information is available, such as a final decision to proceed with the transaction or, at a later point in time, finalization of the terms of the transaction.

Again, when the disclosure of material information is to be delayed, complete confidentiality must be maintained. In the event that such information has leaked or appears to be impacting the market, CGI must then take immediate steps to ensure that full disclosure to the public is made and contact the Exchanges immediately and ask that trading be halted pending the issuance of a news release.

**PROHIBITIONS AGAINST SELECTIVE DISCLOSURE**

The Legislation prohibits CGI or any person or company in a special relationship<sup>8</sup> with CGI from informing anyone, other than in the necessary course of business, of a material information before it has been generally disclosed. This prohibition is commonly known as tipping . Tipping is prohibited in order to ensure equal access to, and opportunity to act upon, material information.

The tipping prohibition is very broad. It covers disclosure made by any person in a special relationship with CGI to anyone (other than in the necessary course of business as discussed below) and is not limited to communications made to securities market professionals, analysts and institutional investors<sup>9</sup>.

The tipping provisions however permit an issuer to make a selective disclosure in the necessary course of business. This exception exists so as not to interfere with a company's everyday business. However, whether a particular disclosure has been made in the necessary course of business is dependent on the facts of each case. The CSA set out a list of parties that the necessary course of business exception would generally permit communication to, including:

- ◊ vendors, suppliers, or strategic partners on issues such as research and development, sales and marketing and supply contracts;
- ◊ employees, officers and board members;
- ◊ lenders, legal counsel, auditors, financial advisors and underwriters;

<sup>8</sup> Persons in a special relationship with CGI, include, but are not limited to: (a) insiders of CGI; (b) directors, officers and employees of CGI; (c) persons engaging in professional or business activities for or on behalf of CGI; and (d) anyone who learns of material information from someone that is known or should be known to be in a special relationship with CGI.

<sup>9</sup> The CSA point out that although selective disclosure most often occurs in one-on-one discussions and private meetings, it can occur in a variety of situations including annual meetings.

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- ◊ parties to negotiations;
- ◊ labour unions and industry associations; and
- ◊ government agencies and non-governmental regulators; and
- ◊ credit rating agencies (provided that the information is disclosed for the purpose of assisting the agency to formulate a credit rating and the ratings are or will be publicly available).

The CSA advise however that the necessary course of business exception would not generally allow selective disclosure to analysts, the media or institutional investors.

In relying on the necessary course of business exception when disclosing material information, CGI must ensure that those receiving the information are aware that they cannot disclose the information to any other party, other than in the necessary course of business, or trade on the information, until it has been generally disclosed.

The selective disclosure prohibition continues until material information has been generally disclosed<sup>10</sup>.

The CSA encourage issuers to satisfy the general disclosure requirement under the tipping provisions by using one or a combination of news releases through a widely circulated service, press conferences and conference calls where the public is given appropriate notice by news release and may attend or listen. Although issuers are encouraged to file news releases on SEDAR and post information on their website, the CSA point out that currently neither of these methods alone will constitute general disclosure.

If CGI makes an unintentional selective disclosure, it must take immediate steps to ensure that a full public announcement is made. The CSA suggest that, pending issuance of a news release, a company which has made an unintentional selective disclosure shall request a halt trading of its securities and advise anyone with knowledge of the information that it is material and has not been generally disclosed.

Although the Legislation does not provide for a safe harbour for unintentional selective disclosure<sup>11</sup>, the CSA will look at all of the surrounding circumstances in a selective disclosure enforcement proceeding. Factors that will be considered include:

- ◊ whether and to what extent an issuer has implemented, maintained and followed reasonable selective disclosure policies and procedures ;

<sup>10</sup> The Legislation does not define the term generally disclosed . Insider trading jurisprudence however states that information has been generally disclosed when it has been disseminated in a manner calculated to effectively reach the market place and public investors have been given a reasonable amount of time to analyze the information. What constitutes a reasonable amount of time will depend on a number of factors including the circumstances in which the event arises, the particulars of the information, the nature of the market for the issuer s securities and the disclosure method used.

<sup>11</sup> Unlike Regulation FD which will be discussed below.

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¿ whether any selective disclosure was intentional; and

¿ what steps were taken to disseminate information that had been unintentionally disclosed, including how quickly the information was disclosed.

### ANNOUNCEMENT AND ISSUANCE OF A PRESS RELEASE

As discussed above, the Timely Disclosure Policies, as well as the Legislation, require that when a material change in CGI's affairs occurs that is likely to have a significant influence on the value or the market price of CGI Securities, and is not generally known, CGI shall immediately prepare and distribute a press release disclosing the substance of the change. The press release should be factual and balanced and avoid unnecessary details, exaggerated reports or promotional commentary. When a press release is to be issued during the trading hours, it is essential that CGI officials notify the Market Surveillance Division of the TSX (which will normally coordinate with the NYSE) prior to the issuance of such press release, in order to permit the Market Surveillance Staff to determine whether trading in any of CGI Securities should be temporarily halted. Normally, a trading halt in a security will only be justified if the announcement of the material information is imminent.

The NYSE Company Manual requires that when an announcement of news of a material event or a statement dealing with a rumour which calls for immediate release is made shortly before the opening or during the market hours, the company's NYSE representative be notified by telephone at least ten minutes prior to the release of the announcement to the news media. To ensure adequate coverage, the news release requiring immediate publicity should be given to Dow Jones & Company, Inc., Reuters Economic Services and Bloomberg Business News.

CGI is also required to release material information to the media by the quickest possible method and by one which provides the widest possible dissemination. Because dissemination of news is essential to ensure that all investors trade on equal information, the responsibility of ensuring appropriate dissemination of news releases belongs to CGI.

### DISSEMINATION OF MATERIAL INFORMATION THROUGH WEBSITES

The dissemination of information through a website<sup>12</sup> is also subject to the Legislation and Timely Disclosure Policies and the information to be issued through electronic communications must be guided by the same rules as the information disseminated by traditional forms, such as a press release. Consequently, electronic information cannot be misleading to investors (by being incomplete, out of date or by omitting facts) nor of a promotional nature and cannot be used to disseminate material information not yet disclosed to the general public. CGI must regularly review, update or correct, if need be, the information posted on the website. CGI should date all material information posted on its website and should disclaim any duty to update.

<sup>12</sup> The dissemination of information through a website is governed by the TSX Electronic Communications Disclosure Guidelines (which may be found on the TSX website).

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In addition, CGI should either delete outdated information or move it to an archive. If CGI updates or corrects material information on its website, it should take steps to ensure that it properly disseminates that information to the public on a timely basis. No material information is to be disseminated through electronic communications prior to being disseminated on a news wire service.

### REGULATION FD

The Securities and Exchange Commission's Regulation FD (Fair Disclosure)<sup>13</sup> requires that reporting companies disclose material information through broad public means and not selectively to securities analysts and other market professionals. However, it is to be noted that Regulation FD does not impose an obligation to disclose material non-public information but rather mandates that if such information is disclosed voluntarily, it must be done on a broad non-exclusive basis. Essentially, if an issuer, or any person acting on its behalf discloses material non-public information to specified persons, Regulation FD requires that the issuer must simultaneously (for intentional disclosures) or promptly (for non-intentional disclosures) make public disclosure of that information.

Since CGI is considered under U.S. securities laws to be a foreign private issuer, Regulation FD will not technically apply to it. It is however important to note that Regulation FD is, to some extent, simply a codification of the U.S. Securities and Exchange Commission's (the SEC) previous position and that selective disclosure of material non-public information about CGI could, in certain circumstances, even if not technically in violation of Regulation FD, expose the person making the disclosure to liability under the SEC's anti-fraud rules under the Exchange Act<sup>14</sup>.

## **II. CGI CORPORATE DISCLOSURE POLICY**

CGI's management believes that the implementation and maintenance of a written corporate disclosure policy will promote consistent, appropriate, timely and broadly disseminated disclosure of its material information and reinforce compliance with the Legislation and the Timely Disclosure Policies.

This disclosure policy confirms in writing our existing disclosure policies and practices. Its goal is to raise awareness of the Company's approach to disclosure among the board of directors, senior management and employees.

<sup>13</sup> Which became effective on October 23, 2000.

<sup>14</sup> The Securities Act of 1934, as amended.

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This disclosure policy extends to all employees of the Company, its board of directors, those authorized to speak on its behalf and all other insiders. It covers disclosures in documents filed with the securities regulators, financial disclosure, including management's discussion and analysis (MD&A) and written statements made in the Company's annual and quarterly reports, news releases, letters to shareholders, presentations by senior management and information contained on the Company's Web site and other electronic communications. It extends to oral statements made in meetings and telephone conversations with analysts and investors, interviews with the media as well as speeches, press conferences and conference calls.

### DISCLOSURE POLICY COMMITTEE

The board of directors has established a disclosure policy committee (the Committee) responsible for all regulatory disclosure requirements and overseeing the Company's disclosure practices. The Committee consists of the Executive Chairman of the Board, Chief Executive Officer, the Corporate Secretary, the Chief Financial Officer and the Executive Vice-President and Chief Legal Officer.

It is essential that the Committee be kept fully apprised of all pending material Company developments in order to evaluate and discuss those events and to determine the appropriateness and timing for public release of information. If it is deemed that material information should remain confidential, the Committee will determine how that inside information will be controlled.

The Committee will identify appropriate industry and Company benchmarks for a preliminary assessment of materiality. Guided by these benchmarks the Committee will use experience and judgement to determine the appropriateness and timing for public release of material information. The Committee will review all core disclosure documents prior to their release or filing, including the Company's MD&A. The Committee will meet quarterly or as conditions dictate and the Vice-President, Corporate Communications & Investor Relations will keep records of these meetings.

The Committee will review and update, if necessary, this disclosure policy annually or as needed to ensure compliance with changing regulatory requirements. The Committee will report to the board of directors quarterly. The Committee is also responsible for ensuring that Company spokespersons receive adequate training.

### NEWS RELEASES

Once the Committee determines that a development is material, it will authorize the issuance of a news release unless the Committee determines that such developments must remain confidential for the time being. If developments are to remain confidential, appropriate confidential filings must be made and control of the inside information must be instituted. Should a material statement inadvertently be made in a selective forum, the Company will immediately issue a news release to fully disclose that information.

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If the stock exchanges upon which shares of the Company are listed are open for trading at the time of a proposed announcement, prior notice of a news release announcing material information must be provided to the exchanges' market surveillance departments to enable a trading halt, if deemed necessary by the stock exchanges. If a news release announcing material information is issued outside of trading hours, market surveillance must be notified before the market opens.

Annual and interim financial results will be publicly released immediately following audit committee or board approval of the MD&A, financial statements and notes.

The Vice-President, Corporate Communications & Investor Relations must ensure that the material information disclosed in the press release is factual, balanced and complete and avoid including unnecessary details, exaggerated reports or promotional commentaries. The disclosure must allow a reasonable and objective valuation of the information (i.e. nature of the agreement, length, costs and revenues involved, etc.) and comments on future events concerning the affairs of CGI should be limited to the strict minimum.

News releases will be disseminated through an approved news wire service that provides simultaneous national and/or international distribution. News releases will be transmitted to all stock exchange members, relevant regulatory bodies, major business wires, national financial media, and the local media in areas where the Company has its headquarters and operations. As a general rule, procedure for dissemination of material information shall be applied consistently.

### DISSEMINATION OF THE MATERIAL INFORMATION

Once the information has been qualified as material, the responsibility of its immediate disclosure by the issuance of a press release belongs to the Vice-President, Corporate Communications & Investor Relations.

A pre-notice of such press release must be sent to the TSX and NYSE before its issuance in order to allow the Market Surveillance Staff to determine whether it is necessary to temporarily halt trading in CGI Securities pending the announcement.

The press release shall be distributed through a widely circulated news or wire service. Refer to heading below "Investor Conference Calls", if an investor conference call is scheduled in connection with the information announced in the press release.

News releases will be posted on the Company's Web site immediately after release over the news wire. The news release page of the Web site will include a notice that advises the reader that the information posted was accurate at the time of posting, but may be superseded by subsequent news releases.



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PRINCIPLES OF DISCLOSURE OF MATERIAL INFORMATION

Material information is any information relating to the business and affairs of the Company that results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's securities or that would reasonably be expected to have a significant influence on a reasonable investor's investment decisions. In complying with the requirement to immediately disclose all material information under applicable laws and stock exchange rules, the Company will adhere to the following basic disclosure principles:

- ⋈ Material information will be publicly disclosed immediately via news release.
- ⋈ In certain circumstances, the Committee may determine that such disclosure would be unduly detrimental to the Company (for example if release of the information would prejudice negotiations in a corporate transaction), in which case the information will be kept confidential until the Committee determines it is appropriate to publicly disclose. In these circumstances, the Committee will cause a confidential material change report to be filed with the applicable securities regulators, and will periodically (at least every 10 days) review its decision to keep the information confidential (also see [Dealing with Rumours](#)).
- ⋈ Disclosure must include any information the omission of which would make the rest of the disclosure misleading (half truths are misleading).
- ⋈ Unfavourable material information must be disclosed as promptly and completely as favourable information.
- ⋈ There must be no selective disclosure. Previously undisclosed material information must not be disclosed to selected individuals (for example, in an interview with an analyst or in a telephone conversation with an investor). If previously undisclosed material information has been inadvertently disclosed to an analyst or any other person not bound by an express confidentiality obligation, this information must be broadly disclosed immediately via news release.
- ⋈ Disclosure on the Company's Web site alone does not constitute adequate disclosure of material information.
- ⋈ Disclosure must be corrected immediately if the Company subsequently learns that earlier disclosure contained a material error at the time it was given.

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### DESIGNATED SPOKESPERSONS

The Company designates a limited number of spokespersons with authority for communication with the investment community, regulators or the media. The Chief Executive Officer, Chief Financial Officer and Vice-President, Corporate Communications & Investor Relations shall be the official spokespersons for the Company. Individuals holding these offices may, from time to time, designate others within the Company with authority to speak on behalf of the Company as back-ups or to respond to specific inquiries.

Employees who are not authorized spokespersons must not respond under any circumstances to inquiries from the investment community, the media or others, unless specifically asked to do so by an authorized spokesperson. All such inquiries are to be referred to the Vice-President, Corporate Communications & Investor Relations.

All external information requests from the investment community regarding CGI will be initially directed to the Vice-President, Corporate Communications & Investor Relations, who is responsible for communications with the investment community and securities analysts. However, in certain circumstances such requests shall be directed to the Executive Chairman of the Board, the Corporate Secretary, the Chief Financial Officer or the Senior Vice-President, Finance and Treasury (collectively, the Authorized Spokespersons ).

All employees who are not Authorized Spokespersons must refer calls to the Authorized Spokespersons or to the Vice-President, Corporate Communications & Investor Relations or to the media relations managers, depending on the particular call.

It is very important that any comment made by the Authorized Spokespersons reflects only material information already generally disclosed. To that effect, all relevant public information regarding CGI (news releases, financial analyst reports, notes following communication with analysts, etc.) will be kept in a specific file in order to ensure complete compilation of the public information and to assist the Vice-President, Corporate Communications & Investor Relations in his or her functions.

Information relating to CGI in the market place and reactions by the market place to such information shall be closely monitored by the Vice-President, Corporate Communications & Investor Relations to ensure a prompt reaction to non-intentional selective disclosures. All employees shall report any such disclosure to the Vice-President, Corporate Communications & Investor Relations.

### CONFIDENTIALITY OF THE INFORMATION

The Disclosure Policies and the Legislation allow material information to be kept confidential when immediate disclosure of such information would be unduly detrimental to CGI (to that effect, refer to heading Maintaining Confidentiality of Section I above).

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In order to ensure the confidential nature of the information, CGI establishes the following rules:

- a) the number of CGI employees with access to confidential information must be limited, to the extent possible;
- b) appropriate measures are to be taken in order to avoid unauthorized access to the confidential documents through technology or otherwise;

Moreover, any CGI employee in possession of material information will not disclose the information to anyone (including financial analysts and institutional investors) except in the necessary course of business (as discussed above) and when disclosed in such manner, all parties involved will be reminded that such information is to be kept confidential.

During the period when the material information is being kept confidential, the Vice-President, Corporate Communications & Investor Relations will carefully monitor the market activity in CGI Securities. In some cases, he or she may request the market surveillance department of one or both stock exchanges where it is listed to place the company's securities on "stock watch" to monitor trading activity.

If the confidential material information, or rumours about it, has leaked or appears to be impacting the market, the Vice-President, Corporate Communications & Investor Relations, on the direction of the Disclosure Policy Committee will have to take immediate steps to ensure that a full public announcement is made. This includes contacting the Exchanges and asking that trading be halted pending the issuance of a news release. Furthermore, pending the public release of the material information, those who have knowledge of the information shall be told that the information is material and that it has not been generally disclosed.

### DEALING WITH RUMOURS

The Company does not comment, affirmatively or negatively, on rumours. This also applies to rumours on the Internet. The Company's spokespersons will respond consistently to any rumours, saying, "It is our policy not to comment on market rumours or speculation."

Should the stock exchange request that the Company make a definitive statement in response to a market rumour that is causing significant volatility in the stock, the Committee will consider the matter and decide whether to make a policy exception. If the rumour is true in whole or in part, this may be evidence of a leak, and the Company then will immediately issue a news release disclosing the relevant material information.

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### TRADING RESTRICTIONS, BLACKOUT PERIODS AND PRE CLEARING OF TRADES

It is illegal for anyone with knowledge of material information affecting a public company that has not been publicly disclosed to purchase or sell securities of that company. It is also illegal for anyone to inform any other person of material non-public information, except in the necessary course of business. Therefore, insiders and employees with knowledge of confidential or material information about the Company or information about counter-parties in negotiations of transactions that are potentially material to the Company or to such counterparty, are prohibited from trading securities of the Company or any counter-party until the information has been fully disclosed and a reasonable period has passed for the information to be widely disseminated.

Insiders are personally responsible for filing accurate and timely insider trading reports. Insiders are required to provide a copy of all insider reports to the Corporate Secretary or other designated person concurrent with their filing to regulatory authorities. For trading blackouts for designated employees in possession of privileged information, please refer to Section III below Restrictions Applicable to Transactions in Securities by Insiders .

Quarterly trading periods, blackout periods and the requirement to pre clear trades with the Corporate Secretary apply to certain insiders and to CGI employees who normally have access to Privileged Information regarding CGI. These restrictions are set out in the *CGI Policy on Insider Trading Restrictions and Blackout Periods*.

Blackout periods may also be prescribed from time to time by the Disclosure Policy Committee as a result of special circumstances relating to the Company when certain insiders and CGI employees who have access to Privileged Information regarding CGI would be precluded from trading in its securities. All parties with knowledge of such special circumstances should be covered by the blackout. These parties may include external advisors such as legal counsel, investment bankers, investor relations consultants and other professional advisors, and counter-parties in negotiations of material potential transactions.

### CONTACTS WITH ANALYSTS, INVESTORS AND THE MEDIA

Disclosure in individual or group meetings does not constitute adequate disclosure of information that is considered material non-public information. If the Company intends to announce material information at an analyst or shareholder meeting or a press conference or conference call, the announcement must be preceded by a news release.

The Company recognizes that meetings with analysts and significant investors are an important element of its investor relations program. The Company will meet with analysts and investors individually or in small groups as needed and will initiate contacts or respond to analyst and

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investor calls in a timely, consistent and accurate fashion in accordance with this disclosure policy. All analysts will receive fair treatment regardless of whether they are recommending buying or selling the Company's securities.

The Company will provide only non-material information through individual and group meetings, in addition to publicly disclosed information, recognizing that an analyst or investor may construct this information into a mosaic that could result in material information. The Company cannot alter the materiality of information by breaking down the information into smaller, non-material components.

CGI representatives meeting privately with financial analysts and investors will carry out research on the people they are meeting in order to prepare for their expected line of questioning. Statements and responses to anticipated questions will be discussed with the Vice-President, Corporate Communications & Investor Relations prior to the meeting. The Vice-President, Corporate Communications & Investor Relations will be present at each private meeting to ensure consistency of corporate answers and to determine whether any unintentional selective disclosure occurred during the meeting.

The Company will provide the same sort of detailed, non-material information to individual investors or reporters that it has provided to analysts and institutional investors and may post this information on its Web site.

Spokespersons will keep notes of telephone conversations with analysts and investors and where practicable more than one Company representative will be present at all individual and group meetings. A debriefing will be held after these meetings and if it determines that selective disclosure of previously undisclosed material information has occurred, the Company will immediately disclose the information broadly via news release.

### INVESTOR CONFERENCE CALLS

The following steps shall be followed when holding investor conference calls to disclose material information:

- i) a press release containing the material information shall have been previously released through a widely circulated news or wire service. Such press release shall contain the date and time of the call, the subject matter and the means for accessing it;
- ii) CGI representatives participating in the analyst conference call will meet before the call to prepare for anticipated questions. Statements and responses to anticipated questions will be discussed and scripted in advance and reviewed by the Company's executive management.

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- iii) the conference call shall be held in an open manner, permitting investors to listen either by telephone or through Internet Webcasting;
- iv) a dial-in replay will be provided for a period of at least one week after the investor conference call and a web replay will be provided for a period of at least 90 days after the call.
- v) a detailed transcript of the conference call will be kept and reviewed to determine whether any unintentional selective disclosure occurred during the conference call. If so, immediate steps to ensure full public announcement shall be made including contacting the Exchanges and asking that trading be halted pending the issuance of a news release.

**REVIEWING ANALYST REPORTS AND FINANCIAL MODELS**

Upon request, the Company may review analysts' draft research reports or financial models for factual accuracy based on publicly disclosed information. The Company will not confirm, or attempt to influence, an analyst's opinions or conclusions and will not express comfort with the analyst's financial model and earnings estimates.

To avoid appearing to endorse an analyst's report or model, the Company will provide its comments orally or will attach a disclaimer to written comments to indicate the report was reviewed only for factual accuracy.

**QUIET PERIODS**

To avoid the potential for selective disclosure or even the perception or appearance of selective disclosure, the Company will observe quiet periods prior to quarterly earnings announcements or when material changes are pending. Regular quiet periods will commence two days before the end of a quarter and end on the date of a news release disclosing results for the quarter just ended.

During a quiet period, the Company will not initiate any meetings or telephone contacts with analysts and investors, but will respond to unsolicited inquiries concerning factual matters. However, the Company may accept invitations to participate in investment meetings and conferences organized by others, as long as material, non-public information is not selectively disclosed.

**FORWARD-LOOKING INFORMATION**

When CGI elects to disclose forward-looking information in continuous disclosure documents, speeches, conference calls, etc., the following guidelines will be observed.

- All material forward-looking information will be broadly disseminated via news release and included in the Company's annual and quarterly MD&A. The Committee will assess whether an update is required on a quarterly basis or as circumstances warrant.

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- ¿ The information will be clearly identified as forward looking.
- ¿ The Company will identify all material assumptions used in the preparation of the forward-looking information.
- ¿ The information will be accompanied by a statement that identifies, in specific terms, the risks and uncertainties that may cause the actual results to differ materially from those projected in the statement.
- ¿ The information may be accompanied by supplementary information such as a range of reasonably possible outcomes or a sensitivity analysis to indicate the extent to which different business conditions may affect the actual outcome.
- ¿ The information will be accompanied by a statement that the information is as of the current date and subject to change after that date and the Company disclaims any intention to update or revise the forward-looking information, whether as a result of new information, future events or otherwise.
- ¿ Once forward looking information has been disclosed, CGI will regularly assess whether an update is required and ensure that past disclosure of forward-looking information is accurately reflected in current MD&A.
- ¿ Forward-looking statements shall be updated, if necessary, by issuing a press release and filing a material change report.

DISCLOSURE RECORD

The Vice-President, Corporate Communications & Investor Relations will maintain a five-year record of all public information about the Company, including continuous disclosure documents, news releases, analysts' reports, transcripts or tape recordings of conference calls, debriefing notes, notes from meetings and telephone conversations with analysts and investors, and newspaper articles.

ELECTRONIC COMMUNICATIONS

Employees must not use electronic communications to leak or discuss in any way undisclosed material information regarding CGI's affairs and business.

- a) Officers responsible for monitoring CGI's electronic communications:
  - i) The Vice-President, Corporate Communications & Investor Relations, under the authority of the Disclosure Policy Committee, and

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ii) Such officers will be responsible for monitoring CGI's electronic communications and enforcing compliance with CGI's guidelines. Moreover, in order to ensure the integrity and security of CGI's electronic communications, regular review and update of its security systems will be executed. The Vice-President, Corporate Communications & Investor Relations will maintain a log indicating the date that material information is posted and/or removed from the IR section of the Web site. Documents filed with securities regulators will be maintained on the web site for a minimum of two years.

b) CGI's website:

i) The Vice-President, Corporate Communications & Investor Relations, under the authority of the Disclosure Policy Committee shall be responsible for maintaining CGI's website up-to-date and accurate. All material information shall be dated when posted or modified and outdated information shall be archived, and

ii) All CGI corporate timely disclosure documents as well as any other public documents filed with the Exchanges and the Canadian securities commissions or required to be posted on the website shall be posted in their entirety on CGI's website. Such documents include:

↳ the annual and interim financial statements and related auditors report and MD&A;

↳ the annual report;

↳ interim shareholder reports;

↳ the annual information form;

↳ press releases (whether or not favourable);

↳ management proxy circulars;

↳ CEO and CFO financial statements certifications;

↳ Corporate governance Guidelines;

↳ Board and Board Committee Charters;



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- Code of Business Conduct and Ethics;
  
- Insider trading reports; and
  
- any other communications transmitted to shareholders.

No material information shall be posted on CGI's website before it has been widely disseminated.

The Vice-President, Corporate Communications & Investor Relations must approve all links from the Company Web site to a third party web site. The Web site will include a notice that advises readers they are leaving the Company's Web site and that the Company is not responsible for the contents of the other site.

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The Vice-President, Corporate Communications & Investor Relations will be responsible for the responses to electronic inquiries. Only public information or information that could otherwise be disclosed in accordance with this disclosure policy shall be used to respond to electronic inquiries.

c) Rumours on the Internet:

Rumours about CGI on the Internet through chat-rooms, web logs, news groups or otherwise shall be handled similarly to rumours spread in a traditional way (refer to heading "Dealing with Rumours" of Section I).

d) Supplemental information:

It is understood that any non material information disseminated to third parties (including private investors, financial analysts, institutional investors) should also be available to all investors. Consequently, such information will be posted on CGI's website unless the volume or format makes it unduly complicated. In such case, CGI will provide a contact name on its website so that investors may have access to such information, if requested. The supplemental information includes data books, fact sheets, slides of investor presentations and other materials distributed at analyst or industry presentations.

e) Investor Relations contact information:

CGI will maintain an e-mail link on its website allowing investors to communicate directly with CGI's Investor Relations representatives. Such representatives shall ensure that any risk of selective disclosure is avoided when responding to investor e-mails. When possible, they will respond to investor enquiries by telephone.

CGI will maintain a phone number for the media, to assist them in receiving responses to questions in a timely manner in order to meet their print deadlines.

f) Utilization and exclusion of certain information:

i) Employee use of electronic information:

- ⋄ CGI employees are hereby reminded that all correspondence received and sent via e-mail is to be considered corporate correspondence and therefore must not transmit confidential information externally unless protected by appropriate encryption technology;
- ⋄ CGI employees are prohibited from participating in, hosting or linking to any Internet chat-rooms, bulletin boards, web logs or news groups in communications involving CGI or its securities (even if the intention of CGI employees is to correct rumours or defend CGI);



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- i) CGI employees are encouraged to report to the Vice-President, Corporate Communications & Investor Relations any discussion pertaining to CGI which they find on the Internet.

- ii) Analyst reports and third party information:

Analyst reports are proprietary products of the analyst's firm. Distributing analyst reports or providing links to them may be viewed as an endorsement by the Company of the reports. For these reasons, the Company will not provide analyst reports through any means to persons outside of the Company or generally to employees of the Company, including posting such information on its Web site. The Company will post on its Web site a complete list, regardless of the recommendation, of all the investment firms and analysts who provide research coverage on the Company. This list will not include links to the analysts' or any other third party Web sites or publications.

Notwithstanding the foregoing, the Company will distribute analyst reports to its directors and senior officers to assist them in understanding how the marketplace values the company and what corporate developments analysts typically consider important. This information is useful in monitoring the communications of the company, and in developing messages to better guide investor expectations.

- g) Legal disclaimer:

A legal disclaimer regarding the accuracy, timeliness and completeness of the information posted on the website must be included on CGI's website at all times.

**COMMUNICATION, EDUCATION AND ENFORCEMENT**

This disclosure policy extends to all employees of the Company, its board of directors and authorized spokespersons. New directors, officers and employees will be provided with a copy of this disclosure policy and educated about its importance. This disclosure policy will be posted on the Company's internal Web site and changes will be communicated to all employees.

Any employee who violates this disclosure policy may face disciplinary action up to and including termination of employment with the Company without notice. The violation of this disclosure policy may also violate certain securities laws, which could expose directors, officers or employees to personal liability. If it appears that an employee may have violated such securities laws, the Company may refer the matter to the appropriate regulatory authorities, which could lead to fines or other penalties.

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**III. RESTRICTIONS APPLICABLE TO TRANSACTIONS IN SECURITIES BY INSIDERS**

The acquisition or the sale of CGI securities (the CGI Securities ) by its senior executives (which means under Canadian securities legislation (the Legislation )), a person exercising the functions of a director or of a president, vice-president, secretary, treasurer, controller or similar functions) entails under the terms of the Legislation, civil, penal and criminal liability if they carry out these operations while they have at their disposal information which has not been disclosed to the public and which information may be susceptible of affecting the decision of a reasonable investor, as well as any information that may affect the value or market price of CGI Securities. All insiders of CGI are subject to the Legislation. These insiders include CGI, its senior executives and the senior executives of its subsidiaries as well as any person or company who exercises control over 10% or more of outstanding CGI Securities.

The Legislation also provides for civil, penal and criminal liability for any person who trades in the securities of any public company if they carry out these operations while they have at their disposal information which they have reason to believe has not been disclosed to the public and that may be susceptible of affecting the decision of a reasonable investor, as well as any information that may affect the value or market price of such securities.

Any such information, whether it relates to CGI or to any other public company, is hereafter referred to as Privileged Information .

The underlying principle of the Legislation in respect to insider restrictions is that all persons investing in securities should have access to information that may affect their investment decisions. Consequently, no insider having Privileged Information relating to CGI Securities may trade in such securities, except if such insider is justified in believing that the information is generally known or known to the other party or, as the case may be, he avails himself of an automatic subscription plan or any other automatic plan established by CGI, according to conditions set down in writing, before he learned of the information. Furthermore, no insider may disclose such Privileged Information unless he is justified in believing that the information is generally known or known to the other party or such insider must disclose the information in the necessary course of business, having no ground to believe it will be used or disclosed contrary to the guidelines set out herein.

The Legislation extends the prohibition in engaging in transactions with CGI Securities at the time when a person possesses Privileged Information to:

- (i) any person who possesses Privileged Information as a result of any relationship he may have with CGI in the performance of his duties, or within the scope of commercial or professional activities

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(ii) any person who possesses Privileged Information coming from, to his knowledge, an insider or another person targeted by this prohibition and

(iii) any person who possesses Privileged Information which he knows to be such, with respect to CGI.

TRANSACTIONS BY SENIOR EXECUTIVES OF CGI

CGI believes that it is important to establish rules of conduct in order to ensure the respect of all Legislation pertaining to senior executives transactions in CGI Securities as well as in the securities of other public companies. These rules of conduct are the following, their application being cumulative and not exclusive:

- a) Directors, senior executives, insiders and CGI employees who have access to Privileged Information regarding CGI or any other public Company may not carry out any transaction with CGI Securities when in possession of Privileged Information.
- b) Subject to the restrictions provided for in the Legislation, these persons must pre clear their trades with the Corporate Secretary and may only trade in CGI Securities within the periods permitted under the *CGI Policy on Insider Trading and Blackout Periods*.
- c) The directors may not carry out any transaction with CGI Securities from the date of receipt of any notice concerning a meeting of the Board of Directors, or of any other notice, whether or not this notice discloses any Privileged Information.
- d) Directors and senior executives shall avoid frequent transactions in the market in order to avoid the appearance of speculation.
- e) Directors and senior executives shall not engage in short selling in respect of CGI Securities and shall not sell a call or buy a put in respect of CGI Securities.

The foregoing rules exist in order to help the directors and senior executives of CGI satisfy themselves and all third parties, that they only carry out transactions in CGI Securities at times when it is reasonable for them to believe that all Privileged Information regarding CGI has been publicly disclosed.

DISCLOSURE OF PRIVILEGED INFORMATION

As mentioned above, the Legislation prohibits the disclosure of Privileged Information. This prohibition extends to the same persons who are not permitted to carry out transactions when in possession of Privileged Information.

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CGI believes it is important to establish the following additional rules of conduct concerning the disclosure of Privileged Information:

- g) Material information regarding the activities and affairs of CGI will be disclosed in a timely manner, in accordance with the requirements of the timely disclosure policies of the TSX and the NYSE and applicable securities legislation (as discussed in Section I).
- h) It is forbidden for management, insiders and employees of CGI to convey to any person whatsoever, any and all material information related to the activities and affairs of CGI before CGI's shareholders and the general public have been notified (by way of media or other means), except in the necessary course of business and subject to an obligation of confidentiality.

**INSIDER REPORTS**

Any person who becomes an insider of CGI shall file an electronic profile in the System for Electronic Disclosure by Insiders ( SEDI ) [www.sedi.ca](http://www.sedi.ca) .

In addition, CGI insiders are required to declare any modifications or changes (whatever the percentage) to their holdings in CGI Securities within 5 days of such a change, except in certain limited exceptions. In this regard, an insider report must be completed and filed in SEDI. The insider of CGI who registers or causes to be registered any CGI Securities in the name of a third person shall file an insider report, except in the case of a bona fide transfer in guarantee. In such case and where the insider fails to file the report provided for by the Legislation, the third person shall file the report himself on becoming aware of the failure.

The obligation to complete insider reports shall continue for as long as the person qualifies as an insider.

An insider is required to file an amended insider profile within ten days of a change in the insider's name or relationship to CGI. If there is a change in any other information in the insider profile, an amended insider profile is only required at the time of the insider's next SEDI filing.

As a matter of law, the responsibility for filing and updating an electronic profile and for filing insider reports in SEDI lies solely with the insider. However, CGI's secretariat staff will send three days prior to the end of each month to each insider of the Company a reminder to complete an insider report, if necessary. It is recommended that each insider inform the Company's Corporate Secretary prior to completion of any transaction on CGI Securities.

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## **APPENDIX A**

### **Definition of Independence in effect as of June 30, 2005 under CSA Multilateral Instrument 52-110**

#### 1.4 Meaning of independence

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a material relationship is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
  - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
  - (c) an individual who:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,
    - (ii) is an employee of that firm, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
  - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,

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- (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
  
- (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

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- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
  - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
- (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
  - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the issuer, or
  - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.



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- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.5 additional independence requirements

- (1) Despite any determination made under section 1.4, an individual who
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part time chair or vice-chair of the board or any board committee; or
  - (b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
  - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

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Consolidated Financial Statements of

**CGI GROUP INC.**

For the years ended September 30, 2012 and 2011

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Management's and Auditors' reports

**MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING**

The management of CGI Group Inc. (the Company) is responsible for the preparation and integrity of the consolidated financial statements and the Management's Discussion and Analysis (MD&A). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include some amounts that are based on management's best estimates and judgment. Financial and operating data elsewhere in the MD&A are consistent with that contained in the accompanying consolidated financial statements.

To fulfill its responsibility, management has developed, and continues to maintain, systems of internal controls reinforced by the Company's standards of conduct and ethics, as set out in written policies to ensure the reliability of the financial information and to safeguard its assets. The Company's internal control over financial reporting and consolidated financial statements are subject to audit by the independent auditors, Ernst & Young LLP, whose report follows. They were appointed as independent auditors, by a vote of the Company's shareholders, to conduct an integrated audit of the Company's consolidated financial statements and of the Company's internal control over financial reporting. In addition, the Management Committee of the Company reviews the disclosure of corporate information and oversees the functioning of the Company's disclosure controls and procedures.

Members of the Audit and Risk Management Committee of the Board of Directors, all of whom are independent of the Company, meet regularly with the independent auditors and with management to discuss internal controls in the financial reporting process, auditing matters and financial reporting issues and formulates the appropriate recommendations to the Board of Directors. The independent auditors have unrestricted access to the Audit and Risk Management Committee. The consolidated financial statements and MD&A have been reviewed and approved by the Board of Directors.

(signed)

**Michael E. Roach**

President and Chief Executive Officer  
November 27, 2012

(signed)

**R. David Anderson**

Executive Vice-President and Chief Financial Officer

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**MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in Canada.

The Company's internal control over financial reporting includes policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in Canada, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and,

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

All internal control systems have inherent limitations; therefore, even where internal control over financial reporting is determined to be effective, it can provide only reasonable assurance. Projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We acquired Logica plc ( Logica ) on August 20, 2012. We excluded from our assessment the internal control over financial reporting of Logica. Logica's results since the acquisition date are included in the September 30, 2012, consolidated financial statements of CGI and constituted approximately 58% of total assets as of September 30, 2012 (including intangible assets and goodwill), approximately 12% of revenue and a net loss of \$259,981,000 for the year then ended. See Note 24 to the consolidated financial statements for a discussion of this acquisition.

As of the end of the Company's 2012 fiscal year, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined the Company's internal control over financial reporting as at September 30, 2012, was effective.

The effectiveness of the Company's internal control over financial reporting as at September 30, 2012, has been audited by the Company's independent auditors, as stated in their report appearing on page 3.

(signed)

**Michael E. Roach**

President and Chief Executive Officer  
November 27, 2012

(signed)

**R. David Anderson**

Executive Vice-President and Chief Financial Officer



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Board of Directors and Shareholders of CGI Group Inc.

We have audited CGI Group Inc.'s (the Company) internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Logica plc, which is included in the 2012 consolidated financial statements of the Company, and constituted approximately 58% of total assets as of September 30, 2012 (including intangible assets and goodwill), approximately 12% of revenue, and a net loss of \$259,981,000 for the year then ended. Our audit of internal control over financial reporting of CGI Group Inc. also did not include an evaluation of the internal control over financial reporting of Logica plc.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012 based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as at and for the year ended September 30, 2012, and our report dated November 27, 2012 expressed an unqualified opinion thereon.

**Ernst & Young LLP**

Montréal, Canada  
November 27, 2012

1. CPA auditor, CA, public accountancy permit No. 112431



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENTS**

To the Board of Directors and Shareholders of CGI Group Inc.

We have audited the accompanying consolidated financial statements of CGI Group Inc. (the Company), which comprise the consolidated balance sheets as of September 30, 2012 and 2011, and October 1, 2010 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended September 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2012 and 2011, and October 1, 2010 and its financial performance and its cash flows for the years ended September 30, 2012 and 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CGI Group Inc.'s internal control over financial reporting as of September 30, 2012, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 27, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

**Ernst & Young LLP**

Montréal, Canada  
November 27, 2012

1. CPA auditor, CA, public accountancy permit No. 112431

CGI Group Inc. Consolidated Financial Statements for the years ended September 30, 2012 and 2011

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## Consolidated Statements of Earnings

For the years ended September 30

(in thousands of Canadian dollars, except share data)

	2012 \$	2011 \$
<b>Revenue</b>	<b>4,772,454</b>	4,223,942
Operating expenses		
Costs of services, selling and administrative (Note 19)	4,226,859	3,690,960
Acquisition-related and integration costs (Note 24)	254,973	3,675
Finance costs (Note 21)	42,099	19,395
Finance income	(5,318)	(3,552)
Other income	(3,955)	(7,647)
Foreign exchange gain	(1,134)	(3,365)
Share of profit on joint venture	(3,996)	(13,359)
	<b>4,509,528</b>	3,686,107
Earnings before income taxes	<b>262,926</b>	537,835
Income tax expense (Note 23)	<b>131,397</b>	99,696
<b>Net earnings</b>	<b>131,529</b>	438,139
<b>Earnings per share (Note 17)</b>		
Basic earnings per share	<b>0.50</b>	1.65
Diluted earnings per share	<b>0.48</b>	1.59

See Notes to the consolidated financial statements.

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## Consolidated Statements of Comprehensive Income

For the years ended September 30

(in thousands of Canadian dollars)

	2012 \$	2011 \$
<b>Net earnings</b>	<b>131,529</b>	438,139
Net unrealized (losses) gains on translating financial statements of foreign operations (net of income taxes)	<b>(20,195)</b>	12,275
Net unrealized gains (losses) on translating financial instruments designated as hedges of net investments in foreign operations (net of income taxes)	<b>10,766</b>	(4,695)
Net unrealized losses on cash flow hedges (net of income taxes)	<b>(11,615)</b>	(9,197)
Net unrealized actuarial gains (losses) (net of income taxes)	<b>5,210</b>	(632)
Net unrealized gains on investments available for sale (net of income taxes)	<b>987</b>	2,352
<b>Other comprehensive (losses) gains</b>	<b>(14,847)</b>	103
<b>Comprehensive income</b>	<b>116,682</b>	438,242

See Notes to the consolidated financial statements.

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## Consolidated Balance Sheets

(in thousands of Canadian dollars)

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents (Note 4)	113,103	136,211	108,529
Short-term investments	14,459	10,166	13,196
Accounts receivable (Note 5)	1,446,149	490,484	426,241
Work in progress	744,482	391,066	357,666
Prepaid expenses and other current assets	244,805	100,407	69,198
Income taxes	24,650	4,252	7,169
<b>Total current assets before funds held for clients</b>	<b>2,587,648</b>	<b>1,132,586</b>	<b>981,999</b>
Funds held for clients (Note 6)	202,407	247,622	248,695
<b>Total current assets</b>	<b>2,790,055</b>	<b>1,380,208</b>	<b>1,230,694</b>
Property, plant and equipment (Note 7)	500,995	249,901	236,632
Contract costs (Note 8)	167,742	107,242	133,109
Intangible assets (Note 9)	858,892	292,133	369,036
Other long-term assets (Note 10)	96,351	55,593	41,623
Deferred tax assets (Note 23)	219,590	9,882	22,888
Investment in joint venture		26,373	22,814
Goodwill (Note 11)	5,819,817	2,536,022	2,525,413
	<b>10,453,442</b>	<b>4,657,354</b>	<b>4,582,209</b>
<b>Liabilities</b>			
Current liabilities			
Bank overdraft (Note 4)		75,538	
Accounts payable and accrued liabilities	1,156,737	303,641	297,801
Accrued compensation	539,779	183,842	185,651
Deferred revenue	443,596	152,938	143,302
Income taxes	177,030	51,822	85,534
Provisions (Note 12)	160,625	12,125	10,998
Current portion of long-term debt (Note 14)	52,347	896,012	114,577
<b>Total current liabilities before clients funds obligations</b>	<b>2,530,114</b>	<b>1,675,918</b>	<b>837,863</b>
Clients funds obligations	197,986	244,660	248,695
<b>Total current liabilities</b>	<b>2,728,100</b>	<b>1,920,578</b>	<b>1,086,558</b>
Deferred tax liabilities (Note 23)	171,130	149,394	188,860
Long-term provisions (Note 12)	216,507	27,672	9,265
Long-term debt (Note 14)	3,196,061	109,669	1,039,299
Retirement benefits obligations (Note 29)	118,078	7,035	6,228
Other long-term liabilities (Note 13)	601,232	93,775	102,764
	<b>7,031,108</b>	<b>2,308,123</b>	<b>2,432,974</b>
<b>Equity</b>			
Retained earnings	1,113,225	1,057,599	845,290

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Accumulated other comprehensive (loss) income (Note 22)	(275)	14,572	14,469
Capital stock (Note 15)	<b>2,201,694</b>	1,178,559	1,195,069
Contributed surplus	<b>107,690</b>	98,501	94,407
	<b>3,422,334</b>	2,349,231	2,149,235
	<b>10,453,442</b>	4,657,354	4,582,209

See Notes to the consolidated financial statements.

Approved by the Board

(signed)  
**Michael E. Roach**  
 Director

(signed)  
**Serge Godin**  
 Director



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## Consolidated Statements of Changes in Equity

For the years ended September 30

(in thousands of Canadian dollars)

	Retained earnings \$	Accumulated other comprehensive (loss) income \$	Capital stock \$	Contributed surplus \$	Total equity \$
Balance as at September 30, 2011	1,057,599	14,572	1,178,559	98,501	2,349,231
Net earnings for the year	131,529				131,529
Other comprehensive loss for the year		(14,847)			(14,847)
	1,189,128	(275)	1,178,559	98,501	2,465,913
Share-based payment costs (Note 16c))				12,520	12,520
Income tax impact associated with stock options				12,626	12,626
Issuance of Class A subordinate shares, net of transaction costs (Note 15)			999,178		999,178
Exercise of stock options (Note 15)			64,033	(16,010)	48,023
Repurchase of Class A subordinate shares (Note 15)	(75,903)		(26,942)		(102,845)
Purchase of Class A subordinate shares held in trust (Note 15)			(14,252)		(14,252)
Sale of Class A subordinate shares held in trust (Note 15)			1,118	53	1,171
<b>Balance as at September 30, 2012</b>	<b>1,113,225</b>	<b>(275)</b>	<b>2,201,694</b>	<b>107,690</b>	<b>3,422,334</b>

	Retained earnings \$	Accumulated other comprehensive income \$	Capital stock \$	Contributed surplus \$	Total equity \$
Balance as at October 1, 2010	845,290	14,469	1,195,069	94,407	2,149,235
Net earnings for the year	438,139				438,139
Other comprehensive income for the year		103			103
	1,283,429	14,572	1,195,069	94,407	2,587,477
Share-based payment costs (Note 16c))				16,645	16,645
Income tax impact associated with stock options				1,790	1,790
Exercise of stock options (Note 15)			66,065	(14,341)	51,724
Repurchase of Class A subordinate shares (Note 15)	(225,019)		(80,009)		(305,028)
Purchase of Class A subordinate shares held in trust (Note 15)			(2,566)		(2,566)
Change in subsidiary investment	(811)				(811)
Balance as at September 30, 2011	1,057,599	14,572	1,178,559	98,501	2,349,231

See Notes to the consolidated financial statements.

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## Consolidated Statements of Cash Flows

For the years ended September 30

(tabular amounts only are in thousands of Canadian dollars)

	2012 \$	2011 \$
<b>Operating activities</b>		
Net earnings	131,529	438,139
Adjustments for:		
Amortization and depreciation (Note 20)	231,398	223,354
Deferred income taxes (Note 23)	(22,306)	(22,423)
Foreign exchange loss	158	(1,201)
Share-based payment costs (Note 16c))	12,520	16,645
Gain on sale of business (Note 24)		(3,655)
Gain on sale of investment in joint venture (Note 25)	(2,981)	
Share of profit on joint venture	(3,996)	(13,359)
Loss on repayment of debt assumed in business acquisition (Note 24)	83,632	
Dividend received from joint venture	7,350	9,800
Net change in non-cash working capital items (Note 26)	175,958	(77,298)
Cash provided by operating activities	613,262	570,002
<b>Investing activities</b>		
Net change in short-term investments	(5,203)	1,984
Business acquisition (including bank overdraft assumed) (Note 24)	(2,734,795)	(618)
Purchase of call options related to proposed acquisition (Note 24)	(7,146)	
Proceeds from sale of investment in joint venture (Note 25)	26,000	
Proceeds from sale of business (Note 24)	4,583	4,104
Purchase of property, plant and equipment	(64,555)	(64,980)
Additions to contract costs	(25,325)	(27,897)
Additions to intangible assets	(43,658)	(26,893)
Additions to other long-term assets	(2,208)	(2,510)
Purchase of long-term investments	(976)	(14,204)
Payment received from long-term receivable	4,249	
Cash used in investing activities	(2,849,034)	(131,014)
<b>Financing activities</b>		
Net change in credit facilities	(158,618)	(104,278)
Increase of long-term debt	2,416,781	
Repayment of long-term debt	(62,817)	(129,741)
Repayment of debt assumed in business acquisition (Note 24)	(891,354)	
Settlement of forward contracts	50,171	(1,275)
Purchase of Class A subordinate shares held in trust (Note 15)	(14,252)	(2,566)
Sale of Class A subordinate shares held in a trust (Note 15)	1,171	
Repurchase of Class A subordinate shares (Note 15)	(102,845)	(305,028)
Issuance of Class A subordinate shares, net of transaction costs	1,047,243	52,091
Change in subsidiary investment		(811)
Cash provided by (used in) financing activities	2,285,480	(491,608)
Effect of foreign exchange rate changes on cash and cash equivalents	2,722	4,764

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Net increase (decrease) in cash and cash equivalents net of bank overdraft	<b>52,430</b>	(47,856)
Cash and cash equivalents net of bank overdraft, beginning of period	<b>60,673</b>	108,529
<b>Cash and cash equivalents net of bank overdraft, end of period (Note 4)</b>	<b>113,103</b>	60,673

Supplementary cash flow information (Note 26)

See Notes to the consolidated financial statements.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**1. Description of business**

CGI Group Inc. (the Company), directly or through its subsidiaries, manages information technology services (IT services) as well as business process services (BPS) to help clients effectively realize their strategies and create added value. The Company's services include the management of IT and business processes (outsourcing), systems integration and consulting including the sale of software licenses. The Company was incorporated under Part IA of the Companies Act (Québec) predecessor to the Business Corporations Act (Québec) which came into force on February 14, 2011 and its shares are publicly traded. The executive and registered office of the Company is situated at 1350, René-Lévesque Blvd. West, Montréal, Québec, Canada, H3G 1T4.

**2. Basis of preparation**

These consolidated financial statements represent the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS 1, First-time Adoption of International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB). In addition, the consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 3, Summary of significant accounting policies, which are based on IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations. The accounting policies were consistently applied to all periods presented.

The first date at which IFRS was applied was October 1, 2010. The consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). However, Canadian GAAP differs in some areas from IFRS. The comparative figures presented were adjusted to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on consolidated equity, earnings, comprehensive income, cash flows and balance sheets are provided in Note 33, Transition to IFRS.

The Company's consolidated financial statements for the years ended September 30, 2012 and 2011 were authorized for issue by the Board of Directors on November 27, 2012.

**3. Summary of significant accounting policies**

**BASIS OF CONSOLIDATION**

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated. The Company accounts for its jointly-controlled investments using the equity method.

**BASIS OF MEASUREMENT**

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which have been measured at fair value as described below.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**3. Summary of significant accounting policies (continued)**

**USE OF ESTIMATES AND JUDGEMENTS**

The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets, liabilities and equity and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates and judgements inherent in the financial reporting process, actual results could differ. Significant estimates and judgements include purchase price allocation of business combinations, income taxes, contingencies and provisions, revenue recognition (including provisions for estimated contract losses), share-based payments, investment tax credits and other government programs, defined benefits plan obligations and retirement benefits assets, impairment of property, plant and equipment, intangible assets and goodwill. A description of the significant estimates and judgements is included in the respective sections within the notes to the consolidated financial statements.

**REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE**

The Company generates revenue principally through the provision of IT services and BPS as described in Note 1.

The Company provides services and products under arrangements that contain various pricing mechanisms. The Company recognizes revenue when the following criteria are met: there is clear evidence that an arrangement exists, the amount of revenue and related costs can be measured reliably, it is probable that future economic benefits will flow to the Company, the stage of completion can be measured reliably where services are delivered and the significant risks and rewards of ownership, including effective control, are transferred to clients where products are sold. Revenue is measured at the fair value of the consideration received or receivable net of discounts, volume rebates and sales related taxes.

Some of the Company's arrangements may include client acceptance clauses. Each clause is analyzed to determine whether the earnings process is complete when the service is performed. Formal client sign-off is not always necessary to recognize revenue provided that the Company objectively demonstrates that the criteria specified in the acceptance provisions are satisfied. Some of the criteria reviewed include historical experience with similar types of arrangements, whether the acceptance provisions are specific to the client or are included in all arrangements, the length of the acceptance term and historical experience with the specific client.

Revenue from benefits-funded arrangements is recognized only to the extent that it is probable that the benefit stream associated with the transaction will generate amounts sufficient to fund the value on which revenue recognition is based.

Revenue from sales of third party vendor products, such as software licenses and hardware, or services is recorded gross when the Company is a principal to the transaction and is recorded net of costs when the Company is acting as an agent between the client and vendor. Factors generally considered to determine whether the Company is a principal or an agent are if the Company is the primary obligor to the client, if it adds meaningful value to the vendor's product or service or if it assumes delivery and credit risks.

Estimated losses on revenue-generating contracts are recognized in the period when it is determined that a loss is probable. They are presented in accounts payable and accrued liabilities and in other long-term liabilities. Contract losses are measured at the amount by which the estimated total costs exceed the estimated total revenue from the contract.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

### **3. Summary of significant accounting policies (continued)**

#### **REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE (CONTINUED)**

##### **Multiple component arrangements**

The Company's arrangements often include a mix of the services and products listed below. If an arrangement involves the provision of multiple components, the total arrangement value is allocated to each separately identifiable component based on its relative selling price. A component is considered to be separately identifiable if it has value to the client on a stand-alone basis. Assessing whether an arrangement involving the provision of multiple components has separately identifiable components requires judgement by management. When estimating selling price, the Company maximizes the use of observable prices which are established using the Company's prices for same or similar components. When observable prices are not available, the Company estimates selling prices based on its best estimate of selling price. The best estimate of selling price is the price at which the Company would normally expect to offer the services or products and is established by considering a number of internal and external factors including, but not limited to, geographies, the Company's pricing policies, internal costs and margins. The appropriate revenue recognition method is applied for each separately identifiable component as described below.

##### **Outsourcing**

Revenue from outsourcing and BPS arrangements is generally recognized as the services are provided at the contractually stated price, unless there is a better measure of performance or delivery.

##### **Systems integration and consulting services**

Revenue from systems integration and consulting services under time and material arrangements is recognized as the services are rendered, and revenue under cost-based arrangements is recognized as reimbursable costs are incurred.

Revenue from systems integration and consulting services under fixed-fee arrangements where the outcome of the arrangements can be estimated reliably is recognized using the percentage-of-completion method over the service periods. The Company uses the labour costs or labour hours to measure the progress towards completion. This method relies on estimates of total expected labour costs or total expected labour hours to complete the service, which are compared to labour costs or labour hours incurred to date, to arrive at an estimate of the percentage of revenue earned to date. Management regularly reviews underlying estimates of total expected labour costs or hours. Revisions to estimates due to volume variations, changes in technology and other factors which may not be foreseen at inception are reflected in the consolidated statements of earnings in the period in which the facts that gave rise to the revision become known. If the outcome of an arrangement cannot be estimated reliably, revenue is recognized to the extent of arrangement costs incurred that are likely to be recoverable.

##### **Software licenses**

Most of the Company's software license arrangements include other services such as implementation, customization and maintenance. For these types of arrangements, revenue from a software license is recognized upon delivery if it has been identified as a separately identifiable component. Otherwise, it is combined with the implementation and customization services and is accounted for as described in "Systems integration and consulting services" above. Revenue from maintenance services for software licenses sold and implemented is recognized ratably over the term of the maintenance period.



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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**3. Summary of significant accounting policies (continued)**

**REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE (CONTINUED)**

**Work in progress and deferred revenue**

Amounts recognized as revenue in excess of billings are classified as work in progress. Amounts received in advance of the delivery of products or performance of services are classified as deferred revenue.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of unrestricted cash and short-term investments having an initial maturity of three months or less.

**SHORT-TERM INVESTMENTS**

Short-term investments, comprised generally of term deposits, have remaining maturities over three months, but not more than one year, at the date of purchase.

**FUNDS HELD FOR CLIENTS AND CLIENTS FUNDS OBLIGATIONS**

In connection with the Company's payroll, tax filing and claims services, the Company collects funds for payment of payroll, taxes and claims, temporarily holds such funds until payment is due, remits the funds to the clients' employees, appropriate tax authorities or claim holders, files federal and local tax returns and handles related regulatory correspondence and amendments. The funds held for clients include short-term and long-term bonds and cash. The Company presents the funds held for clients and related obligations separately. Funds held for clients are classified as current assets since, based upon management's intentions, these funds are held solely for the purpose of satisfying the clients' funds obligations, which will be repaid within one year of the consolidated balance sheet date.

Interest income earned and realized gains and losses on the disposal of bonds are recorded in revenue in the period that the income is earned, since the collecting, holding and remitting of these funds are critical components of providing these services.

**PROPERTY, PLANT AND EQUIPMENT ( PP&E )**

PP&E, including those items under finance leases, are recorded at cost and are depreciated over their estimated useful lives using the straight-line method.

Land and buildings	10 to 40 years
Leasehold improvements	Lesser of the useful life or lease term
Furniture, fixtures and equipment	3 to 20 years
Computer equipment	3 to 5 years

**BORROWING COSTS**



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Borrowing costs directly attributable to the acquisition, construction or development of a qualifying asset are capitalized as part of the cost of the respective asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period they occur.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

### **3. Summary of significant accounting policies (continued)**

#### **CONTRACT COSTS**

Contract costs are mainly incurred when acquiring or implementing long-term outsourcing contracts. Contract costs are comprised primarily of incentives and transition costs and are recorded at cost.

##### **Incentives**

Occasionally, incentives are granted to clients upon the signing of outsourcing contracts. These incentives are primarily granted either in the form of cash payments (including the excess of the amount paid over the fair value of PP&E or intangible assets acquired from client in connection with the outsourcing contract) or as an issuance of equity instruments. In the case of equity instruments, cost is measured at the estimated fair value at the time they are issued.

##### **Transition costs**

Transition costs consist of costs associated with the installation of systems and processes incurred after the award of outsourcing contracts, relocation of transitioned employees and exit from client facilities. Under BPS contracts, the costs consist primarily of costs related to activities such as the conversion of the client's applications to the Company's platforms. These costs are comprised essentially of labour costs, including compensation and related fringe benefits, as well as subcontractor costs.

##### **Pre-contract costs**

Pre-contract costs associated with acquiring or implementing long-term outsourcing contracts are expensed as incurred except where it is virtually certain that the contracts will be awarded and the costs are directly related to the acquisition of the contract.

##### **Amortization of contract costs**

Contract costs are amortized as services are provided. Amortization of transition costs and pre-contract costs is included in costs of services, selling and administrative and amortization of incentives is recorded as a reduction of revenue.

##### **Impairment of contract costs**

When a contract is not expected to be profitable, the expected loss is first applied to impair the related contract costs, with the excess recorded as a provision and presented in other long-term liabilities. At a future date if the contract returns to profitability, the previously recognized impairment loss must be reversed. The reversal of the impairment loss is limited so that the carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the contract costs in prior years.

#### **INTANGIBLE ASSETS**

Intangible assets consist mainly of internal-use software, business solutions, software licenses and client relationships. Internal-use software, business solutions and software licenses are recorded at cost. Business solutions developed internally and marketed are capitalized when they meet specific capitalization criteria related to technical, market and financial feasibility. Business solutions, software licenses and client relationships acquired through business combinations are initially recorded at their fair value based on the present value of expected future cash flows, which involve making estimates about the future cash flows, as well as discount rates.

**Amortization of intangible assets**

The Company amortizes its intangible assets using the straight-line method over the following estimated useful lives:

Internal-use software	2 to 7 years
Business solutions	2 to 10 years
Software licenses	3 to 8 years
Client relationships and other	2 to 10 years

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**3. Summary of significant accounting policies (continued)**

**IMPAIRMENT OF PP&E, INTANGIBLE ASSETS AND GOODWILL**

**Timing of impairment testing**

The carrying values of PP&E, intangible assets and goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired. The Company assesses at each reporting date whether any such events or changes in circumstances exist. The carrying values of PP&E and intangible assets not available for use and goodwill are tested for impairment annually as at September 30.

**Impairment testing**

If any indication of impairment exists or when annual impairment testing for an asset is required, the Company estimates the recoverable amount of the asset or cash-generating unit (CGU) to which the asset relates to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use (VIU) to the Company. The Company generally uses the VIU. In assessing VIU, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of earnings.

For goodwill impairment testing purposes, the CGU that represents the lowest level within the Company at which management monitors goodwill is the operating segment level (Note 27). Goodwill acquired through business combinations is allocated to the CGU that is expected to benefit from synergies of the related business combination.

The VIU calculation for the recoverable amount of the CGUs to which goodwill has been allocated includes estimates about their future financial performance over a period of five years. Key assumptions used in the VIU calculations are the discount rate applied and the long-term growth rate of net operating cash flows. In determining these assumptions, management has taken into consideration the current economic climate and its resulting impact on expected growth and discount rates. In determining the discount rate applied to a CGU, management uses the Company's weighted average cost of capital as a starting point and applies adjustments to take into account specific tax rates, geographical risk and any additional risks specific to the CGU. The cash flow projections reflect management's expectations of the operating performance of the CGU and growth prospects in the CGU's market.

For impaired assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of earnings. Impairment losses relating to goodwill cannot be reversed in future periods.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**3. Summary of significant accounting policies (continued)**

**OTHER LONG-TERM ASSETS**

Other long-term assets consist mainly of insurance contracts held to fund defined benefit pension and life assurance arrangements, deferred compensation plan assets, long-term investments, retirement benefits assets, long-term receivables, deferred financing fees, long-term maintenance agreements and forward contracts. Long-term investments, comprised of bonds, are classified as long-term based on management's intentions.

**BUSINESS COMBINATIONS**

The Company accounts for its business combinations using the acquisition method. Under this method the consideration transferred is measured at fair value. Acquisition-related and integration costs associated with the business combination are expensed as incurred. The Company recognizes goodwill as of the acquisition date as the excess of the cost of the acquisition over the net identifiable assets acquired and liabilities assumed at their acquisition-date fair values. The determination of fair value involves making estimates relating to acquired intangible assets, PP&E, litigation and other contingency reserves. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of acquisition and the date where all significant information necessary to determine the fair values are available, not to exceed 12 months. All other subsequent changes are recognized in the consolidated statements of earnings. For all business acquisitions, the Company records the results of operations of the acquired entities as of their respective effective acquisition dates.

**EARNINGS PER SHARE**

Basic earnings per share is based on the weighted average number of shares outstanding during the period. Diluted earnings per share is determined using the treasury stock method to evaluate the dilutive effect of stock options and performance share units (PSUs).

**RESEARCH AND SOFTWARE DEVELOPMENT COSTS**

Research costs are charged to earnings in the period in which they are incurred, net of related tax credits. Software development costs are charged to earnings in the year they are incurred, net of related tax credits, unless they meet specific capitalization criteria related to technical, market and financial feasibility.

**TAX CREDITS**

The Company follows the income approach to account for tax credits, whereby investment tax credits are recorded when there is a reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions. Under this method, tax credits related to operating expenditures are recorded as a reduction of the related expense and recognized in the period in which the related expenditures are charged to operations. Tax credits related to capital expenditures are recorded as a reduction of the cost of the related asset. The tax credits recorded are based on management's best estimates of amounts expected to be received and are subject to audit by the taxation authorities.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

### **3. Summary of significant accounting policies (continued)**

#### **INCOME TAXES**

Income taxes are accounted for using the liability method of accounting.

Current income taxes are recognized with respect to the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between the amounts reported for financial statements purposes and tax values of the assets and liabilities using enacted or substantively enacted tax rates that will be in effect for the year in which the differences are expected to be recovered or settled. 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.

Deferred income tax assets and liabilities are recognized directly in earnings, other comprehensive income or in equity based on the classification of the item to which they relate.

In the course of the Company's operations, uncertainties exist with respect to interpretation of complex tax regulations and the amount and timing of future taxable income. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

#### **PROVISIONS**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company's provisions consist of liabilities for leases of premises that the Company has vacated, litigation and claim provisions arising in the ordinary course of business and decommissioning liabilities for operating leases of office buildings where certain arrangements require premises to be returned to their original state at the end of the lease term. The Company also records restructuring provisions related to business acquisition.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted using a current pre-tax rate when the impact of the time value of money is material. The increase in the provision due to the passage of time is recognized as finance cost.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

### **3. Summary of significant accounting policies (continued)**

#### **TRANSLATION OF FOREIGN CURRENCIES**

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

##### **Foreign currency transactions and balances**

Revenue, expenses and non-monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Realized and unrealized translation gains and losses are reflected in the consolidated statements of earnings.

##### **Foreign operations**

For foreign operations that have functional currencies different from the Company, assets and liabilities denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at average exchange rates prevailing during the period. Resulting unrealized gains or losses are reported as net unrealized gains or losses on translating financial statements of foreign operations in other comprehensive income.

For the accounts of foreign operations with the same functional currency as the Company, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average rates for the period. Translation exchange gains or losses of such operations are reflected in the consolidated statements of earnings.

#### **SHARE-BASED PAYMENTS**

The Company operates equity-settled stock option and PSU plans under which the Company receives services from employees and others as consideration for equity instruments.

The fair value of those share-based payments is established on the grant date using the Black-Scholes option pricing model for the stock options and the closing price of Class A subordinate shares of the Company on the Toronto Stock Exchange (TSX) for the PSUs. The number of stock options and PSUs expected to vest are estimated on the grant date and subsequently revised on a periodic basis. The fair values, adjusted for expectations related to performance conditions, are recognized as share-based payment costs in earnings with a corresponding credit to contributed surplus on a graded-vesting basis over the vesting period.

When stock options are exercised, any consideration paid by employees and members of the Board of Directors is credited to capital stock and the recorded fair value of the stock option is removed from contributed surplus and credited to capital stock. When PSUs are exercised, the recorded fair value of PSUs is removed from contributed surplus and credited to capital stock.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

### **3. Summary of significant accounting policies (continued)**

#### **FINANCIAL INSTRUMENTS**

All financial assets designated as held-to-maturity and loans and receivables, as well as financial liabilities designated as other liabilities, are initially measured at their fair values and subsequently at their amortized cost using the effective interest rate method. All financial assets and liabilities designated as fair value through earnings ( FVTE ) are measured at their fair values and gains and losses related to periodic revaluations are recorded in the consolidated statements of earnings. Financial instruments may be designated on initial recognition as FVTE if any of the following criteria are met: i) the financial instrument contains one or more embedded derivatives that otherwise would have to be accounted for separately; ii) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or liability or recognizing the gains and losses on them on a different basis; or iii) the financial asset and financial liability are part of a group of financial assets or liabilities that is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. All financial assets designated as available for sale are measured at their fair value and any unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. Interest income earned and realized gains and losses on the sale of available for sale assets are recorded in the consolidated statements of earnings.

Transaction costs are comprised primarily of legal, accounting and other costs directly attributable to the issuance of the respective financial assets and liabilities. Transaction costs are capitalized to the cost of financial assets and liabilities classified as other than FVTE.

Financial assets are derecognized if the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for derecognition. The transfer qualifies for derecognition if substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company has made the following classifications:

#### **FVTE**

Cash and cash equivalents, short-term investments (other than those included in funds held for clients), derivatives (unless they qualify for hedge accounting, refer to Derivative Financial Instruments and Hedging Transactions ) and bank overdraft. In addition, deferred compensation plan assets were designated by management as FVTE upon initial recognition as this reflected management's investment strategy.

#### **Loan and receivables**

Trade accounts receivable and cash included in funds held for clients.

#### **Available for sale**

Short-term and long-term bonds included in funds held for clients and long-term investments.

#### **Other liabilities**

Accounts payable and accrued liabilities, accrued compensation, long-term debt, excluding obligations under finance leases, and clients' funds obligations.





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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

### **3. Summary of significant accounting policies (continued)**

#### **FINANCIAL INSTRUMENTS (CONTINUED)**

##### **Fair value hierarchy**

Fair value measurements recognized in the balance sheet are categorized in accordance with the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1, but that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

All financial assets and liabilities measured at fair value are categorized in Level 1, except for derivatives, investments included in funds held for clients and long-term investments, which are categorized in Level 2.

#### **DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS**

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency exchange risks.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in the consolidated statements of earnings unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statements of earnings depends on the nature of the hedge relationship.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The cash flows of the hedging transactions are classified in the same manner as the cash flows of the position being hedged.

##### **Hedges on net investments in foreign operations**

The Company uses cross-currency swaps and foreign currency denominated long-term debt to hedge portions of the Company's net investments in its U.S and European operations. Foreign exchange translation gains or losses on the net investments and the effective portions of gains or losses on instruments hedging the net investments are recorded in other comprehensive income. To the extent that the hedge is ineffective, such differences are recognized in consolidated statements of earnings. When the hedged net investment is disposed of, the relevant amount in the other comprehensive income is transferred to earnings as part of the gain or loss on disposal.

**Cash flow hedges on future revenue**

The Company has also entered into various foreign currency forward contracts to hedge the variability in the foreign currency exchange rates. These hedges were documented as cash flow hedges and no component of the derivative instruments' fair value is excluded from the assessment and measurement of hedge effectiveness.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**3. Summary of significant accounting policies (continued)**

**DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)**

**Cash flow hedges on future revenue (continued)**

The effective portion of the change in fair value of the derivative instruments is recognized in other comprehensive income and the ineffective portion, if any, in the consolidated statements of earnings. The effective portion of the change in fair value of the derivatives is reclassified out of other comprehensive income into the consolidated statements of earnings as an adjustment to revenue when the hedged revenue is recognized.

**Cash flow hedges on unsecured committed term loan credit facility**

The Company has entered into interest rate swaps to hedge the cash flow exposure of the issued variable rate unsecured committed term loan credit facility. Under the interest rate swaps, the Company receives a variable rate of interest and pays interest at a fixed rate on the notional amount.

The hedges were documented as cash flow hedges and no component of the derivative instruments' fair value are excluded from the assessment and measurement of hedge effectiveness.

**Fair value hedges on Senior U.S. unsecured notes**

The Company entered into interest rate swap to hedge the fair value exposure of the issued fixed rate Senior U.S. unsecured notes.

The changes in the fair value of the interest rate swaps are recognized in the consolidated statements of earnings as finance costs. The changes in the fair value of the hedged items attributable to the risk hedged is recorded as part of the carrying value of the Senior U.S. unsecured notes and are also recognized in the consolidated statements of earnings as finance costs. If the hedged items are derecognized, the unamortized fair value is recognized immediately in the consolidated statements of earnings.

The forward contracts, the cross-currency swaps and the interest rate swaps used as a cash flow hedging item are derivative instruments and, therefore, are recorded at fair value in the consolidated balance sheets under other current assets, other long-term assets, accrued liabilities or other long-term liabilities. Valuation models, such as discounted cash flow analysis using observable market inputs, are utilized to determine the fair values of the derivative instruments.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

### **3. Summary of significant accounting policies (continued)**

#### **EMPLOYEE BENEFITS**

The Company operates retirement benefit plans of both a defined contribution and defined benefit nature. Retirement benefit plans that are funded by the payment of insurance premiums are treated as defined contribution plans unless the Company has an obligation either to pay the benefits directly when they fall due or to pay further amounts if assets accumulated with the insurer do not cover all future employee benefits. In such circumstances, the plan is treated as a defined benefit plan. The cost of defined contribution plans is charged to the consolidated statements of earnings on the basis of contributions payable by the Company during the year. For defined benefit plans, the defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The retirement benefit obligations in the consolidated balance sheets represent the present value of the defined benefit obligation as reduced by the fair value of plan assets. The retirement benefits assets are recognized to the extent that the Company can benefit from refunds or a reduction in future contributions.

Insurance policies are treated as plan assets of a defined benefit plan if the proceeds of the policy:

Can only be used to fund employee benefits;

Are not available to the Company's creditors; and

Either cannot be paid to the Company unless the proceeds represent surplus assets not needed to meet all the benefit obligations or are a reimbursement for benefits already paid by the Company.

Insurance policies that do not meet the above criteria are treated as non-current investments and are held at fair value as a non-current financial asset in the consolidated balance sheets.

The current service cost is recognized in the consolidated statements of earnings as an employee benefit expense. The interest cost resulting from the increase in the present value of the defined benefit obligations over time and the expected return on plan assets, is recognized as net interest expense or income. Actuarial gains and losses arising from experience adjustments or changes in actuarial assumptions are charged or credited to the other comprehensive income in the period in which they arise.

#### **FUTURE ACCOUNTING STANDARD CHANGES**

The following standards have been issued but are not yet effective:

IFRS 9, Financial Instruments, covers the classification and measurement of financial assets and financial liabilities.

IFRS 10, Consolidated Financial Statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements.

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IFRS 12, *Disclosure of Interests in Other Entities*, provides guidance on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

IFRS 13, *Fair Value Measurement*, provides guidance on fair value measurements by providing a definition of fair value and a single source of fair value measurement and disclosure requirements.

IAS 1, *Presentation of Financial Statements*, was amended to require grouping together items within the statement of comprehensive income that may be reclassified to the statement of income.

IAS 19, *Employee Benefits*, was amended to adjust the calculation of the financing cost component of defined benefit plans and to enhance disclosure requirements.

Other than IFRS 9, the above standards are effective October 1, 2013, with earlier application permitted. IFRS 9 is effective October 1, 2015, also with earlier application permitted. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

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**4. Cash and cash equivalents and bank overdraft**

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Cash	86,060	95,643	22,061
Cash equivalents	27,043	40,568	86,468
Cash and cash equivalents	113,103	136,211	108,529
Bank overdraft		(75,538)	
	<b>113,103</b>	<b>60,673</b>	<b>108,529</b>

**5. Accounts receivable**

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Trade	1,272,325	387,229	340,957
Other <sup>1</sup>	173,824	103,255	85,284
	<b>1,446,149</b>	<b>490,484</b>	<b>426,241</b>

<sup>1</sup> Other accounts receivable include refundable tax credits on salaries related to the Québec Development of E-Business program, Research and Development tax credits in North America and Europe, and other Job and Economic Growth Creation programs available. The tax credits represent approximately \$106,491,000, \$75,896,000 and \$54,624,000 of other accounts receivable in 2012, 2011 and 2010, respectively.

The fiscal measures under the Québec Development of E-Business program enable corporations with an establishment in the province of Québec that carry out eligible activities in the technology sector to obtain a refundable tax credit equal to 30% of eligible salaries, up to a maximum of \$20,000 per year per eligible employee until December 31, 2015.

**6. Funds held for clients**

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
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Cash	<b>11,670</b>	67,140	248,695
Short-term bonds		10,070	
Long-term bonds	<b>190,737</b>	170,412	
	<b>202,407</b>	247,622	248,695

CGI Group Inc. Consolidated Financial Statements for the years ended September 30, 2012 and 2011

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**7. Property, plant and equipment**

	Land and buildings \$	Leasehold improvements \$	Furniture, fixtures and equipment \$	Computer equipment \$	Total \$
<b>Cost</b>					
As at September 30, 2011	14,773	125,808	84,046	293,944	518,571
Additions/transfers	23,993	5,021	8,980	58,891	96,885
Additions business acquisition (Note 24)	20,456	84,952	106,974	38,426	250,808
Disposals/transfers <sup>1</sup>		(9,344)	(2,305)	(46,537)	(58,186)
Foreign currency translation adjustment	308	427	1,723	(4,146)	(1,688)
<b>As at September 30, 2012</b>	<b>59,530</b>	<b>206,864</b>	<b>199,418</b>	<b>340,578</b>	<b>806,390</b>
<b>Accumulated amortization</b>					
As at September 30, 2011	4,047	65,678	31,767	167,178	268,670
Amortization expense (Note 20)	1,236	18,655	16,717	56,445	93,053
Disposals/transfers <sup>1</sup>		(7,052)	(2,274)	(44,580)	(53,906)
Foreign currency translation adjustment	15	(384)	668	(2,721)	(2,422)
<b>As at September 30, 2012</b>	<b>5,298</b>	<b>76,897</b>	<b>46,878</b>	<b>176,322</b>	<b>305,395</b>
<b>Net carrying amount as at September 30, 2012</b>	<b>54,232</b>	<b>129,967</b>	<b>152,540</b>	<b>164,256</b>	<b>500,995</b>
<b>As at September 30, 2011</b>					
	Land and buildings \$	Leasehold improvements \$	Furniture, fixtures and equipment \$	Computer equipment \$	Total \$
<b>Cost</b>					
As at October 1, 2010	17,309	139,522	75,334	255,182	487,347
Additions/transfers	154	15,479	16,602	72,443	104,678
Disposals/transfers <sup>1</sup>	(2,735)	(29,011)	(7,432)	(34,064)	(73,242)
Foreign currency translation adjustment	45	(182)	(458)	383	(212)
<b>As at September 30, 2011</b>	<b>14,773</b>	<b>125,808</b>	<b>84,046</b>	<b>293,944</b>	<b>518,571</b>
<b>Accumulated amortization</b>					
As at October 1, 2010	4,461	74,419	30,065	141,770	250,715
Amortization expense (Note 20)	199	17,260	8,482	53,083	79,024
Disposals/transfers <sup>1</sup>	(628)	(25,975)	(6,641)	(28,003)	(61,247)
Foreign currency translation adjustment	15	(26)	(139)	328	178
<b>As at September 30, 2011</b>	<b>4,047</b>	<b>65,678</b>	<b>31,767</b>	<b>167,178</b>	<b>268,670</b>
<b>Net carrying amount as at September 30, 2011</b>	<b>10,726</b>	<b>60,130</b>	<b>52,279</b>	<b>126,766</b>	<b>249,901</b>

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<sup>1</sup> Includes derecognition of fully depreciated assets of \$32,738,000 (\$38,914,000 in 2011).  
Property, plant and equipment include the following assets acquired under finance leases:

	As at September 30, 2012			As at September 30, 2011			As at October 1, 2010		
	Cost \$	Accumulated amortization \$	Net carrying amount \$	Cost \$	Accumulated amortization \$	Net carrying amount \$	Cost \$	Accumulated amortization \$	Net carrying amount \$
Furniture, fixtures and equipment	16,909	5,198	11,711	12,521	2,812	9,709	9,258	1,551	7,707
Computer equipment	103,759	52,201	51,558	87,688	40,550	47,138	79,058	33,645	45,413
	<b>120,668</b>	<b>57,399</b>	<b>63,269</b>	100,209	43,362	56,847	88,316	35,196	53,120

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**8. Contract costs**

	As at September 30, 2012			As at September 30, 2011			As at October 1, 2010		
	Cost \$	Accumulated amortization \$	Net carrying amount \$	Cost \$	Accumulated amortization \$	Net carrying amount \$	Cost \$	Accumulated amortization \$	Net carrying amount \$
Incentives	<b>102,061</b>	<b>81,425</b>	<b>20,636</b>	101,599	72,622	28,977	142,696	107,766	34,930
Transition costs	<b>258,778</b>	<b>111,672</b>	<b>147,106</b>	181,559	103,294	78,265	201,413	103,234	98,179
	<b>360,839</b>	<b>193,097</b>	<b>167,742</b>	283,158	175,916	107,242	344,109	211,000	133,109

CGI Group Inc. Consolidated Financial Statements for the years ended September 30, 2012 and 2011

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**9. Intangible assets**

	Internal-use software \$	Business solutions \$	Software licenses \$	Client relationships and other \$	Total \$
<b>Cost</b>					
As at September 30, 2011	90,775	299,788	162,699	390,374	943,636
Additions/transfers	4,158		19,499		23,657
Additions internally developed		35,360			35,360
Additions business acquisition (Note 24)	33,812	36,392		533,479	603,683
Disposals/transfers <sup>1</sup>	(4,012)	(8,099)	(5,115)	(29,999)	(47,225)
Foreign currency translation adjustment	(260)	(8,049)	(1,151)	(1,136)	(10,596)
<b>As at September 30, 2012</b>	<b>124,473</b>	<b>355,392</b>	<b>175,932</b>	<b>892,718</b>	<b>1,548,515</b>
<b>Accumulated amortization</b>					
As at September 30, 2011	71,510	213,780	119,051	247,162	651,503
Amortization expense (Note 20)	9,133	21,770	18,472	50,299	99,674
Disposals/transfers <sup>1</sup>	(2,062)	(8,917)	(4,302)	(31,811)	(47,092)
Foreign currency translation adjustment	(364)	(6,316)	(592)	(7,190)	(14,462)
<b>As at September 30, 2012</b>	<b>78,217</b>	<b>220,317</b>	<b>132,629</b>	<b>258,460</b>	<b>689,623</b>
<b>Net carrying amount as at September 30, 2012</b>	<b>46,256</b>	<b>135,075</b>	<b>43,303</b>	<b>634,258</b>	<b>858,892</b>

	Internal-use software \$	Business solutions \$	Software licenses \$	Client relationships and other \$	Total \$
<b>Cost</b>					
As at October 1, 2010	88,153	284,475	172,736	414,199	959,563
Additions/transfers	6,503		21,354		27,857
Additions internally developed		14,975			14,975
Modifications to purchase price allocation				(1,743)	(1,743)
Disposals/transfers <sup>1</sup>	(4,075)	(1,849)	(31,699)	(23,182)	(60,805)
Foreign currency translation adjustment	194	2,187	308	1,100	3,789
As at September 30, 2011	90,775	299,788	162,699	390,374	943,636
<b>Accumulated amortization</b>					
As at October 1, 2010	64,749	178,400	123,036	224,342	590,527
Amortization expense	10,506	23,766	18,921	42,979	96,172
Disposals/transfers <sup>1</sup>	(3,818)	(1,849)	(23,062)	(21,675)	(50,404)
Impairment		11,719			11,719

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Foreign currency translation adjustment	73	1,744	156	1,516	3,489
As at September 30, 2011	71,510	213,780	119,051	247,162	651,503
Net carrying amount as at September 30, 2011	19,265	86,008	43,648	143,212	292,133

<sup>1</sup> Includes derecognition of fully depreciated assets of \$45,857,000 (\$32,183,000 in 2011).  
All intangible assets are subject to amortization.

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**10. Other long-term assets**

	As at September 30, 2012	As at September 30, 2011	As at October 1, 2010
	\$	\$	\$
Insurance contracts held to fund defined benefit pension and life assurance arrangements (Note 29)	19,122		
Deferred compensation plan assets (Note 29)	18,878	16,452	16,318
Long-term investments	15,533	15,309	
Retirement benefits assets (Note 29)	9,165		
Long-term receivables	8,502	4,610	
Deferred financing fees	5,042	1,077	2,360
Long-term maintenance agreements	4,891	5,017	4,904
Forward contracts (Note 31)	2,098	6,179	13,317
Deposits and other	13,120	6,949	4,724
	<b>96,351</b>	55,593	41,623

**11. Goodwill**

Due to the change in operating segments during the year (Note 27), the Company reallocated goodwill to the revised CGUs using relative fair value and conducted a goodwill impairment test using the revised CGUs, which are the same as the operating segments. Based on the results of this test, no impairment charge was required. In addition, the Company completed the annual impairment test as at September 30, 2012 and did not identify any impairment. On August 20, 2012, CGI acquired 100% of the shares of Logica plc ( Logica ) and reported Logica as an operating segment (Note 27).

The variations in goodwill were as follows:

	U.S. \$	Canada \$	GIS \$	Europe & Asia Pacific \$	Logica \$	Total \$
Balance as at October 1, 2010	1,282,773	964,085	202,715	75,840		2,525,413
Business acquisition				656		656
Purchase price adjustments (Note 24)	4,376					4,376
Disposal of business		(5,050)				(5,050)
Foreign currency translation adjustment	10,682		120	(175)		10,627
Balance as at September 30, 2011, as previously reported	1,297,831	959,035	202,835	76,321		2,536,022
Goodwill reallocation	(22,243)	21,613		630		

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Balance as at September 30, 2011, after goodwill reallocation	1,275,588	980,648	202,835	76,951		2,536,022
Business acquisition (Note 24)					3,276,172	3,276,172
Foreign currency translation adjustment	(70,849)		(880)	(7,011)	86,363	7,623
<b>Balance as at September 30, 2012</b>	<b>1,204,739</b>	<b>980,648</b>	<b>201,955</b>	<b>69,940</b>	<b>3,362,535</b>	<b>5,819,817</b>

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**11. Goodwill (continued)****Key assumptions in goodwill impairment testing**

The assumptions for the most significant CGUs are disclosed in the following table:

<b>As at September 30, 2012</b>	<b>U.S.</b>	<b>Canada</b>	<b>GIS</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assumptions</b>			
<b>Pre-tax discount rate</b>	<b>8.7</b>	<b>5.5</b>	<b>7.2</b>
<b>Long-term growth rate of net operating cash flows</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>As at October 1, 2011</b>	<b>U.S.</b>	<b>Canada</b>	<b>GIS</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assumptions</b>			
<b>Pre-tax discount rate</b>	<b>8.9</b>	<b>7.2</b>	<b>8.7</b>
<b>Long-term growth rate of net operating cash flows</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>As at October 1, 2010</b>	<b>U.S. &amp; India</b>	<b>Canada</b>	<b>GIS</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assumptions</b>			
<b>Pre-tax discount rate</b>	<b>10.4</b>	<b>8.1</b>	<b>9.8</b>
<b>Long-term growth rate of net operating cash flows</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>

As Logica was acquired on August 20, 2012, the consideration paid is the best indicator of fair value for this CGU as at September 30, 2012.



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**12. Provisions**

	Onerous leases <sup>1</sup> \$	Litigations and claims <sup>2</sup> \$	Decommissioning liabilities <sup>3</sup> \$	Restructuring <sup>4</sup> \$	Total \$
As at September 30, 2011	29,703	2,535	7,559		39,797
Additional provisions	4,515	1,719	1,672	101,475	109,381
Provisions assumed in business acquisition	59,138	106,408	31,446	47,652	244,644
Utilized amounts	(10,445)	(2,217)		(5,384)	(18,046)
Reversals of unused amounts	(1,135)		(2,908)		(4,043)
Discount rate adjustment and imputed interest	148		205		353
Effect of foreign currency translation adjustment	601	3,108	(22)	1,359	5,046
<b>As at September 30, 2012</b>	<b>82,525</b>	<b>111,553</b>	<b>37,952</b>	<b>145,102</b>	<b>377,132</b>
<b>Current portion</b>	<b>35,011</b>	<b>3,273</b>	<b>3,420</b>	<b>118,921</b>	<b>160,625</b>
<b>Non-current portion</b>	<b>47,514</b>	<b>108,280</b>	<b>34,532</b>	<b>26,181</b>	<b>216,507</b>

	Onerous leases <sup>1</sup> \$	Litigations and claims <sup>2</sup> \$	Decommissioning liabilities <sup>3</sup> \$	Restructuring <sup>4</sup> \$	Total \$
As at October 1, 2010	13,078	3,478	3,707		20,263
Additional provisions	23,192	930	3,659		27,781
Utilized amounts	(5,309)	(58)			(5,367)
Reversals of unused amounts	(1,879)	(1,850)			(3,729)
Discount rate adjustment and imputed interest	328		190		518
Effect of foreign currency translation adjustment	293	35	3		331
<b>As at September 30, 2011</b>	<b>29,703</b>	<b>2,535</b>	<b>7,559</b>		<b>39,797</b>
<b>Current portion</b>	<b>9,590</b>	<b>2,535</b>			<b>12,125</b>
<b>Non-current portion</b>	<b>20,113</b>		<b>7,559</b>		<b>27,672</b>

<sup>1</sup> Onerous leases consist of estimated costs associated with vacated premises. The timing of cash outflows relating to these provisions ranges between one and thirteen years (one and eight years and one and ten years in 2011 and 2010, respectively) and was discounted at a weighted average rate of 0.98% (1.48% and 2.75% in 2011 and 2010, respectively).

<sup>2</sup> Litigation and claim provisions represent certain legal claims brought against the Company.

<sup>3</sup> Decommissioning liabilities pertain to operating leases of office buildings where certain arrangements require premises to be returned to their original state at the end of the lease term. The decommissioning liability was based on the expected cash flows of \$43,421,000 (\$8,790,000 and \$4,370,000 in 2011 and 2010, respectively) and was discounted at a weighted average rate of 1.24% (2.19% and 2.74% in 2011 and 2010, respectively). The timing of the settlement of these obligations ranges between one and fourteen years (one and twelve years and one and thirteen years in 2011 and 2010, respectively).

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- <sup>4</sup> Restructuring costs include Logica's restructuring program announced on December 14, 2011. It is comprised of property rationalization, a reduction in headcount and other measures to reduce the cost base which amounted to \$47,652,000 as at August 20, 2012. In addition, in connection with the acquisition of Logica made during the year, the Company recorded costs related to the termination of certain employees identified as redundant.

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**13. Other long-term liabilities**

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Deferred revenue	349,507	29,887	40,702
Estimated losses on revenue-generating contracts	139,744		
Deferred compensation plan liabilities (Note 29)	19,724	18,227	18,694
Deferred rent	55,850	40,767	39,346
Forward contracts (Note 31)	32,848	3,090	3,396
Other	3,559	1,804	626
	<b>601,232</b>	<b>93,775</b>	<b>102,764</b>

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**14. Long-term debt**

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Senior U.S. unsecured notes, bearing a weighted average interest rate of 4.57% and repayable by a payment of \$83,615 (US\$85,000) in 2016, \$137,718 (US\$140,000) in 2018 and \$245,925 (US\$250,000) in 2021 <sup>1</sup>	467,610	20,647	109,899
Unsecured committed revolving facility <sup>2</sup>	691,960	859,277	964,223
Unsecured committed term loan credit facility <sup>3</sup>	1,933,948		
Obligations bearing a weighted average interest rate of 3.34% and repayable in blended monthly installments maturing at various dates until 2018	60,812	58,575	22,049
Obligations under finance leases, bearing a weighted average interest rate of 3.85% and repayable in blended monthly installments maturing at various dates until 2019	85,124	67,182	57,705
Other long-term debt	8,954		
	<b>3,248,408</b>	1,005,681	1,153,876
Current portion	52,347	896,012	114,577
	<b>3,196,061</b>	109,669	1,039,299

<sup>1</sup> On December 15, 2011, the Company drew down an amount of \$491,008,000 (US\$475,000,000) on a private placement financing with U.S. institutional investors. The private placement is comprised of three tranches of Senior U.S. unsecured notes, with a weighted average maturity as at September 30, 2012 of 7.4 years and a weighted average fixed coupon of 4.57%. With the proceeds of this private placement, the Company reimbursed an amount of \$491,008,000 of the unsecured revolving facility. The Senior U.S. unsecured notes contain covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2012, the Company was in compliance with these covenants.

On August 17, 2012, the Company repaid the last outstanding tranche in the amount of \$19,770,000 (US\$20,000,000) of the 2004 private placement financing with U.S. institutional investors and settled the related forward contracts taken to manage the Company's exposure to fluctuations in foreign exchange rate resulting in a cash outflow of \$333,000.

<sup>2</sup> On December 7, 2011, the Company renewed its unsecured revolving facility for an amount of \$1,500,000,000 for an additional five years, expiring in December 2016. This facility is bearing interest at Bankers' acceptance, LIBOR or to a lesser extent, Canadian prime; plus a variable margin that is determined based on the Company's leverage ratios. As at September 30, 2012, an amount of \$691,960,000 had been drawn upon this facility at a margin of 1.75% for LIBOR and Banker's acceptance and 0.75% for the Canadian prime portion. Also, an amount of \$21,951,000 has been committed against this facility to cover various letters of credit issued for clients and other parties. The revolving credit facility contains covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2012, the Company was in compliance with these covenants.

<sup>3</sup>

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On May 31, 2012, contingent on closing of Logica acquisition, the Company signed a new term loan credit facility agreement of £1,245,000,000. As at September 30, 2012, an amount of \$1,948,940,000 was drawn, less financing costs of \$14,992,000. The term loan credit facility expires in tranches on May 2014 (\$484,955,000), 2015 (\$484,955,000) and 2016 (\$979,030,000). The term loan credit facility is bearing interest at Bankers' acceptance, LIBOR or to a lesser extent, Canadian prime; plus a variable margin that is determined based on the Company's leverage ratios. As at September 30, 2012, the margin paid was 2.25% for LIBOR and Banker's acceptance and 1.25% for the Canadian prime portion. The term loan credit facility contains covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2012, the Company was in compliance with these covenants.

Principal repayments on long-term debt over the forthcoming years are as follows:

	\$
Less than one year	18,942
Between one and two years	510,029
Between two and five years	2,265,244
Beyond five years	384,061
<b>Total principal payments on long-term debt</b>	<b>3,178,276</b>

Minimum finance lease payments are as follows:

	Principal \$	Interest \$	Payment \$
Less than one year	33,405	3,143	36,548
Between one and two years	24,586	1,517	26,103
Between two and five years	26,847	830	27,677
Beyond five years	286	5	291
<b>Total minimum finance lease payments</b>	<b>85,124</b>	<b>5,495</b>	<b>90,619</b>

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**15. Capital stock**

Authorized, an unlimited number without par value:

First preferred shares, carrying one vote per share, ranking prior to second preferred shares, Class A subordinate shares and Class B shares with respect to the payment of dividends;

Second preferred shares, non-voting, ranking prior to Class A subordinate shares and Class B shares with respect to the payment of dividends;

Class A subordinate shares, carrying one vote per share, participating equally with Class B shares with respect to the payment of dividends and convertible into Class B shares under certain conditions in the event of certain takeover bids on Class B shares;

Class B shares, carrying ten votes per share, participating equally with Class A subordinate shares with respect to the payment of dividends, convertible at any time at the option of the holder into Class A subordinate shares.

For 2012 and 2011, the Class A subordinate and the Class B shares varied as follows:

	Class A subordinate shares		Class B shares		Total	
	Number	Carrying value \$	Number	Carrying value \$	Number	Carrying value \$
Balance as at October 1, 2010	237,684,791	1,148,182	33,608,159	46,887	271,292,950	1,195,069
Repurchased and cancelled <sup>1</sup>	(16,373,400)	(80,009)			(16,373,400)	(80,009)
Issued upon exercise of stock options <sup>2</sup>	5,743,649	66,065			5,743,649	66,065
Purchased and held in trust <sup>3</sup>		(2,566)				(2,566)
Balance as at September 30, 2011	227,055,040	1,131,672	33,608,159	46,887	260,663,199	1,178,559
Repurchased and cancelled <sup>1</sup>	(5,368,000)	(26,942)			(5,368,000)	(26,942)
Issued upon financing of business acquisition, net of transaction costs	46,707,146	999,178			46,707,146	999,178
Issued upon exercise of stock options <sup>2</sup>	5,376,920	64,033			5,376,920	64,033
Purchased and held in trust <sup>3</sup>		(14,252)				(14,252)
Sale of shares held in trust <sup>3</sup>		1,118				1,118
<b>Balance as at September 30, 2012</b>	<b>273,771,106</b>	<b>2,154,807</b>	<b>33,608,159</b>	<b>46,887</b>	<b>307,379,265</b>	<b>2,201,694</b>

<sup>1</sup> On February 1, 2012, the Company's Board of Directors authorized the renewal of a Normal Course Issuer Bid ( NCIB ) for the purchase of up to 22,064,163 Class A subordinate shares during the next year (23,006,547 in 2011 and 25,151,058 in 2010) for cancellation on the open market through the Toronto Stock Exchange. The Class A subordinate shares were available for purchase commencing February 9, 2012, until no later than February 8, 2013, or on such earlier date when the Company completes its purchases or elects to terminate the bid. During fiscal year 2012, the Company repurchased 5,368,000 Class A subordinate shares (16,373,400 in 2011 and 35,602,085 in 2010) for cash consideration of \$102,845,000 (\$305,028,000 in 2011 and \$516,699,000 in 2010). The excess of the purchase price over the carrying value, in the amount of \$75,903,000 (\$225,019,000 in 2011 and \$347,940,000 in 2010), was charged to retained earnings.

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- <sup>2</sup> The carrying value of Class A subordinate shares includes \$16,010,000 (\$14,341,000 in 2011 and \$13,332,000 in 2010), which corresponds to a reduction in contributed surplus representing the value of accumulated compensation costs associated with the stock options exercised during the year.
- <sup>3</sup> The trustee, in accordance with the terms of the PSU plan and a Trust Agreement, purchased 761,358 Class A subordinate shares of the Company on the open market for \$14,252,000 during the year ended September 30, 2012 (164,012 Class A subordinate shares for \$2,566,000 during the year ended September 30, 2011). In addition, the trustee sold 61,504 Class A subordinate shares that were held in trust on the open market in accordance with the terms of the PSU plan (nil during the year ended September 30, 2011). The excess of the proceeds over the carrying value of the Class A subordinate shares, in the amount of \$53,000, resulted in an increase of contributed surplus. As at September 30, 2012, 863,866 Class A subordinate shares were held in trust under the PSU plan (164,012 as at September 30, 2011) (Note 16b)).

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**16. Share-based payments****a) Stock options**

Under the Company's stock option plan, the Board of Directors may grant, at its discretion, stock options to purchase Class A subordinate shares to certain employees, officers, directors and consultants of the Company and its subsidiaries. The exercise price is established by the Board of Directors and is equal to the closing price of the Class A subordinate shares on the TSX on the day preceding the date of the grant. Stock options generally vest over four years from the date of grant conditionally upon achievement of objectives and must be exercised within a ten-year period, except in the event of retirement, termination of employment or death. As at September 30, 2012, 40,881,609 Class A subordinate shares have been reserved for issuance under the stock option plan.

The following table presents information concerning all outstanding stock options granted by the Company:

	2012		2011	
	Number of options	Weighted average exercise price per share \$	Number of options	Weighted average exercise price per share \$
Outstanding, beginning of year	24,163,317	11.42	26,555,483	10.03
Granted	2,551,547	19.74	6,634,974	15.53
Exercised	(5,376,920)	8.93	(5,743,649)	9.01
Forfeited	(2,720,714)	15.47	(3,255,072)	12.68
Expired			(28,419)	9.19
Outstanding, end of year	18,617,230	12.69	24,163,317	11.42
Exercisable, end of year	12,079,231	10.69	13,108,369	9.39

The weighted average share price at the date of exercise for share options exercised in 2012 was \$22.46 (\$19.03 in 2011).

The following table summarizes information about outstanding stock options granted by the Company as at September 30, 2012:

Range of exercise price \$	Number of options	Options outstanding		Options exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
5.20 to 6.98	181,166	3.47	6.66	181,166	6.66
7.00 to 7.87	1,594,412	3.22	7.74	1,594,412	7.74



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8.00 to 8.91	1,392,887	2.56	8.52	1,392,887	8.52
9.05 to 9.43	2,844,597	6.00	9.31	2,844,597	9.31
10.05 to 11.80	2,353,759	5.03	11.37	2,353,759	11.37
12.54 to 13.26	3,997,509	6.99	12.55	2,563,564	12.55
14.48 to 15.96	3,765,173	8.00	15.48	1,045,450	15.47
19.28 to 23.99	2,487,727	9.01	19.76	103,396	20.58
	18,617,230	6.38	12.69	12,079,231	10.69

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**16. Share-based payments (continued)****a) Stock options (continued)**

The fair value of stock options granted in the period and the assumptions used in the calculation of their fair value on the date of grant using the Black-Scholes option pricing model were as follows:

	Year ended September 30	
	2012	2011
Weighted average assumptions		
Grant date fair value (\$)	4.67	4.31
Dividend yield (%)	0.00	0.00
Expected volatility (%) <sup>1</sup>	27.63	27.11
Risk-free interest rate (%)	1.20	1.99
Expected life (years)	4.00	5.00
Exercise price (\$)	19.74	15.53
Share price (\$)	19.74	15.53

<sup>1</sup> Expected volatility was determined using statistical formulas and based on the weekly historical average of closing daily share prices over the period of the expected life of stock option.

**b) Performance share units**

Under the PSU plan, the Board of Directors may grant PSUs to senior executives and other key employees ( participants ) which entitle them to receive one Class A subordinate share for each PSU. The vesting performance conditions are determined by the Board of Directors at the time of each grant. PSUs expire on December 31 of the third calendar year following the end of the fiscal year during which the PSU award is made, except in the event of retirement, termination of employment or death. Granted PSUs vest annually over a period of four years from the date of grant conditionally upon achievement of objectives.

Class A subordinate shares purchased in connection with the PSU plan are held in trust for the benefit of the participants. The trust, considered as a special purpose entity, is consolidated in the Company's consolidated financial statements with the cost of the purchased shares recorded as a reduction of capital stock (Note 15).

The following table presents information concerning the number of outstanding PSUs granted by the Company:

Outstanding as at October 1, 2010	
Granted <sup>1</sup>	164,012
Outstanding as at September 30, 2011	164,012
Granted <sup>1</sup>	761,358

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Forfeited	(61,504)
<b>Outstanding as at September 30, 2012</b>	<b>863,866</b>

<sup>1</sup> The PSUs granted in the period had a grant date fair value of \$19.71 per unit in 2012 (\$15.51 in 2011).

**c) Share-based payment costs**

The share-based payment expense recorded in cost of services, selling and administrative expenses is as follows:

	Year ended September 30	
	2012	2011
	\$	\$
Stock options	<b>9,310</b>	16,246
PSUs	<b>3,210</b>	399
	<b>12,520</b>	16,645

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**17. Earnings per share**

The following table sets forth the computation of basic and diluted earnings per share for the year ended September 30:

	2012			2011		
	Net earnings \$	Weighted average number of shares outstanding <sup>1</sup>	Earnings per share \$	Net earnings \$	Weighted average number of shares outstanding <sup>1</sup>	Earnings per share \$
Basic	131,529	263,431,660	0.50	438,139	265,333,074	1.65
Dilutive stock options and PSUs <sup>2</sup>		10,212,342			10,487,173	
	131,529	273,644,002	0.48	438,139	275,820,247	1.59

<sup>1</sup> The 5,368,000 Class A subordinate shares repurchased and 863,866 Class A subordinate shares held in trust during the year ended September 30, 2012 (16,373,400 and 164,012, respectively, during year ended September 30, 2011), were excluded from the calculation of weighted average number of shares outstanding as of the date of transaction.

<sup>2</sup> The calculation of the diluted earnings per share excluded 2,400,489 stock options for the year ended September 30, 2012 (58,542 for the year ended September 30, 2011), as they were anti-dilutive.

**18. Construction contracts in progress**

Revenue from systems integration and consulting services under fixed-fee arrangements where the outcome of the arrangements can be estimated reliably is recognized using the percentage-of-completion method over the service periods. The Company uses the labour costs or labour hours to measure the progress towards completion. If the outcome of an arrangement cannot be estimated reliably, revenue is recognized to the extent of arrangement costs incurred that are likely to be recoverable.

Amounts recognized as revenue in excess of billings are classified as work in progress. Amounts received in advance of the delivery of products or performance of services are classified as deferred revenue.

The status of the Company's construction contracts in progress at the end of the reporting period was as follows:

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Recognized as:			
Revenue in the respective year	637,764	443,183	445,294
Recognized as:			
Amounts due from customers under construction contracts <sup>1</sup>	366,398	104,327	100,616
Amounts prepaid by customers under construction contracts <sup>2</sup>	(206,235)	(34,861)	(27,908)

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- <sup>1</sup> As at September 30, 2012, retentions held by customers for contract work amounted to \$21,402,000 (\$17,186,000 as at September 30, 2011 and \$14,788,000 as at October 1, 2010).
- <sup>2</sup> As at September 30, 2012, advances received from customers for contract work amounted to \$11,740,000 (\$14,196,000 as at September 30, 2011 and \$5,489,000 as at October 1, 2010).

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**19. Costs of services, selling and administrative**

	Year ended September 30	
	2012	2011
	\$	\$
Salaries and other member costs <sup>1</sup>	2,771,802	2,343,015
Hardware, software and data center related costs	400,015	457,248
Professional fees and other contracted labour	592,374	494,292
Property costs	204,944	170,859
Amortization and depreciation (Note 20)	220,054	210,450
Other operating expenses	37,670	15,096
	<b>4,226,859</b>	<b>3,690,960</b>

<sup>1</sup> Net of tax credits of \$98,750,000 in 2012 (\$111,832,000 in 2011).

**20. Amortization and depreciation**

	Year ended September 30	
	2012	2011
	\$	\$
Depreciation of PP&E <sup>1</sup>	93,053	79,024
Amortization of intangible assets	99,674	107,891
Amortization of contract costs related to transition costs	27,327	23,535
Included in costs of services, selling and administrative (Note 19)	220,054	210,450
Amortization of contract costs related to incentives (presented as a reduction of revenue)	8,723	10,364
Amortization of deferred financing fees (presented in finance costs)	1,211	1,283
Amortization of premiums and discounts on investments related to funds held for clients (presented net as a reduction of revenue)	1,371	1,257
Amortization of premiums and discounts on long-term investments (presented net in finance costs)	39	
	<b>231,398</b>	<b>223,354</b>

<sup>1</sup> Depreciation of property, plant and equipment acquired under finance leases was \$20,799,000 in 2012 (\$18,526,000 in 2011).

**21. Finance costs**

	Year ended September 30	
	2012	2011
	\$	\$
Interest on long-term debt	<b>41,698</b>	18,224
Other finance costs	<b>401</b>	1,171
	<b>42,099</b>	19,395

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(tabular amounts only are in thousands of Canadian dollars, except share data)

**22. Accumulated other comprehensive (loss) income**

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Net unrealized (losses) gains on translating financial statements of foreign operations (net of accumulated income tax expense of \$330 as at September 30, 2012 and \$1,281 as at September 30, 2011)	(7,920)	12,275	
Net unrealized gains (losses) on translating long-term debt designated as hedges of net investments in foreign operations (net of accumulated income tax expense of \$959 as at September 30, 2012 and net of accumulated income tax recovery of \$1,086 as at September 30, 2011)	6,071	(4,695)	
Net unrealized (losses) gains on cash flow hedges (net of accumulated income tax recovery of \$3,302 as at September 30, 2012 and net of income tax expense of \$1,457 as at September 30, 2011 and \$5,336 as at October 1, 2010)	(6,343)	5,272	14,469
Net unrealized actuarial gains (losses) (net of income tax expense of \$1,961 as at September 30, 2012 and net of income tax recovery of \$217 as at September 30, 2011)	4,578	(632)	
Net unrealized gains on investments available for sale (net of accumulated income tax expense of \$1,276 as at September 30, 2012 and \$854 as at September 30, 2011)	3,339	2,352	
	(275)	14,572	14,469

For the year ended September 30, 2012, \$794,000 of the net unrealized gains previously recognized in other comprehensive income (net of income taxes of \$277,000) were reclassified to net earnings for derivatives designated as cash flow hedges (\$7,476,000 net of income taxes of \$3,314,000 for the year ended September 30, 2011).



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**23. Income taxes**

	Year ended September 30	
	2012	2011
	\$	\$
Current income tax expense		
Current income tax expense in respect of the current year	<b>151,736</b>	154,349
Adjustments recognized in the current year in relation to the current income tax expense of prior years	<b>1,967</b>	(32,230)
Total current income tax expense	<b>153,703</b>	122,119
Deferred income tax expense		
Deferred income tax expense relating to the origination and reversal of temporary differences	<b>(19,680)</b>	(17,568)
Recognition of previously unrecognized temporary differences	<b>(2,626)</b>	(4,855)
Total deferred income tax recovery	<b>(22,306)</b>	(22,423)
Total income tax expense	<b>131,397</b>	99,696

The Company's effective income tax rate on income from continuing operations differs from the combined Federal and Provincial Canadian statutory tax rate as follows:

	2012	2011
	%	%
Company's statutory tax rate	<b>27.3</b>	28.8
Effect of foreign tax rate differences	<b>2.9</b>	(2.4)
Final determination from agreements with tax authorities and expirations of statutes of limitations	<b>(0.2)</b>	(6.8)
Non-deductible and tax exempt items	<b>1.5</b>	(1.2)
Effect of unrecognized tax benefit and non-deductible acquisition-related and integration costs	<b>18.5</b>	
Impact on future tax assets and liabilities resulting from tax rate changes		0.1
Effective income tax rate	<b>50.0</b>	18.5

The decrease in Company's statutory tax rate is explained by the reduction in the federal statutory tax rate from 16.9% to 15.4%.

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For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**23. Income taxes (continued)**

The continuity of deferred income tax balances is as follows:

	As at September 30, 2011 \$	Additions from business acquisition \$	Recognized in earnings \$	Recognized in other comprehensive income \$	Recognized in equity \$	Foreign currency translation adjustment and other \$	As at September 30, 2012 \$
Accounts payable, accrued liabilities and other long-term liabilities	24,884	11,957	(7,473)			(64)	<b>29,304</b>
Tax benefits on losses carried forward	7,459	164,960	8,271			1,710	<b>182,400</b>
Accrued compensation	28,354	3,030	787		6,805		<b>38,976</b>
Retirement benefits		19,664		(2,178)			<b>17,486</b>
Allowance for doubtful accounts	3,255		(1,209)				<b>2,046</b>
PP&E, contract costs, intangible assets and other long-term assets	(122,374)	(46,428)	13,769			2,326	<b>(152,707)</b>
Work in progress	(28,090)		2,921			1	<b>(25,168)</b>
Goodwill	(33,490)		(1,754)				<b>(35,244)</b>
Refundable tax credits on salaries	(14,756)		(3,027)				<b>(17,783)</b>
Unrealized gains on cash flow hedges	(1,457)		3,236	2,695		(95)	<b>4,379</b>
Other liabilities	(3,297)	411	6,785	548		324	<b>4,771</b>
Deferred income taxes, net	(139,512)	153,594	22,306	1,065	6,805	4,202	<b>48,460</b>

	As at October 1, 2010 \$	Recognized in earnings \$	Recognized in other comprehensive loss \$	Recognized in equity \$	Foreign currency translation adjustment and other \$	As at September 30, 2011 \$
Accounts payable, accrued liabilities and other long-term liabilities	13,720	10,944	217		3	24,884
Tax benefits on losses carried forward	10,321	(2,934)			72	7,459
Accrued compensation	33,550	(7,659)		1,790	673	28,354
Allowance for doubtful accounts	1,793	1,462				3,255
PP&E, contract costs, intangible assets and other long-term assets	(143,654)	23,310			(2,030)	(122,374)
Work in progress	(25,165)	(2,927)			2	(28,090)
Goodwill	(27,774)	(6,116)			400	(33,490)
Refundable tax credits on salaries	(20,985)	6,229				(14,756)
Unrealized gains on cash flow hedges	(5,323)	226	3,640			(1,457)
Other liabilities	(2,455)	(112)	(813)		83	(3,297)

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Deferred income taxes, net	(165,972)	22,423	3,044	1,790	(797)	(139,512)
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The deferred income taxes are presented as follows in the consolidated balance sheets:

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Deferred tax assets	219,590	9,882	22,888
Deferred tax liabilities	(171,130)	(149,394)	(188,860)
Deferred income taxes, net	48,460	(139,512)	(165,972)

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For the years ended September 30, 2012 and 2011

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**23. Income taxes (continued)**

At September 30, 2012, the Company had \$1,465,577,000 in non-capital losses carried forward and other temporary differences, of which \$254,410,000 expire at various dates up to 2029 and \$1,211,167,000 have no expiry dates. The Company recognized a deferred tax asset of \$364,028,000 on the losses carried forward and other temporary differences and recognized a valuation allowance of \$181,628,000. The increase in the valuation allowance mainly results from the Logica acquisition. The resulting net deferred tax asset of \$182,400,000 is the amount that is more likely than not to be realized, based on deferred tax liabilities reversal and future taxable profits.

The temporary differences associated with investments in subsidiaries and the interest in joint venture for which a deferred tax liability has not been recognized amount to \$683,282,000 (\$638,285,000 in 2011).

Undistributed earnings of the Company's foreign subsidiaries are considered to be indefinitely reinvested. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to withholding taxes. It is not practicable for the Company to estimate the amount of withholding taxes related to these undistributed earnings.

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**24. Investments in subsidiaries****2012 TRANSACTIONS****a) Acquisition**

On August 20, 2012, the Company acquired 100% of the outstanding ordinary shares of Logica, a business and technology services company, for a total cash consideration of \$2,682,380,000 (£1,715,738,000) and the assumption of Logica's net debt of \$866,658,000. The acquisition and the repayment of Logica's debt assumed were funded through a combination of sources; the Company issued 46,707,146 new Class A subordinate voting shares of the Company at a price of \$21.41 to Caisse de dépôt et placement du Québec for a total consideration of \$1,000,000,000, excluding transaction costs. In addition, the Company drew under a term loan agreement \$1,933,858,000. The remaining funding came from the Company's existing credit facility and cash. The acquisition of Logica will increase the ability of the Company to offer a mix of business and technology expertise to clients across the world through a combination of local and global delivery options.

The purchase price allocation shown below is preliminary and based on management's best estimates. The final purchase price allocation is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation.

	Logica \$
<b>Assets</b>	
Current assets <sup>1</sup>	1,374,838
Property, plant and equipment	250,808
Contract costs	71,697
Intangible assets	603,683
Other long-term assets	87,789
Deferred tax assets	197,210
Goodwill <sup>2</sup>	3,276,172
	<b>5,862,197</b>
<b>Liabilities</b>	
Current liabilities	(1,546,273)
Debt <sup>3</sup>	(808,775)
Deferred tax liabilities	(43,616)
Long-term provisions	(182,880)
Retirement benefits obligations	(113,526)
Other long-term liabilities	(426,864)
	<b>(3,121,934)</b>
Bank overdraft assumed, net	(57,883)
<b>Net assets acquired</b>	<b>2,682,380</b>

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Cash consideration	2,676,912
Consideration payable <sup>4</sup>	5,468

- <sup>1</sup> The current assets include accounts receivable with a fair value of \$899,089,000 which approximates the gross amount due under the contracts.
- <sup>2</sup> The preliminary goodwill arising from the acquisition mainly represents the future economic value associated to acquired work force and synergies with the Company's operations. All of the goodwill is included in the Logica segment. None of the goodwill recognized is expected to be deductible for income tax purposes.
- <sup>3</sup> During the year, the Company made a repayment of \$891,354,000 of Logica's debt assumed in business acquisition, resulting in a loss of \$83,632,000 which was recorded in acquisition-related and integration costs.
- <sup>4</sup> Payable within one year.
- <sup>5</sup> The purchase price allocation was translated using the exchange rate as at August 20, 2012.

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(tabular amounts only are in thousands of Canadian dollars, except share data)

**24. Investments in subsidiaries (continued)**

**2012 TRANSACTIONS (CONTINUED)**

**a) Acquisition (continued)**

In connection with the acquisition of Logica, the Company expensed \$254,973,000 during the year ended September 30, 2012. Included in that amount are acquisition-related costs of \$36,403,000, integration costs of \$109,714,000, make whole on Logica's debt and other financing costs of \$108,856,000. The acquisition-related costs consist mainly of professional fees incurred for the acquisition and foreign exchange call options for an amount of \$7,146,000 in order to comply with the funds certain requirement under the UK City Code on Takeovers and Mergers.

Integration costs driven by the restructuring of Logica's operations, estimated at approximately \$400,000,000, mainly include the costs related to the termination of certain employees identified as redundant. The acquisition-related and integration costs are separately disclosed in the Company's consolidated statements of earnings.

Logica's revenue for the year ended September 30, 2012 represents approximately 12% of the total consolidated revenue of the Company. From the date of acquisition, included in the Company's results are \$567,875,000 of revenues and \$259,981,000 of net loss from Logica, which includes acquisition-related and integration costs. On a pro forma basis, the revenue, the earnings before income taxes and the net loss of the combined Company for the year ended September 30, 2012 would have been approximately \$10,231,555,000, \$81,733,000 and \$5,399,000, respectively, had the Logica acquisition occurred as of October 1, 2011. The pro forma financial information was constructed using the Company's 2012 annual results and Logica's results from July 1, 2011 to June 30, 2012 due to the differences in reporting periods and includes business combination adjustments such as amortization of acquired intangible assets, interest expense on borrowings, elimination of acquisition-related costs, integration costs, make whole and other financing costs as well as related tax effects. The changes to historical transactions and the benefits from integration initiatives, severances of redundant resources and savings related to the retirement of excess facilities have not been reflected in these pro forma amounts. The pro forma amounts are not necessarily indicative of the results of operations of the Company that would have resulted had the acquisition actually occurred on October 1, 2011, or the results that may be obtained in the future.

**b) Disposal**

There were no significant disposals during fiscal 2012.

**2011 TRANSACTIONS**

**a) Acquisition**

There were no significant acquisitions during fiscal 2011.

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**24. Investments in subsidiaries (continued)**

**2011 TRANSACTIONS (CONTINUED)**

**b) Disposal**

On April 4, 2011, the Company concluded a transaction for a net consideration of \$10,500,000 whereby Conseiller en informatique d'affaires CIA inc. ( CIA ) repurchased its shares held by the Company, which represented a 68% interest, excluding its Paris operations, and the Company simultaneously purchased 32% of the operations carried out in CIA's Paris office not previously owned.

The Company received \$5,917,000 during the year ended September 30, 2011 and the remaining balance of \$4,583,000 in fiscal 2012. The sale resulted in a gain of \$3,655,000 recognized within other income in the consolidated statements of earnings.

**c) Modifications to purchase price allocation**

During the year ended September 30, 2011, the Company finalized the purchase price allocation and made adjustments relating to the acquisition of Stanley, Inc. ( Stanley ). The resulting impact for the year ended September 30, 2011 was a decrease in intangible assets of \$1,743,000, deferred tax assets of \$299,000 and deferred tax liabilities of \$682,000 and an increase of accrued compensation of \$1,491,000, accounts payable and accrued liabilities of \$50,000 and income taxes payable of \$1,475,000, whereas goodwill increased by \$4,376,000. The prior period figures have not been adjusted given that the effect of restatement was not significant.

**d) Acquisition-related and integration costs**

In connection with the acquisition of Stanley in fiscal year 2010, the Company expensed \$3,675,000 during the year ended September 30, 2011. The expenses included costs to integrate the operations and to realize synergies.

**25. Joint venture: supplementary information**

During the year ended September 30, 2012, the Company sold its 49% interest in Innovapost Inc. ( Innovapost ) and received consideration of \$26,000,000. The Company recorded a gain of \$2,981,000 relating to the disposal within other income.



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**26. Supplementary cash flow information**

a) Net change in non-cash working capital items is as follows for the years ended September 30:

	2012	2011
	\$	\$
Accounts receivable	(61,373)	(87,828)
Work in progress	(15,815)	(31,971)
Prepaid expenses and other assets	(10,020)	44,485
Accounts payable, accrued liabilities and other long-term liabilities	62,161	22,183
Accrued compensation	89,836	(1,595)
Provisions	85,715	15,620
Deferred revenue	46,727	(2,956)
Income taxes	(21,273)	(35,236)
	<b>175,958</b>	<b>(77,298)</b>

b) Non-cash operating, investing and financing activities related to operations are as follows for the years ended September 30:

	2012	2011
	\$	\$
<b>Operating activities</b>		
Accounts receivable	(284)	(326)
Prepaid expenses and other assets	(11,105)	(26,400)
	<b>(11,389)</b>	<b>(26,726)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(32,207)	(36,083)
Additions of intangible assets	(15,359)	(15,939)
Additions of other long-term assets	(7,426)	(3,646)
	<b>(54,992)</b>	<b>(55,668)</b>
<b>Financing activities</b>		
Increase in obligations under finance leases	29,753	28,822
Increase in obligations	36,344	53,246
Issuance of shares	284	326
	<b>66,381</b>	<b>82,394</b>

c) Interest paid and income taxes paid are classified within operating activities and are as follows for the years ended September 30:

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	2012	2011
	\$	\$
Interest paid	<b>34,573</b>	17,807
Interest received	<b>3,415</b>	2,017
Income taxes paid	<b>144,010</b>	135,433

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**27. Segmented information**

In the prior year, management regularly reviewed the Company's operating results through four operating segments, namely: U.S. & India, Canada, Global Infrastructure Services (GIS) and Europe & Asia Pacific. As a result of changes to the management reporting structure in the current year, the Company is managed through the following four operating segments: U.S., Canada, GIS, Europe & Asia Pacific.

The GIS operating segment incorporates all services provided to clients globally for the management of their technology infrastructure. The other operating segments are based on the Company's geographic delivery model: U.S., Canada and Europe & Asia Pacific, which include their respective utilization of India's delivery centers.

As at September 30, 2012, the operations of Logica were managed and reviewed as one component and is therefore being presented as its own operating segment. As a result of changes in the management reporting structure effective October 1, 2012, the Company will change its operating segments beginning in the first quarter of 2013 as follows:

Canada;

United States of America;

Nordics, Southern Europe and South America;

Central and Eastern Europe (including Netherlands, Germany and Belgium);

United Kingdom;

Asia Pacific (including Australia, India, Philippines and the Middle East);

France (including Luxembourg and Morocco).

The following presents information on the Company's operations based on its current management structure. The Company has retrospectively revised the segmented information for the comparative periods to conform to the segmented information structure in effect as of September 30, 2012.

	Year ended September 30, 2012					
	U.S.	Canada	GIS	Europe & Asia Pacific	Logica	Total
	\$	\$	\$	\$	\$	\$
Segment revenue	2,091,112	1,212,615	684,870	215,982	567,875	4,772,454
Earnings (loss) before acquisition-related and integration costs, finance costs, finance income, other income, share of profit on joint venture and income tax expense <sup>1</sup>	242,965	257,011	53,265	12,333	(18,845)	546,729
Acquisition-related and integration costs						254,973
Finance costs						42,099
Finance income						(5,318)

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Other income	(3,955)
Share of profit on joint venture	(3,996)
<b>Earnings before income taxes</b>	<b>262,926</b>

<sup>1</sup> Amortization and depreciation included in the U.S., Canada, GIS, Europe & Asia Pacific and Logica operating segments is \$82,258,000, \$42,370,000, \$76,674,000 \$4,269,000 and \$24,577,000 respectively, for the year ended September 30, 2012.

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**27. Segmented information (continued)**

Year ended September 30, 2011	U.S. \$	Canada \$	GIS \$	Europe & Asia Pacific \$	Total \$
Segment revenue	1,896,002	1,287,056	816,663	224,221	4,223,942
Earnings before acquisition-related and integration costs, finance costs, finance income, other income, share of profit on joint venture and income tax expense <sup>1</sup>	167,734	249,103	110,880	8,630	536,347
Acquisition-related and integration costs					3,675
Finance costs					19,395
Finance income					(3,552)
Other income					(7,647)
Share of profit on joint venture					(13,359)
Earnings before income taxes					537,835

<sup>1</sup> Amortization and depreciation included in the U.S., Canada, GIS, and Europe & Asia Pacific operating segments is \$85,655,000, \$53,451,000, \$78,781,000 and \$4,184,000 respectively, for the year ended September 30, 2011.

The accounting policies of each operating segment are the same as those described in the summary of significant accounting policies (Note 3). Intersegment revenue is priced as if the revenue was from third parties.

**GEOGRAPHIC INFORMATION**

The following table provides information for property, plant and equipment, contract costs and intangible assets based on their location<sup>1</sup>:

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
U.S.	291,690	313,860	361,702
Canada	292,990	305,046	348,936
U.K. <sup>2</sup>	283,921		
France <sup>2</sup>	204,538		
Sweden <sup>2</sup>	93,231		
Other	361,259	30,370	28,139
	1,527,629	649,276	738,777

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- <sup>1</sup> Excludes goodwill which has been allocated to operating segments (Note 11).
- <sup>2</sup> Balances as of September 30, 2011 and October 1, 2010 are not significant.

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**27. Segmented information (continued)****GEOGRAPHIC INFORMATION (CONTINUED)**

The following table provides revenue information based on the client's location:

	2012	2011
	\$	\$
Revenue		
U.S.	2,240,668	2,041,609
Canada	1,721,490	1,911,447
U.K. <sup>1</sup>	205,247	
France <sup>1</sup>	153,879	
Sweden <sup>1</sup>	59,822	
Other	391,348	270,886
	<b>4,772,454</b>	4,223,942

<sup>1</sup> Amounts for the year ended September 30, 2011 are not significant.**INFORMATION ABOUT SERVICES**

The following table provides revenue information based on services provided by the Company:

	2012	2011
	\$	\$
Outsourcing		
IT Services	2,216,942	2,096,049
BPS	838,879	749,728
Systems integration and consulting	1,716,633	1,378,165
	<b>4,772,454</b>	4,223,942

**MAJOR CLIENT INFORMATION**

Contracts with the U.S. federal government and its various agencies accounted for \$1,336,941,000 of revenues included within the U.S. segment for the year ended September 30, 2012 (\$1,233,784,000 for the year ending September 30, 2011).





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(tabular amounts only are in thousands of Canadian dollars, except share data)

**28. Related party transactions****A) TRANSACTIONS WITH JOINT VENTURE**

Prior to its disposal, in the normal course of business, the Company was party to contracts with Innovapost, a joint venture, pursuant to which the Company was its preferred IT supplier.

Transactions and resulting balances, which were measured at commercial rates (exchange amount), are presented below. The amounts outstanding were unsecured and settled in cash. No guarantees were given or received and no expense was recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed.

Revenue was \$20,014,000 and \$80,075,000 for the years ended September 30, 2012 and 2011, respectively.

	2012	2011
	\$	\$
Accounts receivable	4,570	4,570
Work in progress	1,158	1,158
Contract costs	3,713	3,713
Deferred revenue	2,985	2,985

**B) TRANSACTIONS WITH SUBSIDIARIES**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. The Company owns 100% of the equity interests of its subsidiaries.

The Company's principal subsidiaries are as follows:

Name of subsidiary	Country of incorporation
Conseillers en Gestion et Informatique CGI Inc.	Canada
CGI Information Systems and Management Consultants Inc.	Canada
CGI Technologies and Solutions Inc.	United States
Stanley Associates, Inc.	United States
CGI Federal Inc.	United States
Oberon Associates, Inc.	United States
CGI Information Systems and Management Consultants Private Limited	India
CGI Information Systems and Management Consultants (UK) Limited	United Kingdom
Logica France SAS	France
Logica Business Consulting France SAS	France
Logica Nederland BV	Netherlands
Logica Deutschland GmbH & Co KG	Germany
LogicaTI Portugal SA	Portugal
Logica Danmark A/S	Denmark
Logica Norge AS	Norway

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Logica Australia Pty Limited  
Logica Private Limited  
Logica North America Inc.  
Logica Suomi Oy  
Logica Sverige AB  
Logica UK Limited

Australia  
India  
United States  
Finland  
Sweden  
United Kingdom

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**28. Related party transactions (continued)****C) COMPENSATION PAID TO KEY MANAGEMENT PERSONNEL**

Compensation paid to key management personnel, defined as the Board of Directors (the Board) and the Executive Vice-President and Chief Financial Officer, is as follows:

	2012	2011
	\$	\$
Short-term employee benefits	3,909	6,915
Share-based payments	5,732	4,702

**29. Employee benefits**

The Company operates various post-employment plans, including defined benefit and defined contribution pension plans as well as other benefits plans to its employees:

**DEFINED BENEFIT PLANS**

The following table presents amounts for post-retirement benefits plans and post-employment benefits plan other than pensions included in the consolidated balance sheets:

As at September 30, 2012	U.K. \$	Netherlands \$	Other \$	Total \$
Defined benefit obligations	(437,585)	(326,620)	(150,827)	(915,032)
Fair value of plan assets	433,727	326,793	45,599	806,119
	(3,858)	173	(105,228)	(108,913)
Fair value of reimbursement rights			19,122	19,122
Net asset/(liability) recognized in the balance sheets	(3,858)	173	(86,106)	(89,791)
Presented as:				
Other long-term assets (Note 10)				
Insurance contracts held to fund defined benefit pension and life assurance arrangements			19,122	19,122
Retirement benefits assets	8,790	375		9,165
Retirement benefits obligations	(12,648)	(202)	(105,228)	(118,078)
	(3,858)	173	(86,106)	(89,791)

**a) Defined benefit plans of Logica**

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During the year the Company acquired Logica. Logica operates among others defined benefit retirement plans primarily for the benefit of employees in the U.K. and the Netherlands, with smaller plans in other countries.

The largest plans are funded plans, where contributions are made by the Company, and also in some cases by the employee, to build up a separate fund of assets which is used to pay the employee benefits. The plans' assets are held in funds separate from those of the Company. Contribution rates are assessed by the actuary or insurer of each plan in regular funding reviews. Plan benefits typically provide for a pension on retirement based on years of qualifying service and final pensionable salary.

The Company also operates unfunded plans where the Company will be required to pay the future employee benefits from its future earnings.

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**29. Employee benefits (continued)**

**DEFINED BENEFIT PLANS (CONTINUED)**

**a) Defined benefit plans of Logica (continued)**

The two largest plans are in the U.K. and the Netherlands and make up around 80% of the overall obligations. Some further details on these plans are provided below.

**Stichting Pensioenfonds CMG (Netherlands) last full actuarial valuation at December 31, 2011**

The plan is closed to accrual and is currently in the process of being liquidated. At September 30, 2012, the plan held an insurance policy which matched the majority of the benefits due to members. Once the liquidation of the plan is completed, the Company will no longer be exposed to risks in respect of this plan.

**LogicaCMG UK Pension and Life Assurance Plan (U.K.) last full actuarial valuation at December 31, 2009**

In 2011, a funding valuation which reported a deficit of \$1,422,000 (£900,000) was concluded. A recovery plan has been agreed to fund the deficit over a five year period from January 1, 2011 to December 31, 2015 by making annual payments of \$317,000 (£200,000).

**CMG UK Pension Plan (U.K.) last full actuarial valuation at June 30, 2010**

The plan is closed to accrual and the last funding valuation reported a deficit of \$76,479,000 (£47,300,000). A revised recovery plan was agreed with the Trustees and it was agreed to pay \$11,426,000 (£7,200,000) annually for a period of 5 years and 9 months from July 1, 2011 to March 31, 2017.

Insurance policies taken out to fund retirement benefit plans that do not qualify as plan assets are presented as reimbursement rights within other long-term assets. Such policies fund pension plans in Germany and a life assurance plan in the U.S.

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**29. Employee benefits (continued)****DEFINED BENEFIT PLANS (CONTINUED)****a) Defined benefit plans of Logica (continued)**

The following table presents a reconciliation of the movements in the defined benefit obligations between the beginning and end of the year, and an analysis of the defined benefit obligations between unfunded plans and those plans that are wholly funded:

<b>Defined benefit obligations</b>	<b>U.K.</b>	<b>Netherlands</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>As at October 1, 2011</b>				
Liabilities assumed in a business acquisition	436,695	304,686	134,780	876,161
Current service cost	140		643	783
Interest cost	2,267	1,289	493	4,049
Actuarial (gains) losses due to change in assumptions	(10,788)	10,214	3,850	3,276
Actuarial losses (gains) due to experience adjustments	173		(190)	(17)
Termination benefits	95			95
Plan participant contributions	38		32	70
Benefits paid from the plan	(421)	(687)	(410)	(1,518)
Benefits paid directly by employer			(160)	(160)
Foreign currency translation adjustment	9,386	11,118	4,367	24,871
<b>As at September 30, 2012</b>	<b>437,585</b>	<b>326,620</b>	<b>143,405</b>	<b>907,610</b>
Defined benefit obligation of unfunded plans			39,548	39,548
Defined benefit obligation of funded plans	437,585	326,620	103,857	868,062
<b>As at September 30, 2012</b>	<b>437,585</b>	<b>326,620</b>	<b>143,405</b>	<b>907,610</b>

The following table presents a reconciliation of the movements in plan assets and reimbursement rights between the beginning and end of the year:

<b>Plan assets and reimbursement rights</b>	<b>U.K.</b>	<b>Netherlands</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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<b>As at October 1, 2011</b>				
Assets acquired in a business acquisition	423,111	304,944	61,263	789,318
Expected return on assets	2,196	1,291	246	3,733
Employer contributions	233		649	882
Experience (losses) gains on assets	(594)	10,119	1,122	10,647
Plan participants contributions	38		32	70
Benefits paid from the plan	(421)	(687)	(482)	(1,590)
Benefits paid directly by employer			(160)	(160)
Foreign currency translation adjustment	9,164	11,126	2,051	22,341
<b>As at September 30, 2012</b>	<b>433,727</b>	<b>326,793</b>	<b>64,721</b>	<b>825,241</b>
Plan assets	433,727	326,793	45,599	806,119
Reimbursement rights			19,122	19,122
<b>As at September 30, 2012</b>	<b>433,727</b>	<b>326,793</b>	<b>64,721</b>	<b>825,241</b>

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**29. Employee benefits (continued)****DEFINED BENEFIT PLANS (CONTINUED)****a) Defined benefit plans of Logica (continued)**

The plan assets at the end of the year consist of:

As at September 30, 2012	U.K. \$	Netherlands \$	Other \$	Total \$
Equities	141,402		2,465	143,867
Bonds	262,845		20,065	282,910
Property	21,398		4,930	26,328
Cash	8,082	2,733	2,263	13,078
Other		324,060	15,876	339,936
	433,727	326,793	45,599	806,119

The defined benefit pension plan in Netherlands is in the process of being liquidated and has been reinsured. As the plan is not fully settled yet, the Company will continue to disclose the gross position of the plan. Once the liquidation of the plan is completed, the Company will no longer be exposed to risks in respect of this plan.

Plan assets do not include any ordinary shares of the Company or property occupied by the Company or any other assets used by the Company.

The following table summarizes the actual return on assets:

As at September 30, 2012	U.K. \$	Netherlands \$	Other \$	Total \$
Actual return on plan assets and reimbursement rights	1,602	11,410	1,368	14,380

The following table summarizes the expense recognized in the consolidated statements of earnings:

Year ended September 30, 2012	U.K. \$	Netherlands \$	Other \$	Total \$
Current service cost	140		643	783



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Termination benefits	95			95
Interest cost	2,267	1,289	493	4,049
Expected return on plan assets and reimbursement rights	(2,196)	(1,291)	(246)	(3,733)
	306	(2)	890	1,194
Presented as:				
Costs of services, selling and administrative	235		643	878
Finance costs	71	(2)	247	316
	306	(2)	890	1,194

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**29. Employee benefits (continued)****DEFINED BENEFIT PLANS (CONTINUED)****a) Defined benefit plans of Logica (continued)**

The following table summarizes the amounts recognized in other comprehensive income:

As at September 30, 2012	U.K. \$	Netherlands \$	Other \$	Total \$
Experience (gains) losses on assets and reimbursement rights	594	(10,119)	(1,122)	(10,647)
Actuarial (gains) losses on liabilities due to experience and change of assumptions	(10,615)	10,214	3,660	3,259
	(10,021)	95	2,538	(7,388)

**Actuarial assumptions**

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages). The assumed discount rate, rate of inflation, salary increases and mortality all have a significant effect on the accounting valuation.

Year ended September 30, 2012	U.K. %	Netherlands %	Other %	Total %
Discount rate	4.55	3.55	3.35	4.00
Expected return on plan assets	4.55	3.55	3.26	4.07
Future salary increases	2.60			
Future pension increases	2.57			
Inflation	2.60	2.00	2.10	2.31

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (1) UK: 110% PNXA00 (year of birth) plus CMI\_2011 projections with 1% p.a. minimum long term improvement rate; and (2) Netherlands: AG Generation 2010-2060 with an age setback of 1 year.

The overall expected rate of return on plan assets is calculated as a weighted average of the expected rates of return of individual asset classes. The weighted average is calculated by reference to the amount in each class of plan assets at the end of the reporting period. The expected rates of return on bonds is determined by reference to market yields at the end of the reporting period for bonds of similar term to those held as plan assets. The expected rate of return on equities is determined by reference to real historical equity market returns.

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The following table shows the sensitivity of the defined benefit obligations to changes in these assumptions:

<b>As at September 30, 2012</b>	<b>U.K. \$</b>	<b>Netherlands \$</b>	<b>Other \$</b>	<b>Total \$</b>
Increase of 0.25% in the discount rate	(18,043)	(14,154)	(5,200)	(37,397)
Decrease of 0.25% in the discount rate	19,424	13,599	5,195	38,218
Increase of 0.25% in inflation	13,698		778	14,476
Decrease of 0.25% in inflation	(11,902)		(830)	(12,732)
Increase of one year in life expectancy	8,901	6,855	2,222	17,978
Decrease of one year in life expectancy	(9,004)	(7,018)	(2,184)	(18,206)

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**29. Employee benefits (continued)**

**DEFINED BENEFIT PLANS (CONTINUED)**

**a) Defined benefit plans of Logica (continued)**

**Actuarial assumptions (continued)**

The Company expects to contribute \$18,200,000 to defined benefit plans during the next year, of which \$14,620,000 relates to UK plans, and \$3,580,000 relating to other plans.

**b) Post-employment benefits plan other than pensions**

The Company maintains a post-employment benefits plan other than pensions to cover certain former retired employees associated with the divested Canadian claims adjusting and risk management services business. The benefits other than pensions include a health and dental care coverage as well as life insurance coverage.

The post-employment benefits liability totaled \$7,422,000 as at September 30, 2012 (\$7,035,000 and \$6,228,000 at September 30, 2011 and October 1, 2010, respectively). The Company measures its benefits liability as at September 30 of each year. An actuarial valuation was performed at September 30, 2011, and the next actuarial valuation will be as at September 30, 2014. The accrued benefit obligation was determined based on an annual discount rate of 4.50%.

**DEFINED CONTRIBUTION PLANS**

The Company also operates defined contribution retirement plans in U.K. and overseas, under which contributions are paid by the Company undertakings. In some countries, contributions are made into state pension plans. The pension cost expense for defined contribution plans amounted to \$29,000,000.

In Sweden, the Company contributes to the Alecta SE pension plan which is a defined benefit pension plan. This pension plan is classified as a defined contribution plan as it is a multi-employer plan. Any surplus or deficit in the plan will affect the amount of future contributions payable. Alecta use a collective funding ratio to determine the surplus or deficit in the pension plan. The collective funding is the difference between Alecta's assets and the commitments to the policyholders and insured individuals. The collective solvency is normally allowed to vary between 125% and 155%, with the target being 140%. At September 30, 2012, Alecta's collective funding ratio was 137%. The plan expense was \$3,450,000 (SEK 23,000,000).

The Company also paid contributions to defined contribution plans for CGI's employees of \$16,194,000 in 2012 and \$14,623,000 in 2011.

**OTHER BENEFIT PLANS**

The Company maintains two non-qualified deferred compensation plans covering some of its U.S. management.

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One of these plans is an unfunded plan and the non-qualified deferred compensation liability totaled \$846,000 as at September 30, 2012 (\$1,775,000 and \$2,376,000 at September 30, 2011 and October 1, 2010, respectively).

The other plan is a funded plan for which a trust was established so that the plan assets could be segregated; however, the assets are subject to the Company's general creditors in the case of bankruptcy. The assets, included in other long-term assets, composed of investments, vary with employees' contributions and changes in the value of the investments. The change in liability associated with the plan is equal to the change of the assets. The assets in the trust and the associated liabilities totaled \$18,878,000 as at September 30, 2012 (\$16,452,000 and \$16,318,000 as at September 30, 2011 and October 1, 2010, respectively).

The deferred compensation plans assets and liabilities are presented in other long-term assets and other long-term liabilities, respectively.

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**30. Commitments, contingencies and guarantees****A) COMMITMENTS**

At September 30, 2012, the Company is committed under the terms of operating leases with various expiration dates up to 2027, primarily for the rental of premises and computer equipment used in outsourcing contracts, in the aggregate amount of approximately \$1,932,336,000. The future minimum lease payments under non-cancellable operating leases are due as follows:

	\$
Less than one year	435,698
Between one and two years	328,358
Between two and five years	695,262
Beyond five years	473,018

The majority of the lease agreements are renewable at the end of the lease period at market rates. The lease expenditure charged to the earnings during the year was \$136,938,000 (\$136,142,000 in 2011), net of sub-lease income of \$8,014,000 (\$8,401,000 in 2011). As at September 30, 2012, the total future minimum sub-lease payments expected to be received under non-cancellable sub-lease were \$114,458,000 (\$61,651,000 as at September 30, 2011).

The Company entered into long-term service and other agreements representing a total commitment of \$35,457,000. Minimum payments under these agreements are due as follows:

	\$
Less than one year	17,597
Between one and two years	7,094
Between two and five years	10,766
Beyond five years	

**B) CONTINGENCIES**

From time to time, the Company is involved in legal proceedings, audits, claims and litigation arising in the ordinary course of its business. Certain of these matters seek damages in significant amounts and will ultimately be resolved when one or more future events occur or fail to occur. Although the outcome of such matters is not predictable with assurance, the Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities.

In addition, the Company is engaged to provide services under contracts with the U.S. Government. The contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether the Company's operations are being conducted in accordance with these requirements. Generally, the Government has the right to change the scope of, or terminate, these projects at its convenience. The termination or reduction in the scope, of a major government project could have a materially adverse effect on the results of operations and financial condition of the Company.

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### **30. Commitments, contingencies and guarantees (continued)**

#### **C) GUARANTEES**

##### **Sale of assets and business divestitures**

In connection with the sale of assets and business divestitures, the Company may be required to pay counterparties for costs and losses incurred as the result of breaches in representations and warranties, intellectual property right infringement and litigation against counterparties. While some of the agreements specify a maximum potential exposure of approximately \$6,527,000 in total, others do not specify a maximum amount or limited period. It is not possible to reasonably estimate the maximum amount that may have to be paid under such guarantees. The amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in the consolidated balance sheets relating to this type of indemnification as at September 30, 2012. The Company does not expect to incur any potential payment in connection with these guarantees that could have a materially adverse effect on its consolidated financial statements.

##### **Other transactions**

In the normal course of business, the Company may provide certain clients, principally governmental entities, with bid and performance bonds. In general, the Company would only be liable for the amount of the bid bonds if the Company refuses to perform the project once the bid is awarded. The Company would also be liable for the performance bonds in the event of default in the performance of its obligations. As at September 30, 2012, the Company provided for a total of \$48,988,000 of these bonds. To the best of its knowledge, the Company is in compliance with its performance obligations under all service contracts for which there is a performance or bid bond, and the ultimate liability, if any, incurred in connection with these guarantees would not have a materially adverse effect on the Company's consolidated results of operations or financial condition.

In addition, the Company provides a guarantee of \$5,900,000 of the residual value of a leased property accounted for as an operating lease at the expiration of the lease term. The Company also has letters of credit for a total of \$54,140,000. These guarantees are required in some of the Company's contracts with customers.

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**31. Financial instruments****FAIR VALUE**

At September 30, 2012 and 2011, the estimated fair values of trade accounts receivable, cash included in funds held for clients, accounts payable and accrued liabilities, accrued compensation, long-term debt obligation and clients' funds obligations approximate their respective carrying values.

The fair values of Senior U.S. unsecured notes and the unsecured committed revolving facility and the unsecured committed term loan credit facility, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions, are \$521,971,000 and \$685,951,000 and \$1,951,279,000 as at September 30, 2012, respectively (\$22,236,000, \$855,307,000 and nil as at September 30, 2011, respectively and \$112,937,000, \$941,396,000 and nil as at October 1, 2010, respectively), as compared to their carrying value \$467,610,000, \$691,960,000 and \$1,933,948,000, respectively (\$20,647,000, \$859,277,000 and nil as at September 30, 2011, respectively and \$109,899,000, \$964,223,000 and nil as at October 1, 2010, respectively) (Note 14).

The following table summarizes the fair value of outstanding hedging instruments:

	Recorded in	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
<b>Hedges on net investments in foreign operations</b>				
US\$818,000 debt designated as the hedging instrument of the Company's net investment in U.S. operations (US\$815,000 as at September 30, 2011 and US\$920,000 as at October 1, 2010)	Long-term debt	<b>804,667</b>	846,703	947,416
45,000 debt designated as a hedging instrument of the Company's net investment in European operations (9,000 as at September 30, 2011 and 12,000 as at October 1, 2010)	Long-term debt	<b>56,907</b>	12,574	16,807
\$1,153,700 cross-currency swaps in euro designated as a hedging instrument of the Company's net investment in European operations (nil as at September 30, 2011 and as at October 1, 2010)	Other long-term liabilities	<b>23,876</b>		
<b>Cash flow hedges on future revenue</b>				
US\$32,100 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Canadian dollar (US\$76,740 as at September 30, 2011 and US\$130,380 as at October 1, 2010)	Other current assets	<b>6,514</b>	6,497	8,918
	Other long-term assets	<b>1,024</b>	5,613	11,433
US\$51,944 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Indian rupee (US\$45,000 as at September 30, 2011 and US\$44,820 as at October 1, 2010)	Other current assets		156	2,378
	Other long-term assets		1	1,121
	Accrued liabilities	<b>1,678</b>		



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	Other long-term liabilities	<b>2,697</b>	536	
\$53,145 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the Canadian dollar and the Indian rupee (\$62,220 as at September 30, 2011 and \$89,040 as at October 1, 2010)	Accrued liabilities	<b>6,533</b>	2,560	1,570
	Other long-term liabilities	<b>2,073</b>	2,554	3,396

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**31. Financial instruments (continued)****FAIR VALUE (CONTINUED)**

Recorded in	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
<b>Cash flow hedges on Senior U.S. unsecured notes</b>			
US\$nil foreign currency forward contracts (US\$20,000 as at September 30, 2011 and US\$107,000 as at October 1, 2010)	Other current assets		1,277
	Other long-term assets	565	763
<b>Cash flow hedges on unsecured committed term loan credit facility</b>			
\$1,234,400 interest rate swaps floating-to-fixed (nil as at September 30, 2011 and as at October 1, 2010)	Other long-term liabilities	<b>4,202</b>	
<b>Fair value hedges on Senior U.S. unsecured notes</b>			
US\$125,000 interest rate swaps fixed-to-floating (nil as at September 30, 2011 and as at October 1, 2010)	Other long-term assets	<b>1,074</b>	
<b>Derivatives not designated as hedges</b>			
£37,288 foreign currency forward contracts to hedge the net exposure of some assets and liabilities not denominated in the functional currencies (nil as at September 30, 2011 and as at October 1, 2010)	Accrued liabilities	<b>2,182</b>	

Valuation techniques used to value financial instruments are as follows:

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period;

The fair value of interest rate swaps is determined from market quotes of the instruments; and

The fair value of cross-currency swaps is determined based on market data (primarily yield curves and exchange rates) to calculate the present value of all estimated flows.

The Company expects that approximately \$2,063,000 of the accumulated net unrealized loss on all derivative financial instruments designated as cash flow hedges as at September 30, 2012 will be reclassified in the consolidated statements of earnings in the next 12 months.

During the year ended September 30, 2012, the Company's hedging relationships were effective.

**MARKET RISK (INTEREST RATE RISK AND CURRENCY RISK)**

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Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk and currency risk, affect the fair values of financial assets and liabilities.

### **Interest rate risk**

The Company is exposed to interest rate risk on a portion of its long-term debt (Note 14) and holds interest rate swaps that mitigate this risk. In 2012, the Company entered into an interest rate swaps agreement whereby the Company receives a fixed rate of interest and pays interest at a variable rate on the notional amount. The swaps are being used to hedge the exposure to changes in the fair value of its Senior U.S. unsecured notes.

The Company analyzes its interest rate risk exposure on an ongoing basis using various scenarios to simulate refinancing or the renewal of existing positions. Based on these scenarios, a change in the interest rate of 1% would not have had a significant impact on net earnings and comprehensive income.

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(tabular amounts only are in thousands of Canadian dollars, except share data)

**31. Financial instrument (continued)****MARKET RISK (INTEREST RATE RISK AND CURRENCY RISK) (CONTINUED)****Currency risk**

The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company mitigates this risk principally through foreign debt and use of derivatives. The Company enters into foreign exchange forward contracts to hedge forecasted cash flows or contractual cash flows in currencies other than the functional currency of its subsidiaries. The Company has entered into the foreign currency forward contracts to hedge the variability in the foreign currency exchange rate between the U.S. dollar and the Indian rupee on future U.S. revenue, to hedge the variability in the foreign currency exchange rate between the U.S. dollar and the Canadian dollar on future U.S. revenue and to hedge the variability in foreign currency exchange rate between the Indian rupee and the Canadian dollar on future Canadian revenue.

The Company has also entered into foreign currency forward contracts to hedge the contractual principal repayments of certain Senior U.S. unsecured notes and into interest rate swaps to hedge the cash flow exposure of the issued variable rate unsecured committed term loan credit facility.

The Company also hedges a portion of the translation of the Company's net investments in its U.S. and European operations, into Canadian dollar with unsecured committed revolving facility and Senior U.S. unsecured notes as well as cross-currency swaps. Hedging relationships are designated and documented at inception and quarterly effectiveness assessments are performed during the year. In 2012, the Company entered into fixed-to-fixed and floating-to-floating cross-currency swaps as the hedging instrument of the Company's net investment in its European and Asia Pacific operations. These swaps convert Canadian dollar based fixed and variable interest payments to Euro based fixed and variable interest payments associated with the notional amount.

In addition, to mitigate foreign exchange risk arising from transactions denominated in currencies other than entity's functional currency, assets and liabilities not denominated in the functional currencies are hedged economically by means of forward contracts. The Company has not applied hedge accounting to these contracts. These exposures are then aggregated and netted and the overall position is hedged externally.

The Company is mainly exposed to fluctuations in the U.S. dollar, the euro and the British pound. The following table details the Company's sensitivity to a 10% strengthening of the U.S. dollar, the euro and the British pound foreign currency rates on net earnings and comprehensive income against the Canadian dollar. The sensitivity analysis presents the impact of foreign currency denominated financial instruments and adjusts their translation at period end for a 10% strengthening in foreign currency rates.

	2012			2011		
	U.S. dollar impact	Euro impact	British pound impact	U.S. dollar impact	Euro impact	British pound impact <sup>1</sup>
Increase in net earnings	5,067	5,362	5,241	565	191	
(Decrease) increase in other comprehensive income	(44,603)	(100,593)	(3,985)	(62,887)	2,383	

<sup>1</sup> The exposure in prior year was not significant.

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**31. Financial instruments (continued)****LIQUIDITY RISK**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's activities are financed through a combination of the cash flows from operations, borrowing under existing credit facilities, the issuance of debt and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities. All amounts contractually denominated in foreign currency are presented in Canadian dollar equivalent amounts using the period-end spot rate.

As at September 30, 2012	Carrying amount \$	Contractual cash flows \$	Less than one year \$	Between one and two years \$	Between two and five years \$	Beyond five years \$
<b>Non-derivative financial liabilities</b>						
Accounts payable and accrued liabilities	1,156,737	1,156,737	1,156,737			
Accrued compensation	539,779	539,779	539,779			
Senior U.S. unsecured notes	467,610	635,519	21,299	21,299	145,980	446,941
Unsecured committed revolving facility	691,960	762,215	16,783	16,783	728,649	
Unsecured committed term loan credit facility	1,933,948	2,146,967	67,870	547,177	1,531,920	
Obligations repayable in blended monthly installments	60,812	64,330	20,166	17,653	26,444	67
Other long-term debt	8,954	8,954	476	8,478		
Clients' funds obligations	197,986	197,986	197,986			
<b>Derivative financial liabilities</b>						
<b>Cash flow hedges on future revenue</b>						
Outflow	5,443	14,265	8,620	2,915	2,730	
(Inflow)		(7,603)	(6,556)	(1,047)		
<b>Cross-currency swaps</b>						
Outflow	23,876	1,254,517	22,612	22,612	1,209,293	
(Inflow)		(1,288,939)	(38,519)	(38,519)	(1,211,901)	
<b>Interest rate swaps</b>						
Outflow	3,128	1,445,111	20,665	469,874	812,132	142,440
(Inflow)		(1,457,023)	(21,489)	(469,624)	(815,336)	(150,574)
<b>Forward contracts</b>						
Outflow	2,182	406,881	406,881			
(Inflow)		(404,741)	(404,741)			
	<b>5,092,415</b>	<b>5,474,955</b>	<b>2,008,569</b>	<b>597,601</b>	<b>2,429,911</b>	<b>438,874</b>

As at September 30, 2011

Carrying amount	Contractual cash flows	Less than one year	Between one and	Between two and five	Beyond five years
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	\$	\$	\$	two years \$	years \$	\$
<b>Non-derivative financial liabilities</b>						
Bank overdraft	75,538	75,538	75,538			
Accounts payable and accrued liabilities	303,641	303,641	303,641			
Accrued compensation	183,842	183,842	183,842			
Senior U.S. unsecured notes	20,647	23,895	1,247	1,247	21,401	
Unsecured committed revolving facility	859,277	866,560	866,560			
Obligations repayable in blended monthly installments	58,575	62,987	15,553	15,898	30,242	1,294
Clients funds obligations	244,660	244,660	244,660			
<b>Derivative financial liabilities</b>						
Cash flow hedges on future revenue	(6,617)					
Outflow		6,237	2,675	2,423	1,139	
(Inflow)		(12,535)	(6,772)	(4,972)	(791)	
	1,739,563	1,754,825	1,686,944	14,596	51,991	1,294

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For the years ended September 30, 2012 and 2011

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**31. Financial instruments (continued)****LIQUIDITY RISK (CONTINUED)**

As at October 1, 2010	Carrying amount \$	Contractual cash flows \$	Less than one year \$	Between one and two years \$	Between two and five years \$	Beyond five years \$
<b>Non-derivative financial liabilities</b>						
Accounts payable and accrued liabilities	297,801	297,801	297,801			
Accrued compensation	185,651	185,651	185,651			
Senior U.S. unsecured notes	109,899	116,799	93,113	1,236	22,450	
Unsecured committed revolving facility	964,223	977,861	9,092	968,769		
Obligations repayable in blended monthly installments	22,049	23,961	6,292	5,052	11,211	1,406
Clients' funds obligations	248,695	248,695	248,695			
<b>Derivative financial liabilities</b>						
Cash flow hedges on future revenue	(18,884)					
Outflow		5,562	1,637	1,740	2,185	
(Inflow)		(24,658)	(11,447)	(7,323)	(5,888)	
	1,809,434	1,831,672	830,834	969,474	29,958	1,406

As at September 30, 2012, the Company holds cash and cash equivalents and short-term and long-term investments of \$143,095,000 (\$161,686,000 and \$121,725,000 as at September 30, 2011 and October 1, 2010, respectively). The Company also has available \$786,089,000 in unsecured committed revolving facility (Note 14) (\$622,406,000 and \$519,931,000 as at September 30, 2011 and October 1, 2010, respectively). The funds held for clients of \$202,407,000 (\$247,622,000 and \$248,695,000 as at September 30, 2011 and October 1, 2010, respectively) fully cover the clients' funds obligations. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.



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For the years ended September 30, 2012 and 2011

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**31. Financial instruments (continued)****CREDIT RISK**

The Company takes on exposure to credit risk, which is the risk that a client will be unable to pay amounts in full when due. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short-term investments, work in progress, accounts receivable and long-term investments. The maximum exposure of credit risk is generally represented by the carrying amounts of these items reported on the consolidated balance sheets.

Cash equivalents consist mainly of highly liquid investments, such as money market funds and term deposits, as well as bankers' acceptances and bearer deposit notes issued by major banks (Note 4). The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company is exposed to credit risk in connection with short-term and long-term investments through the possible inability of borrowers to meet the terms of their bonds. The Company mitigates this risk by investing primarily in high credit quality corporate and government bonds with a credit rating of A or higher.

The Company has accounts receivable and work in progress derived from clients engaged in various industries including governmental agencies, finance, telecommunications, manufacturing and utilities that are not concentrated in any specific geographic area. These specific industries may be affected by economic factors that may impact accounts receivable. However, management does not believe that the Company is subject to any significant credit risk in view of the Company's large and diversified client base.

The following table sets forth details of the age of accounts receivable that are past due:

	2012	2011
	\$	\$
Not past due	<b>996,404</b>	301,972
Past due 1-30 days	<b>161,872</b>	42,653
Past due 31-60 days	<b>43,636</b>	25,993
Past due 61-90 days	<b>26,091</b>	7,437
Past due more than 90 days	<b>47,868</b>	14,371
	<b>1,275,871</b>	392,426
Allowance for doubtful accounts	<b>(3,546)</b>	(5,197)
	<b>1,272,325</b>	387,229

The carrying amount of accounts receivable is reduced by an allowance account and the amount of the loss is recognized in the consolidated statements of earnings within costs of services, selling and administrative. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against costs of services, selling and administrative in the consolidated statements of earnings. Overall, management does not believe that any single industry or geographic region represents a significant credit risk to the Company.



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**32. Capital risk management**

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks.

The Company manages its capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance. At September 30, 2012, total managed capital was \$6,813,837,000 (\$3,441,060,000 and \$3,424,836,000 as at September 30, 2011 and October 1, 2010, respectively). Managed capital consists of long-term debt, including the current portion (Note 14), cash and cash equivalents net of bank overdraft (Note 4), short-term investments, long-term investments and shareholders equity. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in the business environment. When capital needs have been specified, the Company's management proposes capital transactions for the approval of the Company's Audit and Risk Management Committee and Board of Directors. The capital risk policy remains unchanged from prior periods.

The Company monitors its capital by reviewing various financial metrics, including the following:

Debt/Capitalization

Net Debt/Capitalization

Debt/EBITDA

Debt represents long-term debt, including the current portion. Net debt, capitalization and EBITDA are non-GAAP measures. Net debt represents debt (including the impact of the fair value of forward contracts) less cash and cash equivalents net of bank overdraft, short-term investments and long-term investments. Capitalization is shareholders' equity plus debt. EBITDA is calculated as earnings from continuing operations before income taxes, interest expense on long-term debt, depreciation, amortization and acquisition-related and integration costs. The Company believes that the results of the current internal ratios are consistent with its capital management objectives.

The Company is subject to external covenants on its Senior U.S. unsecured notes, its unsecured committed revolving facility and unsecured committed term loan credit facility. The ratios are as follows:

A leverage ratio, which is the ratio of total debt to EBITDA for the four most recent quarters<sup>1</sup>.

An interest and rent coverage ratio, which is the ratio of the EBITDAR for the four most recent quarters to the total interest expense and the operating rentals in the same periods. EBITDAR, a non-GAAP measure, is calculated as EBITDA before rent expense<sup>1</sup>.

In the case of the Senior U.S. unsecured notes, a minimum net worth is required, whereby shareholders' equity, excluding foreign exchange translation adjustments included in accumulated other comprehensive income, cannot be less than a specified threshold. These ratios are calculated on a consolidated basis.

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The Company is in compliance with these covenants and monitors them on an ongoing basis. The ratios are also reviewed quarterly by the Company's Audit and Risk Management Committee. The Company is not subject to any other externally imposed capital requirements.

<sup>1</sup> In the event of an acquisition, the available historical financial information of the acquired company will be used in the computation of the ratios.

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**33. Transition to IFRS**

As discussed in Note 2, these consolidated financial statements represent the first annual financial statements prepared in accordance with IFRS. IFRS 1 requires that comparative financial information be provided. The first date at which IFRS was applied was October 1, 2010 ( Transition Date ) and, as a result, reconciliations for the respective periods noted are included below.

**RECONCILIATIONS OF CANADIAN GAAP TO IFRS**

As required by IFRS 1, the following represents reconciliations from Canadian GAAP to IFRS for the respective periods noted for consolidated equity, net earnings, comprehensive income and cash flows from the perspective of each adjustment. A discussion of the adjustments, other initial elections upon IFRS adoption, as well as selected consolidated financial statements for comparative periods are presented further below.

**Reconciliation of consolidated equity**

	As at September 30, 2011 \$	As at October 1, 2010 \$
Total equity previously reported under Canadian GAAP	2,346,356	2,159,083
Differences increasing (decreasing) reported equity:		
C Employee benefits	(1,845)	(1,213)
D Decommissioning liabilities included in the cost of PP&E	(899)	(903)
H Reversal of intangible asset impairment	452	539
I Reversal of contract cost impairment		1,265
K Income taxes	8,445	827
L Commitment to purchase outstanding shares of non-controlling interest		(10,363)
N Onerous leases	(3,278)	
Total adjustments	2,875	(9,848)
Total equity under IFRS	2,349,231	2,149,235

**Reconciliation of consolidated net earnings**

	Year ended September 30, 2011 \$
Net earnings previously reported under Canadian GAAP	435,065
Differences increasing (decreasing) reported net earnings:	
H Reversal of intangible asset impairment	(87)
I Reversal of contract cost impairment	(1,208)
J Share-based payments	(1,224)
K Income taxes	5,103
L Commitment to purchase outstanding shares of non-controlling interest	3,655

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N	Onerous leases	(3,165)
Total adjustments		3,074
	Net earnings under IFRS	438,139

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**33. Transition to IFRS (continued)****Reconciliation of consolidated comprehensive income**

	Year ended September 30, 2011
	\$
Comprehensive income reported under Canadian GAAP	435,241
Total differences increasing net earnings	3,074
Differences increasing (decreasing) reported other comprehensive income:	
C Employee benefits	(632)
D, I, K, N Foreign currency translation adjustments	559
	(73)
Comprehensive income under IFRS	438,242

**Reconciliation of consolidated cash flows**

There were no significant changes in the consolidated statements of cash flows on adoption of IFRS other than as a result of accounting for the investment in the joint venture under the equity method as described in adjustment M below.

**DISCUSSION OF ADJUSTMENTS****Initial elections upon IFRS adoption**

Set forth below are the IFRS 1 optional exemptions applied in the conversion from Canadian GAAP to IFRS. Exemptions that were not elected, not applicable or not considered material to the Company are not included in the discussion.

**A. Business combinations**

IFRS 1 provides the option to apply IFRS 3, Business Combinations (as revised in 2008), retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3. As a result, there is no adjustment as at October 1, 2010 related to business combinations entered into prior to the Transition Date. IFRS 3 will be applied to business combinations entered into subsequently. Additionally, due to the Company's election to apply IFRS 3 prospectively, IAS 27, Consolidated and Separate Financial Statements, will also be applied prospectively. With the early adoption of Section 1582, Business Combinations, under Canadian GAAP as at October 1, 2009, there was no adjustment required for the year ended September 30, 2011 as it is similar to the corresponding provisions of IFRS 3.

**B. Currency translation differences**

Retrospective application of IFRS would require the Company to determine cumulative foreign currency translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary was formed or acquired to the Transition Date. IFRS 1 permits cumulative foreign translation gains and losses to be reset to zero at the Transition Date. The Company elected to apply this exemption. As a result, as at October 1, 2010, the Company reversed the balance of \$413,021,000 within net unrealized losses on translating financial statements of self-sustaining foreign operations and \$76,806,000 within net unrealized gains on translating long-term debt designated as a hedge of net investments in self-sustaining foreign operations included in accumulated other comprehensive loss. The net loss of \$336,215,000 was recognized as a decrease to accumulated other comprehensive loss with a corresponding decrease to retained earnings. This adjustment did not have any further impact on the consolidated financial statements.



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**33. Transition to IFRS (continued)****C. Employee benefits**

IFRS 1 provides the option to recognize all cumulative actuarial gains and losses deferred as a result of applying the corridor approach in accounting for defined benefit plans in retained earnings at the Transition Date. The Company elected to apply this exemption. As a result, as at October 1, 2010, retirement benefits obligations decreased by \$780,000 and after a related increase to deferred income tax liabilities of \$209,000, retained earnings increased by \$571,000. Additionally, the Company's joint venture applied the same exemption and as a result, the investment in the joint venture decreased by \$1,784,000 with a corresponding decrease to retained earnings. For the year ended September 30, 2011, the impact of this adjustment on the consolidated financial statements was not significant.

As a result of an actuarial valuation as at September 30, 2011, retirement benefits obligations increased by \$849,000 and after a related decrease to deferred income tax liabilities of \$217,000, accumulated other comprehensive loss increased by \$632,000.

**D. Decommissioning liabilities included in the cost of PP&E**

Upon adoption of IFRS, the Company's decommissioning liability was revalued according to the discount rate specified in IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities, requires specified changes in a decommissioning liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. IFRS 1 allows a first-time adopter a simplified treatment of historic changes when estimating the decommissioning liability between initial inception of the liability and the Transition Date. The Company elected to apply the method specified within IFRS 1 for valuing the decommissioning liability. As a result, as at October 1, 2010, PP&E decreased by \$723,000 and long-term provisions increased by \$562,000. After a related decrease to deferred income tax liabilities of \$184,000 and an increase to deferred income tax assets of \$198,000, retained earnings decreased by \$903,000.

As a result of a new decommissioning liability as at September 30, 2011, PP&E and long-term provisions increased by \$319,000 when discounted in accordance with IFRS. For the year ended September 30, 2011, the impact of this adjustment on the consolidated statements of earnings was not significant.

Additionally, as at and for the year ended September 30, 2011, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on the Transition Date adjustment.

**E. Borrowing costs**

IFRS 1 allows the Company to choose the effective date of IAS 23, Borrowing Costs. As such, the Company elected to capitalize borrowing costs for qualifying assets for which acquisition, construction or development commenced on or after the Transition Date. For the year ended September 30, 2011, no borrowing costs were eligible for capitalization.

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### **33. Transition to IFRS (continued)**

#### **Mandatory exceptions upon IFRS adoption**

Set forth below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from Canadian GAAP to IFRS.

#### **F. Hedge accounting**

Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, *Financial Instruments: Recognition and Measurement*, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfy the hedge accounting criteria as of the Transition Date are reflected as hedges in the Company's results under IFRS. The application of this mandatory exception did not result in any adjustments in the consolidated financial statements.

#### **G. Estimates**

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

#### **Other explanatory notes**

#### **H. Reversal of intangible asset impairment**

Under Canadian GAAP, the reversal of impairment losses was prohibited. Under IFRS, the reversal of impairment losses is recognized for assets other than goodwill if certain criteria are met. Upon adoption of IFRS, the Company reversed an impairment within the Canada operating segment recognized under Canadian GAAP as a result of changes in the expected cash flows relating to a business solution. As a result, as at October 1, 2010, intangible assets increased by \$779,000 and after a related increase to deferred income tax liabilities of \$240,000, retained earnings increased by \$539,000.

The impairment reversal resulted in additional amortization expense during the fiscal 2011 year. As a result, as at and for the year ended September 30, 2011, intangible assets decreased and amortization within costs of services, selling and administrative increased by \$126,000, while deferred tax liabilities and income tax expense decreased by \$39,000.

#### **I. Reversal of contract cost impairment**

Under Canadian GAAP, contract costs consisting of transition costs and incentives were classified as intangible assets. Under IFRS, contract costs are recognized in accordance with IAS 11, *Construction Contracts* and no longer qualify as intangible assets. Upon adoption of IFRS, the Company reversed an impairment loss on a contract cost that was recognized under Canadian GAAP due to the fact that at the Transition Date the contract was profitable. As a result, as at October 1, 2010, contract costs increased by \$2,095,000 and after a related increase to deferred income tax liabilities of \$830,000, retained earnings increased by \$1,265,000.

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The contract associated with the reversal was terminated in the last quarter of fiscal 2011. As a result, as at September 30, 2011, the reversal of the remaining net carrying amount resulted in a decrease to contract costs and deferred tax liabilities of \$2,100,000 and \$835,000, respectively. For the year ended September 30, 2011, revenue and income tax expense decreased by \$806,000 and \$793,000, respectively, and costs of services, selling and administrative increased by \$1,195,000.

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**33. Transition to IFRS (continued)**

**I. Reversal of contract cost impairment (continued)**

Additionally, as at and for the year ended September 30, 2011, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on the Transition Date adjustment.

**J. Share-based payments**

Under Canadian GAAP, for grants of share-based awards with graded vesting, the total fair value of the award was recognized on a straight-line basis over the employment period necessary to vest the award. Under IFRS, each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value, and each grant is accounted for on that basis. As a result of the difference of accounting for each grant of graded share-based awards, as at October 1, 2010, contributed surplus increased by \$8,100,000 with a corresponding decrease to retained earnings.

As at and for the year ended September 30, 2011, the adjustment resulted in an increase of contributed surplus and costs of services, selling and administrative of \$1,224,000.

**K. Income Taxes**

**Assets or liabilities acquired other than in a business combination**

Under Canadian GAAP, the carrying amount of an asset or liability acquired other than in a business combination was adjusted for by the amount of the related recognized deferred tax asset or liability. Under IFRS, a deferred tax asset or liability cannot be recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and if at the time of the transaction neither accounting profit nor taxable profit is affected. As a result, as at October 1, 2010, the Company decreased deferred tax liabilities by \$3,423,000, intangible assets by \$3,414,000, contract costs by \$542,000 and deferred tax assets by \$5,049,000 with a corresponding decrease to other long-term liabilities of \$895,000 and retained earnings of \$4,687,000.

The adjustment resulted in less amortization expense during the fiscal 2011 year. As a result, as at and for the year ended September 30, 2011, intangible assets increased and amortization within costs of services, selling and administrative decreased by \$1,235,000, contract costs increased and revenue increased by \$89,000 and deferred tax liabilities and income tax expense increased by \$381,000.

Additionally, as at and for the year ended September 30, 2011, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on the Transition Date adjustment.

**Share-based payments**

Under Canadian GAAP, a deferred tax asset was recognized on the difference between the accounting expense and the tax deduction relating to share-based payments. Under IFRS, the deferred tax asset recognized in relation to the share-based payments is adjusted each period to reflect the amount of the tax deduction the Company would receive if the award was tax deductible in the current period based on the current market price of the shares. If the estimated future tax deduction exceeds the related cumulative share-based payment costs, the excess deferred tax is recognized in contributed surplus. As a result, as at October 1, 2010, deferred tax liabilities decreased by \$5,514,000 and retained earnings

increased by \$2,129,000 while contributed surplus increased by \$3,385,000.

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**33. Transition to IFRS (continued)**

**K. Income Taxes (continued)**

**Share-based payments (continued)**

As at and for the year ended September 30, 2011, deferred tax liabilities decreased by \$6,641,000, contributed surplus increased by \$1,790,000 and income tax expense decreased by \$4,160,000.

Additionally, as at and for the year ended September 30, 2011, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on the Transition Date adjustment.

**L. Commitment to purchase outstanding shares of non-controlling interest**

Under Canadian GAAP, the value of the put and call option to purchase the remaining shares of Conseillers en informatique d Affaires ( CIA ) was disclosed as a commitment, but not recorded as a liability. Under IFRS, it must be recorded as a liability. As a result, as at October 1, 2010, accounts payable and accrued liabilities increased by \$10,363,000, the equity attributable to non-controlling interest of \$6,452,000 was eliminated and retained earnings decreased by the remaining balance of \$3,911,000.

As at and for the year ended September 30, 2011, additional equity attributable to non-controlling interest of \$256,000 was reversed through retained earnings. Additionally, CIA repurchased the Company's shares in CIA and the Company simultaneously purchased the portion of the operations carried out in CIA's Paris office. As a result, under IFRS the liability relating to the put and call option to purchase the remaining shares of CIA of \$10,363,000 was reversed and a gain of \$3,655,000 was recognized within other income in the consolidated statements of earnings.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**33. Transition to IFRS (continued)****M. Accounting for joint venture**

Under Canadian GAAP, the Company accounted for its investment in its joint venture under the proportionate consolidation method. Under IFRS, IAS 31, *Interests in Joint Ventures*, allows a company to account for any joint venture interest under either the proportionate consolidation or equity method. As of the Transition Date, the Company elected to account for its investment in its joint venture under the equity method. As a result, the consolidated balance sheets have been adjusted to remove the effect of proportionate consolidation and to account for its joint venture as an investment as follows:

	Adjustment as at October 1, 2010 \$	Adjustment as at September 30, 2011 \$
<b>Current assets</b>		
Cash and cash equivalents	(19,295)	(21,550)
Accounts receivable	(9,527)	(9,456)
Work in progress	(1,318)	(9,137)
Prepaid expenses and other current assets	(7,646)	(3,763)
<b>Total current assets</b>	<b>(37,786)</b>	<b>(43,906)</b>
Property, plant and equipment	(669)	(645)
Contract costs	(478)	(479)
Intangible assets	(1,207)	(864)
Other long-term assets	(638)	(321)
Deferred tax assets	(362)	(381)
Investment in joint venture	24,598	28,157
<b>Total assets</b>	<b>(16,542)</b>	<b>(18,439)</b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	(5,940)	(7,424)
Accrued compensation	(5,835)	(6,127)
Deferred revenue	(2,491)	(1,875)
Income taxes	(1,343)	(2,019)
<b>Total current liabilities</b>	<b>(15,609)</b>	<b>(17,445)</b>
Deferred tax liabilities	(404)	(661)
Other long-term liabilities	(529)	(333)
<b>Total liabilities</b>	<b>(16,542)</b>	<b>(18,439)</b>

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**33. Transition to IFRS (continued)****M. Accounting for joint venture (continued)**

Under Canadian GAAP, the amounts below were included in the consolidated statements of earnings. Under IFRS, as a result of the application of the equity method, the amounts were removed from their respective lines and accounted for in a single line to reflect the share of profit on joint venture in the consolidated statements of earnings.

	Year ended September 30, 2011
	\$
Revenues	98,578
Operating expenses	
Costs of services, selling and administrative	80,080
Finance income	(207)
Foreign exchange loss	86
	79,959
Earnings before income taxes	18,619
Income tax expense	5,260
Share of profit on joint venture	13,359

**N. Onerous leases**

Under IFRS, the criteria for recognizing provisions for onerous leases result in provisions being recognized earlier than under Canadian GAAP. As at September 30, 2011, additional provisions for onerous leases were required. As a result, short-term provisions increased by \$1,532,000, long-term provisions increased by \$3,700,000 and deferred tax liabilities decreased by \$1,987,000. Related leasehold improvements of \$722,000 were deducted from PP&E. Additionally accounts payable and accrued liabilities and other long-term liabilities decreased due to related rent credits by \$87,000 and \$602,000, respectively. This resulted in an increase of \$5,091,000 in cost of services, selling and administration and a decrease in income tax expense of \$1,926,000 for the year ended September 30, 2011.

Additionally, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on these adjustments.

**Presentation reclassifications****O. Provisions**



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Under Canadian GAAP, provisions for onerous leases and other were presented within accounts payable and accrued liabilities or other long-term liabilities. Under IFRS, these provisions require separate line disclosure on the face of the balance sheet according to their short-term or long-term classification. As a result, as at October 1, 2010, \$10,998,000 was reclassified from accounts payable and accrued liabilities into short-term provisions and \$8,703,000 was reclassified from other long-term liabilities to long-term provisions. As at September 30, 2011, \$10,593,000 was reclassified from accounts payable and accrued liabilities into short-term provisions and \$23,091,000 was reclassified from other long-term liabilities to long-term provisions.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**33. Transition to IFRS (continued)****P. Tax reclassification**

Under Canadian GAAP, deferred taxes were split between current and non-current components on the basis of either the underlying asset or liability or the expected reversal of items not related to an asset or liability. Under IFRS, all deferred tax assets and liabilities are classified as non-current. As a result, as at October 1, 2010, the short-term portion of future income tax assets of \$16,509,000 was reclassified to deferred income tax assets and the short-term portion of future income tax liabilities of \$26,423,000 was reclassified to deferred income tax liabilities and as at September 30, 2011, the short-term portion of future income tax assets of \$3,522,000 was reclassified to deferred income tax assets and the short-term portion of future income tax liabilities of \$20,389,000 was reclassified to deferred income tax liabilities.

**Q. Contract costs**

Under Canadian GAAP, contract costs consisting of transition costs and incentives were classified as intangible assets. Under IFRS, transition costs and incentives provided in the form of cash or equity instruments are presented separately as contract costs and incentives provided in the form of discounts are presented within accounts receivable. As a result, as at October 1, 2010, \$97,420,000 of transition costs and \$34,614,000 of incentives in the form of cash or equity instruments were reclassified from intangible assets to contract costs and \$11,842,000 was reclassified from intangible assets to accounts receivable. As at September 30, 2011, \$78,747,000 of transition costs and \$29,432,000 of incentives in the form of cash or equity instruments were reclassified from intangible assets to contract costs and \$5,185,000 was reclassified from intangible assets to accounts receivable.

**R. Classification of long-term debt**

Under Canadian GAAP, an amount due under an existing unsecured revolving facility maturing within the next 12 months was classified as long-term as at September 30, 2011 due to the fact that the Company entered into a private placement financing that was to be drawn down no later than December 15, 2011 with management's intention of reimbursing part of the unsecured revolving facility with the proceeds of the private placement. Under IFRS, since the intention to reimburse with the proceeds of the private placement cannot be considered, the amount due under the unsecured revolving facility is classified as short-term as at September 30, 2011. As a result, an amount of \$493,478,000 was classified from long-term debt to the current portion of long-term debt as at September 30, 2011.

**S. Costs of services, selling and administrative**

Under Canadian GAAP, amortization and other income were presented as separate lines within the consolidated statements of income. Under IFRS, the Company chooses to present expenses according to their function. As a result, for the year ended September 30, 2011, amortization of \$211,372,000 and a portion of other income of \$75,000 were reclassified into costs of services, selling and administrative.

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**33. Transition to IFRS (continued)****COMPARATIVE FINANCIAL STATEMENTS**

The following reconciliations illustrate the impact of adjustments and reclassifications from Canadian GAAP to IFRS for the consolidated balance sheet as at the Transition Date and as at September 30, 2011 and for the consolidated statements of earnings for the year ended September 30, 2011.

**Reconciliation of consolidated balance sheet**

As at October 1, 2010	Canadian GAAP \$		Adjustments \$	IFRS \$
<b>Assets</b>				
Current assets				
Cash and cash equivalents	127,824	M	(19,295)	108,529
Short-term investments	13,196			13,196
Accounts receivable	423,926	M, Q	2,315	426,241
Work in progress	358,984	M	(1,318)	357,666
Prepaid expenses and other current assets	76,844	M	(7,646)	69,198
Income taxes	7,169			7,169
Future income taxes	16,509	P	(16,509)	
Total current assets before funds held for clients	1,024,452		(42,453)	981,999
Funds held for clients	248,695			248,695
Total current assets	1,273,147		(42,453)	1,230,694
Property, plant and equipment	238,024	D, M	(1,392)	236,632
Contract costs		I, K, M, Q	133,109	133,109
Intangible assets	516,754	H, K, M, Q	(147,718)	369,036
Other long-term assets	42,261	M	(638)	41,623
Deferred tax assets	11,592	D, K, M, P	11,296	22,888
Investment in joint venture		C, M	22,814	22,814
Goodwill	2,525,413			2,525,413
	4,607,191		(24,982)	4,582,209
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	304,376	L, M, O	(6,575)	297,801
Accrued compensation	191,486	M	(5,835)	185,651
Deferred revenue	145,793	M	(2,491)	143,302
Income taxes	86,877	M	(1,343)	85,534
Provisions		O	10,998	10,998
Future income taxes	26,423	P	(26,423)	
Current portion of long-term debt	114,577			114,577

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Total current liabilities before clients' funds obligations	869,532		(31,669)	837,863
Clients' funds obligations	248,695			248,695
Total current liabilities	1,118,227		(31,669)	1,086,558
Deferred tax liabilities	170,683	C, D, H, I, K, M, P	18,177	188,860
Long-term provisions		D, O	9,265	9,265
Long-term debt	1,039,299			1,039,299
Retirement benefits obligations	7,008	C	(780)	6,228
Other long-term liabilities	112,891	K, M, O	(10,127)	102,764
	2,448,108		(15,134)	2,432,974
<b>Equity</b>				
Attributable to shareholders of CGI Group Inc.				
Retained earnings	1,196,386	B, C, D, H, I, J, K, L	(351,096)	845,290
Accumulated other comprehensive (loss) income	(321,746)	B	336,215	14,469
Capital stock	1,195,069			1,195,069
Contributed surplus	82,922	J, K	11,485	94,407
Attributable to shareholders of CGI Group Inc.	2,152,631		(3,396)	2,149,235
Attributable to non-controlling interest	6,452	L	(6,452)	
	2,159,083		(9,848)	2,149,235
	4,607,191		(24,982)	4,582,209

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**33. Transition to IFRS (continued)****Reconciliation of consolidated balance sheet**

As at September 30, 2011	Canadian GAAP \$		Adjustments \$	IFRS \$
<b>Assets</b>				
Current assets				
Cash and cash equivalents	157,761	M	(21,550)	136,211
Short-term investments	10,166			10,166
Accounts receivable	494,755	M, Q	(4,271)	490,484
Work in progress	400,203	M	(9,137)	391,066
Prepaid expenses and other current assets	104,170	M	(3,763)	100,407
Income taxes	4,252			4,252
Future income taxes	3,522	P	(3,522)	
Total current assets before funds held for clients	1,174,829		(42,243)	1,132,586
Funds held for clients	247,622			247,622
Total current assets	1,422,451		(42,243)	1,380,208
Property, plant and equipment	251,668	D, M, N	(1,767)	249,901
Contract costs		I, K, M, Q	107,242	107,242
Intangible assets	407,887	H, K, M, Q	(115,754)	292,133
Other long-term assets	55,914	M	(321)	55,593
Deferred tax assets	11,601	D, K, M, P	(1,719)	9,882
Investment in joint venture		C, M	26,373	26,373
Goodwill	2,536,022			2,536,022
	4,685,543		(28,189)	4,657,354
<b>Liabilities</b>				
Current liabilities				
Bank overdraft	75,538			75,538
Accounts payable and accrued liabilities	321,745	L, M, N, O	(18,104)	303,641
Accrued compensation	189,969	M	(6,127)	183,842
Deferred revenue	154,813	M	(1,875)	152,938
Income taxes	53,841	M	(2,019)	51,822
Provisions		N, O	12,125	12,125
Future income taxes	20,389	P	(20,389)	
Current portion of long-term debt	402,534	R	493,478	896,012
Total current liabilities before clients' funds obligations	1,218,829		457,089	1,675,918
Clients' funds obligations	244,660			244,660

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Total current liabilities	1,463,489		457,089	1,920,578
Deferred tax liabilities	146,889	C, D, H, I, K, M, N, P	2,505	149,394
Long-term provisions		D, N, O	27,672	27,672
Long-term debt	603,147	R	(493,478)	109,669
Retirement benefits obligations	6,966	C	69	7,035
Other long-term liabilities	118,696	K, M, N, O	(24,921)	93,775
	2,339,187		(31,064)	2,308,123
<b>Equity</b>				
Retained earnings	1,405,365	B, C, D, H, I, J, K, L, N	(347,766)	1,057,599
Accumulated other comprehensive (loss) income	(321,570)	B, C, D, I, K, N	336,142	14,572
Capital stock	1,178,559			1,178,559
Contributed surplus	84,002	J, K	14,499	98,501
	2,346,356		2,875	2,349,231
	4,685,543		(28,189)	4,657,354

CGI Group Inc. Consolidated Financial Statements for the years ended September 30, 2012 and 2011

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Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

(tabular amounts only are in thousands of Canadian dollars, except share data)

**33. Transition to IFRS (continued)****Reconciliation of consolidated statements of earnings**

Year ended September 30, 2011	Canadian GAAP \$		Adjustments \$	IFRS \$
Revenues	4,323,237	I, K, M	(99,295)	4,223,942
Operating expenses				
Costs of services, selling and administrative	3,553,192	H, I, J, K, M, N, S	137,768	3,690,960
Amortization and depreciation	211,372	S	(211,372)	
Acquisition-related and integration costs	3,675			3,675
Finance costs	19,395			19,395
Finance income	(3,759)	M	207	(3,552)
Other income	(3,917)	L, S	(3,730)	(7,647)
Foreign exchange gain	(3,279)	M	(86)	(3,365)
Share of profit in joint venture		M	(13,359)	(13,359)
	3,776,679		(90,572)	3,686,107
Earnings before income taxes	546,558		(8,723)	537,835
Income tax expense	111,493	H, I, K, M, N	(11,797)	99,696
Net earnings	435,065		3,074	438,139
Earnings per share				
Basic earnings per share	1.64			1.65
Diluted earnings per share	1.58			1.59

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FISCAL YEAR 2012**



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**November 28, 2012**

### **Basis of Presentation**

This Management's Discussion and Analysis of the Financial Position and Results of Operations ( MD&A ) is the responsibility of management and has been reviewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out its responsibility mainly through its Audit and Risk Management Committee, which is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors.

Throughout this document, CGI Group Inc. is referred to as CGI , we , our or Company . This MD&A provides information management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of the Company. This document should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended September 30, 2012 and 2011. CGI's accounting policies are in accordance with International Financials Reporting Standards ( IFRS ) of the International Accounting Standards Board ( IASB ). All dollar amounts are in Canadian dollars unless otherwise indicated.

### **First Year Reporting under IFRS**

The year's audited consolidated financial statements and this MD&A represent our first fiscal year reporting under IFRS. Under the rules and regulations of the U.S. Securities and Exchange Commission, CGI is classified as a foreign private issuer and is therefore permitted to use IFRS. CGI transitioned from Canadian Generally Accepted Accounting Principles ( Canadian GAAP ) to IFRS on October 1, 2010 and adjusted the financial results of fiscal 2011 to reflect the adoption of IFRS. Note 33 to the audited consolidated financial statements for the year ended September 30, 2012 contains a detailed description of our conversion to IFRS, including a reconciliation of key items from Canadian GAAP to IFRS. Periods prior to October 1, 2010 presented in this MD&A have not been adjusted and are in accordance with Canadian GAAP.

Although the adoption of IFRS resulted in adjustments to our consolidated financial statements, it did not materially impact the underlying cash flows or profitability trends of our operating performance, debt covenants or compensation arrangements.

### **Materiality of Disclosures**

This MD&A includes information we believe is material to investors. We consider something to be material if it results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares, or if it is likely that a reasonable investor would consider the information to be important in making an investment decision.

### **Forward-Looking Statements**

All statements in this MD&A that do not directly and exclusively relate to historical facts constitute forward-looking statements within the meaning of that term in Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended, and are forward-looking information within the meaning of Canadian securities laws. These statements and this information represent CGI's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements or forward-looking information. These factors include but are not restricted to: the timing and size of new contracts; acquisitions and other corporate developments; the ability to attract and retain qualified members; market competition in the rapidly evolving information technology industry; general economic and business conditions; foreign exchange and other risks identified in the MD&A, in CGI's Annual Report on Form 40-F filed with the U.S. Securities and Exchange Commission (filed on EDGAR at [www.sec.gov](http://www.sec.gov)), the Company's Annual Information Form filed with the Canadian securities authorities (filed on SEDAR at [www.sedar.com](http://www.sedar.com)), as well as

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assumptions regarding the foregoing. The words believe, estimate, expect, intend, anticipate, foresee, plan, and similar expressions and variations thereof, identify certain of such forward-looking statements or forward-looking information, which speak only as of the date on which they are made. In particular, statements relating to future performance are forward-looking statements and forward-looking information. CGI disclaims any intention or obligation to publicly update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers are cautioned not to place undue reliance on these forward-looking statements or on this forward-looking information. You will find more information about the risks that could cause our actual results to differ significantly from our current expectations in Section 10 Risk Environment.

### **Non-GAAP Measures**

The reader should note that the Company reports its financial results in accordance with IFRS. However, in this MD&A, certain non-GAAP financial measures are used:

1. Earnings before acquisition-related and integration costs, finance costs, finance income, other income, share of profit on joint venture, and income tax expense ( adjusted EBIT );
2. Constant currency growth;
3. Days Sales Outstanding ( DSO );
4. Return on Invested Capital ( ROIC );
5. Return on Equity ( ROE ); and
6. Net Debt to Capitalization ratio.

Management believes that these non-GAAP measures provide useful information to investors regarding the Company's financial condition and results of operations as they provide additional measures of its performance. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS.

A reconciliation of adjusted EBIT to its closest IFRS measure can be found on page 20. Definitions of constant currency growth, DSO, ROIC, ROE, and net debt to capitalization are provided on pages 9 and 10. A discussion of DSO, ROIC, ROE and net debt to capitalization can be found on page 27.

### **Change in Reporting Segments**

In 2012, we modified our basis of reporting such that the growth and profitability of the India activities were reallocated from our previously combined U.S. and India segment to each reporting segment, namely: Global Infrastructure Services ( GIS ), Canada, U.S., and Europe & Asia Pacific. This view reflects each segment's utilization of our delivery centres in India; the segmented results for the year and three months ended September 30, 2011 were therefore retrospectively revised. In Q4 2012, our acquisition of Logica plc ( Logica ) became effective six weeks before our fiscal year-end. As at September 30, 2012, the operations of Logica were managed and reviewed as one component and is therefore being presented as its own operating segment. As a result of changes in the management reporting structure effective October 1, 2012, the Company will change its operating segments beginning in the first quarter of 2013 as follows: Canada; United States of America; Nordics, Southern Europe and South America; Central and Eastern Europe (including Netherlands, Germany and Belgium); United Kingdom; Asia Pacific (including Australia, India, Philippines and the Middle East); and France (including Luxembourg and Morocco). For more details on how our operations are managed, please refer to Note 27 of the audited consolidated financial statements.



**Table of Contents****MD&A Objectives and Contents**

Provide a narrative explanation of the audited consolidated financial statements through the eyes of management;

Provide the context within which the audited consolidated financial statements should be analyzed, by giving enhanced disclosure about the dynamics and trends of the Company's business; and

Provide information to assist the reader in ascertaining the likelihood that past performance is indicative of future performance. In order to achieve these objectives, this MD&A is presented in the following main sections:

<b>Section</b>	<b>Contents</b>	<b>Pages</b>
1. Corporate Overview	This includes a description of our business and how we generate revenue as well as the markets in which we operate.	
	1.1. About CGI	6
	1.2. Vision and Strategy	7
	1.3. Competitive Environment	7
2. Highlights and Key Performance Measures	A summary of key achievements during the quarter, the past three years' key performance measures, and CGI's share performance.	
	2.1. Fiscal 2012 Highlights	8
	2.2. Key Performance Measures Defined	9
	2.3. Selected Yearly Information & Key Performance Measures	10
	2.4. Stock Performance	11
3. Financial Review	A discussion of year-over-year changes to operating results for the years ended September 30, 2012 and 2011, describing the factors affecting revenue and earnings on a consolidated and reportable segment basis, and also by describing the factors affecting changes in the major expense categories. Also discussed are bookings broken down by geography, vertical market, contract and service type.	
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	3.2. Foreign Exchange	13
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	3.4. Revenue Variation and Revenue by Segment	15
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	3.6. Adjusted EBIT by Segment	18
	3.7. Earnings before Income Taxes	20
	3.8. Net Earnings and Earnings Per Share (EPS)	21

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<b>Section</b>	<b>Contents</b>	<b>Pages</b>
4. Liquidity	This includes a discussion of changes in cash flows from operating, investing and financing activities. This section also describes the Company's available capital resources, financial instruments, and off-balance sheet financing and guarantees. Measures of liquidity (days sales outstanding) and capital structure (return on equity, net debt to capitalization, and return on invested capital) are analyzed on a year-over-year basis.	
	4.1. Consolidated Statements of Cash Flows	23
	4.2. Capital Resources	24
	4.3. Contractual Obligations	25
	4.4. Financial Instruments and Hedging Transactions	25
	4.5. Selected Measures of Liquidity and Capital Resources	27
	4.6. Off-Balance Sheet Financing and Guarantees	27
	4.7. Capability to Deliver Results	28
5. Fourth Quarter Results	A discussion of year-over-year changes to operating results for the three months ended September 30, 2012 and 2011, describing the factors affecting revenue and earnings on a consolidated and reportable segment basis.	
	5.1 Revenue Variation and Revenue by Segment	29
	5.2 Adjusted EBIT by Segment	32
	5.3 Net Earnings and Earnings per Share	33
6. Eight Quarter Summary	A summary of the past eight quarters' key performance measures and a discussion of the factors that could impact our quarterly results.	35
7. Changes in Accounting Policies	A summary of current accounting standards in effect and future accounting standards to be adopted.	
	7.1 Adoption of IFRS	36
	7.2 Future Accounting Standard Changes	36
8. Critical Accounting Estimates	A discussion of the estimates and judgements made in the preparation of the consolidated financial statements.	37
9. Integrity of Disclosure	A discussion of the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.	40
10. Risk Environment	A discussion of the risks affecting our business activities and what may be the impact if these risks are realized.	
	10.1 Risks and Uncertainties	41
	10.2 Legal Proceedings	48

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### 1. Corporate Overview

#### 1.1. ABOUT CGI

Founded in 1976 and headquartered in Montreal, Canada, CGI is one of the largest independent providers of end-to-end information technology services ( IT services ) and business process services ( BPS ) to clients worldwide. CGI has approximately 72,000 members across the globe. The Company's proximity model provides for work to be delivered onsite at clients' premises, on-shore, near-shore or through one of its global offshore delivery centres. We also have a number of leading business solutions that support long-term client relationships. Our services are broken down as:

**Consulting** CGI provides a full range of IT and management consulting services, including business transformation, IT strategic planning, business process engineering and systems architecture.

**Systems integration** CGI integrates and customizes leading technologies and software applications to create IT systems that respond to clients' strategic needs.

**Management of IT and business functions ( outsourcing )** Clients delegate entire or partial responsibility for their IT or business functions to CGI to achieve significant savings and access the best suited technology, while retaining control over strategic IT and business functions. As part of such agreements, we implement our quality processes and practices to improve the efficiency of the clients' operations. We also integrate clients' operations into our technology network. Finally, we may take on specialized professionals from our clients, enabling our clients to focus on key operations. Services provided as part of an outsourcing contract may include development and integration of new projects and applications; applications maintenance and support; technology infrastructure management (enterprise and end-user computing and network services); transaction and business processing such as payroll, insurance processing, and document management services. Outsourcing contracts typically have terms from five to ten years. CGI offers its end-to-end services to a focused set of industry vertical markets where we have developed extensive and deep subject matter expertise. This allows us to fully understand our clients' business realities and to have the knowledge and solutions needed to advance their business goals. Our targeted vertical markets include government, financial services, manufacturing, retail & distribution ( MRD ), telecommunications & utilities, and health.

CGI has a wide range of proprietary business solutions which help shape opportunities and drive value for our clients and shareholders. Examples of these include Enterprise Resource Planning solutions, energy management, credit and debt collections, tax management, claims auditing and fraud detection.

We take great pride in delivering high quality services to our clients. To do so consistently, we have implemented and continue to maintain the International Organization for Standardization ( ISO ) quality program. By designing and implementing rigorous service delivery and quality standards, followed by monitoring and measurement, we are better able to satisfy our clients' needs. As a measure of the scope of our ISO 9001 program, all of the legacy CGI's business units continue to be certified and we will initiate the work on improving Logica's processes and applying for the same certification.

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### **1.2. VISION AND STRATEGY**

At CGI, we derive our business vision from our dream which is to create an environment in which members enjoy working together and, as owners, contribute to building a company we can be proud of. That dream led to CGI's vision of being a world-class IT and BPS leader, helping its clients win and grow. Our build and buy strategy is refined through a four-pillar growth strategy that combines organic growth and acquisitions.

The first two pillars of our strategy focus on organic growth. The first pillar focuses on smaller contract wins, renewals and extensions. The second involves the pursuit of new large, long-term outsourcing contracts, leveraging our end-to-end services, global delivery model and critical mass.

The third pillar of our growth strategy focuses on the acquisition of smaller firms or niche players. We identify niche acquisitions through a strategic mapping program that systematically searches for targets that will strengthen our vertical market knowledge or increase the richness of our service offerings.

The fourth pillar involves the pursuit of transformational acquisitions focused on expanding our geographic presence and critical mass. This approach further enables us to strengthen our qualifications to compete for large outsourcing contracts. CGI continues to be a consolidator in the IT services industry.

Throughout its history, CGI has been highly disciplined in following this four-pillar growth strategy, with an emphasis on earnings accretion and maximizing shareholder value.

### **1.3. COMPETITIVE ENVIRONMENT**

As a global provider of end-to-end information technology and business process services, CGI operates in a highly competitive and rapidly evolving global industry. Our competition comprises a variety of global players, from niche companies providing specialized services to other end-to-end service providers, mainly in the U.S., Europe and India, all of whom are competing to deliver some or all of the services we provide.

Recent mergers and acquisition activity has resulted in CGI being positioned as one of the few remaining IT services firms that operates independently of any hardware or software vendor. This independence allows CGI to deliver the best-suited technology available globally to our clients.

CGI offers its end-to-end services to a select set of targeted vertical markets in which we have deep business and technical expertise covering 90% of global IT spend. To compete effectively, CGI focuses on high-end systems integration, consulting and outsourcing where vertical market industry knowledge and expertise are required.

Our client proximity metro markets business model combined with our global delivery model results in highly responsive and cost competitive delivery. CGI's global delivery model provides clients with a unique blend of onshore, nearshore and offshore delivery options that caters to their strategic and cost requirements. CGI also has a number of leading business solutions that support long-term client relationships. Moreover, all of CGI's business operations are executed based on the same management foundation, ensuring consistency and cohesion across the Company.

There are many factors involved in winning and retaining IT and BPS contracts, including the following: total cost of services; ability to deliver; track record; vertical market expertise; investment in business solutions; local presence; global delivery capability; and the strength of client relationships. CGI compares favourably with its competition with respect to all of these factors.

In summary, CGI's competitive value proposition encompasses the following: end-to-end IT and BPS capability; expertise and proprietary business solutions in five vertical markets covering the majority of global IT spending; a unique global delivery model, which includes industry leading delivery capabilities; a disciplined management foundation; and our focus on client satisfaction which is supported by our client proximity business model. Based on this value proposition and CGI's growing critical mass in our target markets which collectively cover approximately 84% of global IT spending we are in a position to compete effectively on an international scale and win large contracts.

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### **2. Highlights and Key Performance Measures**

#### **2.1. FISCAL 2012 HIGHLIGHTS**

Revenue of \$4.8 billion, increase of 12.1% year-over-year on a constant currency basis;

Bookings of \$5.2 billion resulting in a book-to-bill ratio of 109%;

Backlog of \$17.6 billion;

Strong underlying profitability delivered across legacy CGI operations;

Accelerating profitable growth and bookings in U.S. operations; and

Cash from operations of \$613.3 million, or \$2.24 per share.

##### **2.1.1. Acquisition of Logica plc**

On August 20, 2012, CGI completed its acquisition of Logica for \$1.63 (105 pence) per ordinary share equivalent to a total purchase price of \$2.7 billion plus the assumption of Logica's net debt of \$0.9 billion. The cash acquisition of all the outstanding ordinary shares of Logica was effected by means of a Court-sanctioned scheme of arrangement in the United Kingdom. Our results for the year incorporate the operations of Logica subsequent to August 20, 2012.

Logica is a business and technology services company, employing 41,000 people. It provides business consulting, systems integration and outsourcing services to clients around the world, including many of Europe's largest businesses.

The acquisition was funded through a combination of:

The issuance of 46.7 million Class A shares in CGI for a consideration of \$1.0 billion from the Caisse de dépôt et placement du Québec (CDPQ);

Additional debt funding through a term loan of \$1.9 billion from a syndicate of international financial institutions; and

The remaining financing requirements of \$0.8 billion were drawn from CGI's existing credit facility and cash.

Based on the impact of the issuance of the new debt and equity and the realization of some of the planned synergies, the transaction is expected to be accretive in the range of 25% to 30% in the first 12 months to CGI's earnings per share excluding acquisition-related and integration costs. As the Company continues to realize an approximate amount of \$300 million of annual business synergies over the next three years at an



approximate cost of \$400 million, we expect the accretion level of EPS to increase.

The combined company has approximately 72,000 members in more than 40 countries and pro-forma revenue of \$10.4 billion, offering clients across the world the best mix of business and technology expertise as well as an unmatched combination of local and global delivery options. In addition to operational breadth and depth, the combined business has critical mass and blue chip client relationships. CGI incurred \$0.3 billion in acquisition-related and integration costs over the last half of fiscal 2012.

#### **2.1.2. Credit Facility and Debt Private Placement**

On December 7, 2011, the Company renewed its unsecured revolving credit facility of \$1.5 billion for an additional five years, through December 2016. The facility, which can be extended annually, includes an accordion feature providing for an additional \$750.0 million, bringing the facility's potential capacity to \$2.25 billion. In addition, during the first quarter of fiscal 2012, the Company received the proceeds of the US\$475.0 million debt private placement financing with U.S. institutional investors.

**Table of Contents****2.2. KEY PERFORMANCE MEASURES DEFINED**

We use a combination of financial measures, ratios, and non-GAAP measures to assess our Company's performance. The table below summarizes our most relevant key performance measures. The calculated results and the discussion of each indicator follow in the subsequent sections.

Profitability	<p>Adjusted EBIT is a measure of earnings before items not directly related to the cost of operations, such as financing costs, acquisition-related and integration costs and income taxes (see definition on page 3). Management believes this best reflects the profitability of our operations.</p> <p>Diluted earnings per share is a measure of earnings generated for shareholders on a per share basis, assuming all dilutive elements are exercised.</p>
Liquidity	<p>Cash provided by operating activities is a measure of cash generated from managing our day-to-day business operations. We believe strong operating cash flow is indicative of financial flexibility, allowing us to execute our corporate strategy.</p> <p>Days sales outstanding is the average number of days to convert our trade receivables and work in progress into cash. Management tracks this metric closely to ensure timely collection, healthy liquidity, and is committed to a DSO target of 45 days.</p>
Growth	<p>Constant currency growth is a measure of revenue growth before foreign currency impacts. This growth is calculated by translating current period results in local currency using the conversion rates in the equivalent period from the prior year. We believe that it is helpful to adjust revenue to exclude the impact of currency fluctuations to facilitate period-to-period comparisons of business performance.</p> <p>Backlog represents management's best estimate of revenue to be realized in the future based on the terms of respective client agreements in effect at a point in time.</p> <p>Book-to-Bill ratio is a measure of the proportion of the value of our contract wins to our revenue in the period. This metric allows management to monitor the Company's business development efforts to ensure we grow our backlog and our business over time. Management remains committed to maintaining a target ratio greater than 100% over a 12-month period. Management believes that the longer period is a more effective measure as the size and timing of bookings could cause this measurement to fluctuate significantly if taken for only a three-month period.</p>
Capital Structure	<p>Net Debt to Capitalization ratio is a measure of our level of financial leverage net of our cash and cash equivalents, short-term investments and marketable long-term investments. Management uses this metric to monitor the proportion of debt versus capital used to finance our operations and it provides insight into our financial strength.</p> <p>Return on Equity is a measure of the rate of return on the ownership interest of our shareholders. Management looks at ROE to measure its efficiency at generating profits for the Company's shareholders and how well the Company uses the invested funds to generate earnings growth.</p> <p>Return on Invested Capital is a measure of the Company's efficiency at allocating the capital under its control to profitable investments. Management examines this ratio to assess how well it is using its money to generate returns.</p>

**Table of Contents****2.3. SELECTED YEARLY INFORMATION & KEY PERFORMANCE MEASURES**

As at and for the years ended September 30, (in thousands of dollars unless otherwise noted)	2012 IFRS	2011 IFRS	Change 2012 / 2011	2010 CDN GAAP
<b>Growth</b>				
Backlog (in millions of dollars) <sup>1</sup>	17,647	13,398	4,249	13,320
Bookings (in millions of dollars)	5,180	4,875	305	4,643
Book-to-bill ratio	109%	115%	(6%)	124%
Revenue	4,772,454	4,223,942	548,512	3,732,117
Year-over-year growth <sup>2</sup>	13.0%	15.8%	(2.8%)	(2.4%)
Constant currency growth <sup>2</sup>	12.1%	18.9%	(6.8%)	3.4%
<b>Profitability</b>				
Adjusted EBIT <sup>3</sup>	546,729	536,347	10,382	511,902
Adjusted EBIT margin	11.5%	12.7%	(1.2%)	13.7%
Net earnings	131,529	438,139	(306,610)	362,766
Net earnings margin	2.8%	10.4%	(7.6%)	9.7%
Basic EPS (in dollars)	0.50	1.65	(1.15)	1.27
Diluted EPS (in dollars)	0.48	1.59	(1.11)	1.24
<b>Liquidity</b>				
Cash provided by operating activities	613,262	570,002	43,260	552,367
As a percentage of revenue	12.9%	13.5%	(0.6%)	14.8%
Days sales outstanding <sup>4</sup>	70	53	17	47
<b>Capital structure</b>				
Net debt to capitalization ratio <sup>5</sup>	46.6%	27.4%	19.2%	30.6%
Net debt	3,105,313	918,968	2,186,345	1,010,816
Return on equity <sup>6</sup>	5.0%	19.6%	(14.6%)	16.4%
Return on invested capital <sup>7</sup>	11.4%	13.7%	(2.3%)	16.3%
<b>Balance sheet</b>				
Cash and cash equivalents, bank overdraft and short-term investments	127,562	70,839	56,723	141,020
Total assets	10,453,442	4,657,354	5,796,088	4,607,191
Long-term financial liabilities <sup>8</sup>	4,124,342	238,151	3,886,191	1,159,198

<sup>1</sup> Backlog includes new contract wins, extensions and renewals ( bookings ), partially offset by the backlog consumed during the quarter as a result of client work performed and adjustments related to the volume, cancellation and/or the impact of foreign currencies to our existing contracts. Backlog incorporates estimates from management that are subject to change. Fiscal 2012 backlog includes the backlog from Logica. The bookings and book-to-bill ratio include the results of Logica for the period from August 20, 2012.

<sup>2</sup> Constant currency growth is adjusted to remove the impact of foreign currency exchange rate fluctuations. Please refer to page 15 for details. The reader should note that both the year-over-year and constant currency growth rates for fiscal 2011 have not been restated as fiscal 2010 numbers under IFRS are not available.

<sup>3</sup> Adjusted EBIT is a non-GAAP measure for which we provide the reconciliation to its closest IFRS measure on page 20.

<sup>4</sup> Days sales outstanding are obtained by subtracting deferred revenue from trade accounts receivable and work in progress; the result is divided by the quarter's revenue over 90 days.

<sup>5</sup> The net debt to capitalization ratio represents the proportion of debt net of cash and cash equivalents, short-term and marketable long-term investments ( net debt ) over the sum of shareholders' equity and debt. Net debt and capitalization are both net of the fair value of forward contracts.

<sup>6</sup> The return on equity ratio is calculated as the proportion of earnings for the last 12 months over the last four quarters' average equity.

<sup>7</sup> The return on invested capital ratio represents the proportion of the after-tax adjusted EBIT for the last 12 months, over the last four quarters' average invested capital, which is defined as the sum of equity and debt, less cash and cash equivalents, short-term and marketable long-term investments, net of the impact of the fair value of forward contracts.

<sup>8</sup> Long-term financial liabilities include the long-term portion of debt, long-term provisions, retirement benefits obligations and other long-term liabilities.



**Table of Contents****2.4. STOCK PERFORMANCE**

\* May 31, 2012 – Logica acquisition announcement date; 6.7 million shares were traded on the TSX.

**2.4.1. Fiscal 2012 Trading Summary**

CGI's shares are listed on the Toronto Stock Exchange (TSX) (stock quote – GIB.A) and the New York Stock Exchange (NYSE) (stock quote – GIB) and are included in the S&P/TSX Composite Index, the S&P/TSX Capped Information Technology and Midcap Indices, and the Dow Jones Sustainability Index.

TSX	(CDN\$)
Open:	19.50
High:	27.00
Low:	17.88
Close:	26.40
CDN average daily trading volumes:	1,013,111

Includes the average daily volumes of both the TSX and alternative trading systems.

NYSE	(US\$)
Open:	18.56
High:	27.71
Low:	17.01
Close:	26.86
U.S. average daily trading volumes:	186,414

**2.4.2. Share Repurchase Program**

On February 1, 2012, the Company's Board of Directors authorized and subsequently received the approval from the TSX for the renewal of the Normal Course Issuer Bid (NCIB) to purchase up to 10% of the public float of the Company's Class A subordinate shares over the next 12 months. The NCIB enables CGI to purchase, on the open market, up to 22,064,163 Class A subordinate shares for cancellation. The Class A subordinate shares may be purchased under the NCIB commencing February 9, 2012 and ending on the earlier of February 8, 2013, or the date on which the Company has either acquired the maximum number of Class A subordinate shares allowable under the NCIB, or elects to terminate the NCIB.

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During fiscal 2012, the Company repurchased 5,368,000 of its Class A subordinate shares for \$102.8 million at an average price of \$19.16 under the previous and current programs. As at September 30, 2012, the Company may purchase up to an additional 21.0 million shares under the current NCIB.

### **2.4.3. Capital Stock and Options Outstanding (as at November 23, 2012)**

273,976,033 Class A subordinate shares

33,608,159 Class B shares

18,578,393 options to purchase Class A subordinate shares

## **3. Financial Review**

### **3.1. BOOKINGS AND BOOK-TO-BILL RATIO**

The Company achieved a book-to-bill ratio of 109% for the year, while bookings for the fiscal year were \$5.2 billion. The breakdown of the \$5.2 billion in bookings signed during the year is as follows:

Information regarding our bookings is a key indicator of the volume of our business over time. However, due to the timing and transition period associated with outsourcing contracts, the realization of revenue related to these bookings may fluctuate from period to period. The values initially booked may change over time due to their variable attributes, including demand-driven usage, modifications in the scope of work to be performed caused by changes in client requirements as

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well as termination clauses at the option of the client. As such, information regarding our bookings is not comparable to, nor should it be substituted for an analysis of our revenue; it is instead a key indicator of our future revenue used by the Company's management to measure growth.

**3.2. FOREIGN EXCHANGE**

The Company operates globally and is exposed to changes in foreign currency rates. We report all dollar amounts in Canadian dollars. Accordingly, we value assets, liabilities and transactions that are measured in foreign currencies using various exchange rates as prescribed by IFRS.

*Closing foreign exchange rates*

<b>As at September 30,</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
U.S. dollar	<b>0.9837</b>	1.0389	<b>(5.3%)</b>
Euro	<b>1.2646</b>	1.3971	<b>(9.5%)</b>
Indian rupee	<b>0.0186</b>	0.0212	<b>(12.3%)</b>
British pound	<b>1.5869</b>	1.6231	<b>(2.2%)</b>

*Average foreign exchange rates*

<b>For the years ended September 30,</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
U.S. dollar	<b>1.0074</b>	0.9866	<b>2.1%</b>
Euro	<b>1.3077</b>	1.3759	<b>(5.0%)</b>
Indian rupee	<b>0.0192</b>	0.0219	<b>(12.3%)</b>
British pound	<b>1.5878</b>	1.5845	<b>0.2%</b>

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**3.3. REVENUE DISTRIBUTION**

The following charts provide additional information regarding our revenue mix for the year:

**Service Type**

A. Management of IT and business functions (outsourcing) 64%

1. IT services 46%

2. Business process services 18%

B. Systems integration and consulting 36%

**Client Geography**

*Based on client's domicile*

A. U.S. 47%

B. Canada 36%

C. Europe and rest of the world 17%

**Vertical Markets**

A. Government 40%



- B. Financial services 22%
- C. Telecommunications and utilities 14%
- D. Manufacturing, retail and distribution 14%
- E. Health 10%

**3.3.1. Client Concentration**

IFRS guidance on Segment Disclosures defines a single customer as a group of entities that are known to the reporting enterprise to be under common control. The Company considers the federal government, the provincial or territorial government, the local government, or a foreign government each to be a single customer. Our work for the U.S. federal government including its various agencies represented 28.0% of our revenue for fiscal 2012 as compared to 29.2% in fiscal 2011.

**Table of Contents****3.4. REVENUE VARIATION AND REVENUE BY SEGMENT**

Our operations are managed in four operating segments based on our delivery model incorporating domestic activities as well as services from utilizing our unique global delivery model. The GIS segment incorporates all services we provide to our clients globally for the management of their technology infrastructure. The other segments are based on our geographic delivery model: United States ( U.S. ), Europe & Asia Pacific ( Europe ), and Canada which include their respective utilization of our delivery centres in India. For the year ended September 30, 2012, we added another segment Logica, which incorporates the results of the acquired company as of August 20, 2012.

The following table provides a summary of our revenue variation, in total and by segment, separately showing the impacts of foreign currency exchange rate variations between the fiscal 2012 and 2011 periods. The fiscal 2011 revenue by segment was recorded reflecting the actual foreign exchange rates for that period. The foreign exchange impact is the difference between the current period's actual results and the current period's results converted with the prior year's foreign exchange rates.

For the years ended September 30,

(in thousands of dollars except for percentage)

	2012	2011	Change
<b>Total CGI revenue</b>	<b>4,772,454</b>	4,223,942	<b>13.0%</b>
Variation prior to foreign currency impact	<b>12.1%</b>		
Foreign currency impact	<b>0.9%</b>		
<b>Variation over previous period</b>	<b>13.0%</b>		
<b>U.S.</b>			
Revenue prior to foreign currency impact	<b>2,044,878</b>	1,896,002	<b>7.9%</b>
Foreign currency impact	<b>46,234</b>		
<b>U.S. revenue</b>	<b>2,091,112</b>	1,896,002	<b>10.3%</b>
<b>Canada</b>			
Revenue prior to foreign currency impact	<b>1,212,791</b>	1,287,056	<b>(5.8%)</b>
Foreign currency impact	<b>(176)</b>		
<b>Canada revenue</b>	<b>1,212,615</b>	1,287,056	<b>(5.8%)</b>
<b>Global Infrastructure Services</b>			
Revenue prior to foreign currency impact	<b>683,018</b>	816,663	<b>(16.4%)</b>
Foreign currency impact	<b>1,852</b>		
<b>Global Infrastructure Services revenue</b>	<b>684,870</b>	816,663	<b>(16.1%)</b>
<b>Europe</b>			
Revenue prior to foreign currency impact	<b>224,080</b>	224,221	<b>(0.1%)</b>
Foreign currency impact	<b>(8,098)</b>		
<b>Europe revenue</b>	<b>215,982</b>	224,221	<b>(3.7%)</b>
<b>Logica</b>			
Revenue prior to foreign currency impact	<b>567,875</b>		<b>N/A</b>
Foreign currency impact	<b>N/A</b>		
<b>Logica revenue</b>	<b>567,875</b>		<b>N/A</b>

We ended fiscal 2012 with revenue of \$4,772.5 million, an increase of \$548.5 million or 13.0% over fiscal 2011. On a constant currency basis, revenue increased by 12.1%, while foreign currency rate fluctuations favourably impacted our revenue by \$39.8 million or 0.9%. On a constant currency basis, our MRD vertical grew the most at 32.3%, followed by our healthcare vertical at 24.2% and telecommunications & utilities at 21.5%.

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Our U.S. segment posted the strongest growth year-over-year, representing 7.9% on a constant currency basis, coming primarily from the health and government vertical markets. This strong U.S. performance was partly offset by the expiry of an outsourcing contract in the financial services vertical within GIS, the non-renewal of a low margin contract in the government vertical market within the Canadian segment, and the sale of *Conseillers en informatique d'affaires CIA Inc.* (CIA), also within Canada. Excluding these items, our revenue would have grown by 18.2% or 17.2% on a constant currency basis.

Fiscal 2012 was notably marked by the acquisition of Logica completed on August 20, 2012. Separated into a standalone segment for reporting purposes, Logica's results subsequent to the acquisition date represented \$567.9 million, representing 13.4% to the total Company growth.

#### **3.4.1. U.S.**

Revenue in our U.S. segment was \$2,091.1 million in fiscal 2012, an increase of \$195.1 million or 10.3% from \$1,896.0 million in fiscal 2011. When removing the favourable foreign exchange impact of \$46.2 million, revenue grew \$148.9 million or 7.9% year-over-year. The increase in revenue was primarily due to additional work from new contracts as well as due to the extended scope of existing engagements in the government and health vertical markets.

#### **3.4.2. Canada**

Revenue in our Canada segment for fiscal 2012 was \$1,212.6 million, a decrease of \$74.4 million or 5.8% compared to fiscal 2011. The decrease was mainly due to the run off of client projects as they were delivered, primarily in the health and government vertical markets. We also encountered delays in contract awards and the ramping up of new projects. In addition, the actions taken effective the third quarter of last year with the expiration of a government contract not meeting our profitability standards and the disposal of our interest in *Conseillers en informatique d'affaires CIA Inc.* (CIA), as previously disclosed, also contributed to the year-over-year revenue decline. These last two items alone had a year-over-year impact of \$44.4 million. Excluding these two items, the revenue would have decreased by 2.4% on a constant currency basis.

#### **3.4.3. Global Infrastructure Services**

Revenue in our Global Infrastructure Services segment was \$684.9 million, a decrease of \$131.8 million or 16.1% compared to fiscal 2011. Foreign currency fluctuations had an insignificant impact for the year. As disclosed earlier in fiscal 2012, the expiry of a large outsourcing contract in the financial services vertical market, representing \$140.9 million of the year-over-year variation, was the primary cause of the decrease. When excluding this impact, revenue would have increased by 1.1% on a constant currency basis.

#### **3.4.4. Europe**

Revenue in the Europe segment was \$216.0 million for fiscal 2012. On a constant currency basis, revenue remained stable. Taking into account the effect of foreign currency, revenue decreased \$8.2 million or 3.7% from the \$224.2 million reported in prior year. Lower consulting and project work in the telecommunications and utilities vertical, primarily resulting from cautious investing behaviours in the European market, was offset by the ramp-up of work volumes with new and existing clients across all other vertical markets.

**Table of Contents****3.4.5. Logica**

The acquisition of Logica occurred during the peak vacation period in Europe where a significant number of the members as well as their clients were on leave. As a significant portion of Logica's revenue is recognized on a time and material basis, the resulting revenue for this period was not reflective of business-as-usual.

Revenue generated by Logica operations for the six-week period subsequent to the acquisition date represented \$567.9 million or 11.9% of total Company revenue for the year. During this period, Logica's revenue consisted of 14.1% from financial services, 29.4% from government, 2.8% from healthcare, 29.9% from MRD, and 23.8% from telecommunications & utilities.

**3.5. OPERATING EXPENSES**

<i>(in thousands of dollars except for percentage)</i>	<b>2012</b>	<b>% of Revenue</b>	<b>2011</b>	<b>% of Revenue</b>	<b>Change \$</b>	<b>%</b>
Costs of services, selling and administrative	<b>4,226,859</b>	<b>88.6%</b>	3,690,960	87.4%	<b>535,899</b>	<b>14.5%</b>
Foreign exchange gain	<b>(1,134)</b>	<b>(0.0%)</b>	(3,365)	(0.1%)	<b>2,231</b>	<b>(66.3%)</b>

**3.5.1. Costs of Services, Selling and Administrative**

When compared to fiscal 2011, costs of services, selling and administrative expenses increased by \$535.9 million. The translation of the results of our foreign operations from their local currencies to the Canadian dollar unfavourably impacted costs by \$35.6 million, partially offsetting the favourable translation impact of \$39.8 million on revenue. The increase in cost of services is caused by the inclusion of Logica's results for the six-week period. Without considering the Logica results, cost of services as a percentage of revenue would have decreased year-over-year from 87.4% to 86.5%. This improvement mainly stemmed from the benefits of the Performance Improvement Plan kicked off in the fourth quarter of 2011.

As a percentage of revenue, costs of services, selling and administrative increased from 87.4% in 2011 to 88.6% in 2012. The increase in costs as a percentage of revenue was due to the inclusion of Logica's results for the six-week period. Our integration plan will implement CGI's business model into Logica which will help increase Logica's margins in the future periods.

**3.5.2. Foreign Exchange Loss (Gain)**

This line item includes the realized and unrealized foreign exchange impact on our earnings. The Company, in addition to its natural hedges, has a strategy in place to manage its exposure, to the extent possible, to exchange rate fluctuations through the effective use of derivatives.

**Table of Contents****3.6. ADJUSTED EBIT BY SEGMENT**

<b>For the years ended September 30,</b> <i>(in thousands of dollars except for percentage)</i>	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>U.S.</b>	<b>242,965</b>	167,734	<b>44.9%</b>
<i>As a percentage of U.S. revenue</i>	<i>11.6%</i>	8.8%	
<b>Canada</b>	<b>257,011</b>	249,103	<b>3.2%</b>
<i>As a percentage of Canada revenue</i>	<i>21.2%</i>	19.4%	
<b>Global Infrastructure Services</b>	<b>53,265</b>	110,880	<b>(52.0%)</b>
<i>As a percentage of GIS revenue</i>	<i>7.8%</i>	13.6%	
<b>Europe</b>	<b>12,333</b>	8,630	<b>42.9%</b>
<i>As a percentage of Europe revenue</i>	<i>5.7%</i>	3.8%	
<b>Logica</b>	<b>(18,845)</b>		<b>N/A</b>
<i>As a percentage of Logica revenue</i>	<i>(3.3%)</i>	N/A	
<b>Adjusted EBIT</b>	<b>546,729</b>	536,347	<b>1.9%</b>
<i>Adjusted EBIT margin</i>	<i>11.5%</i>	12.7%	

Adjusted EBIT for the year was \$546.7 million, an increase of \$10.4 million or 1.9% from the previous year. The margin decreased from 12.7% to 11.5%. Excluding the impact of the acquisition of Logica, the legacy operations of CGI would have generated an adjusted EBIT of \$565.6 million, an increase of \$29.2 million or 5.4% over the \$536.3 million from fiscal 2011. The legacy CGI operations would have had a margin of 13.5% which improved over the previous year's adjusted EBIT margin of 12.7%.

**3.6.1. U.S.**

Adjusted EBIT in the U.S. segment was \$243.0 million for the year ended September 30, 2012, an increase of \$75.2 million or 44.9% year-over-year, while the margin also increased from 8.8% to 11.6%. These improved results came primarily from the revenue growth in the government and health vertical markets as outlined above, and to a lower extent, the benefit related to the expiry of a low margin contract acquired through the Stanley, Inc. ( Stanley ) acquisition in Q4 2010. In addition, the benefits of our Performance Improvement Plan initiated in the fourth quarter of fiscal 2011 generated healthier margins over the past year. During fiscal 2011, approximately \$16.9 million was incurred primarily for severance costs, impairments, leasehold improvements write-off and excess real estate whereas in fiscal 2012, \$5.8 million was incurred for severances and cost alignment activities.

**3.6.2. Canada**

Adjusted EBIT in the Canada segment was \$257.0 million for the fiscal year ended September 30, 2012, an increase of \$7.9 million year-over-year, while the margin improved from 19.4% to 21.2%. The improved margin benefited from the cost reductions from our Performance Improvement Plan initiated in the fourth quarter of 2011 as well as the positive margin impacts related to the aforementioned expiration of a government contract and the disposal of our interest in CIA. Offsetting these improvements was the lower than average utilization level of our members in Canada as an above average number of members were on the bench between assignments. This was due to the delays noted above in contract awards and the ramping up of new projects. Despite these pressures, the Canadian segment has continued to generate significant margins over the recent past with 21.2% in 2012, 19.4% in 2011, and 19.3% in 2010 clearly demonstrating the success of our strategy to target IP-based revenue streams, global delivery and managed services. Initiatives to further improve our margins in this segment continue as we incurred costs related to severances and real estate optimization in the amount of \$12.2 million this year, down by \$22.4 million when compared with last year.

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**3.6.3. Global Infrastructure Services**

Adjusted EBIT in the GIS segment was \$53.3 million for the year ended September 30, 2012, a decrease of \$57.6 million year-over-year, while the margin also decreased from 13.6% to 7.8% over the same period. As previously disclosed, the expiration of an outsourcing contract in the third quarter of 2011 was the primary cause of the decrease in profitability for this segment. The loss of this contract created excess capacity within our infrastructure segment, causing the fixed cost structure to be absorbed by a smaller base of business. Actions were taken in the last half of fiscal 2011 to address the variable cost components related to the expiry of this contract. We continue to rationalize the business structure and have introduced some productivity initiatives within this segment to better align our costs. These initiatives started to generate savings in the fourth quarter but still had a net \$1.9 million impact to the margin for the year. In addition, we incurred charges related to provisions for excess real estate, severance costs and leasehold improvements write-offs in the amount of \$9.3 million for fiscal 2011, while charges related to severances and cost alignment activities in fiscal 2012 amounted to \$9.0 million.

With our investment in cloud-based services and being awarded a place on the five-year blanket purchase agreement for infrastructure-as-a-service with the U.S. General Services Administration, GIS has been building a significant backlog of cloud related work in partnership with our U.S. segment. At this point of time, much of the awarded work is focused on the development and readiness of the client's business applications and processes to migrate the services onto the cloud. Consequently, most of the revenue to date has been recognized by the U.S. segment while the GIS segment realized the cost of maintaining an infrastructure that is running under capacity. The negative impact on margin for this past year was \$4.7 million or 0.7% of GIS revenue. As the client's applications are ported to the new infrastructure this next year, the load will increase and the investment will contribute to the margin of the segment.

**3.6.4. Europe**

For the year ended September 30, 2012, our Europe segment adjusted EBIT was \$12.3 million, an increase of \$3.7 million year-over-year with the margin increasing from 3.8% to 5.7%. The increase was mainly due the Performance Improvement Plan initiated in the fourth quarter of 2011, where the related charges totalled approximately \$3.7 million compared to \$0.7 million incurred this year in relation to severances and cost alignment activities. Higher volumes of work across the financial services and government vertical markets also helped increase profitability, partly offset by less consulting project work in the telecommunications sector causing excess capacity in certain offices.

**3.6.5. Logica**

As noted above in the revenue section, the impact on revenue caused by the vacation period was also reflected in a reduction in the adjusted EBIT for Logica. In addition, redundancy costs and other synergies, as expected, could not be optimized quickly as we needed to work through the various work councils. The result was a lower level of revenue in the period with no accompanying reductions in the cost base. While a number of initiatives had been launched, including the initial discussions with various work councils, the shortness of the period, the vacation impact and the intangible amortization of \$10.6 million resulted in an adjusted loss before interest and taxes for the six weeks of \$18.8 million or a negative margin of 3.3%. Subsequent to the end of the year we started to make adjustments to the cost structure.

**Table of Contents****3.7. EARNINGS BEFORE INCOME TAXES**

The following table provides, for the periods indicated, a reconciliation between our adjusted EBIT and earnings before income taxes, which is reported in accordance with IFRS.

For the year ended September 30,

<i>(in thousands of dollars except for percentage)</i>	2012	% of Revenue	2011	% of Revenue
Adjusted EBIT	546,729	11.5%	536,347	12.7%
<i>Minus the following items:</i>				
Acquisition-related and integration costs	254,973	5.3%	3,675	0.1%
Finance costs	42,099	0.9%	19,395	0.5%
Finance income	(5,318)	(0.1%)	(3,552)	(0.1%)
Other income	(3,955)	(0.1%)	(7,647)	(0.2%)
Share of profit on joint venture	(3,996)	(0.1%)	(13,359)	(0.3%)
<b>Earnings before income taxes</b>	<b>262,926</b>	<b>5.5%</b>	<b>537,835</b>	<b>12.7%</b>

Excluding the acquisition of Logica, the earnings before income taxes would have been \$555.2 million or 13.2% of revenue. This is comprised of the adjusted EBIT before Logica less financing costs in addition to the finance income, other income and share of profit on joint venture noted in the above table.

**3.7.1. Acquisition-Related and Integration Costs**

The \$255.0 million incurred in the year pertains to various professional fees and costs associated with the acquisition of Logica on August 20, 2012. Included in the fiscal 2012 amount are acquisition-related costs of \$36.4 million, integration costs of \$109.7 million, make whole costs on Logica's debt and other financing costs of \$108.9 million. The acquisition-related costs consist mainly of professional fees incurred for the acquisition and foreign exchange call options for an amount of \$7.1 million in order to comply with the funds certain requirement under the UK City Code on Takeovers and Mergers. Integration costs driven by the restructuring of Logica's operations mainly include the costs related to the termination of certain employees identified as redundant. The \$3.7 million incurred in fiscal 2011 were costs incurred at the beginning of the year to realize the integration and synergies of the Stanley acquisition concluded in August 2010.

**3.7.2. Finance Costs**

The year-over-year increase in finance costs was mainly related to the incremental interest expense from the debt used to finance the Logica acquisition.

**3.7.3. Finance Income**

Finance income includes interest and other investment income related to cash balances, investments, and tax assessments.

**3.7.4. Other Income**

During the year ended September 30, 2012, the Company sold its 49% interest in Innovapost Inc. to Canada Post Corporation (CPC) for consideration of \$26.0 million. A gain of \$3.0 million was recognized in the first quarter of fiscal 2012.

**Table of Contents****3.8. NET EARNINGS AND EARNINGS PER SHARE**

The following table sets out the information supporting the earnings per share calculations:

**For the year ended September 30,**

<i>(in thousands of dollars unless otherwise indicated)</i>	<b>2012</b>	<b>2011</b>	<b>Change</b>
Earnings before income taxes	<b>262,926</b>	537,835	<b>(51.1%)</b>
Income tax expense	<b>131,397</b>	99,696	<b>31.8%</b>
<i>Effective tax rate</i> <sup>1</sup>	<b>50.0%</b>	18.5%	
<b>Net earnings</b>	<b>131,529</b>	438,139	<b>(70.0%)</b>
<i>Margin</i>	<b>2.8%</b>	10.4%	
<b>Weighted average number of shares</b>			
Class A subordinate shares and Class B shares ( <i>basic</i> )	<b>263,431,660</b>	265,333,074	<b>(0.7%)</b>
Class A subordinate shares and Class B shares ( <i>diluted</i> )	<b>273,644,002</b>	275,820,247	<b>(0.8%)</b>
<b>Earnings per share (<i>in dollars</i>)</b>			
Basic EPS	<b>0.50</b>	1.65	<b>(69.7%)</b>
Diluted EPS	<b>0.48</b>	1.59	<b>(69.8%)</b>

<sup>1</sup> Tax rate reflects the impact of certain acquisition-related and integration costs not being deductible for tax purposes.

**3.8.1. Income Tax Expense**

For fiscal 2012, income tax expense was \$131.4 million, an increase of \$31.7 million compared to \$99.7 million in the prior year, while our effective income tax rate increased from 18.5% to 50.0%. The increase in income tax expense was due mainly to favourable tax adjustments recorded in fiscal 2011 that reduced our income taxes in the amount of \$41.4 million, the impact of non-deductible transaction costs incurred and integration expenses on which no tax benefit was recognized with regards to the Logica acquisition in the amount of \$52.7 million, and unrecognized tax benefits on losses from Logica's operations in the amount of \$3.8 million.

Based on enacted rates and our current business mix, we expect our effective tax rate before integration costs and any significant adjustments to be in the range of 24% to 27% in subsequent periods.

**3.8.2. Weighted Average Number of Shares**

CGI's basic and diluted weighted average number of shares for fiscal 2012 decreased compared to the prior year due to the repurchase of shares on the open market as part of the NCIB, partly offset by the issuance of Class A subordinate shares upon the exercise of stock options. During the year, 5.4 million shares were repurchased and 5.4 million options were exercised, while 46.7 million Class A subordinate shares were issued for the acquisition of Logica.



**Table of Contents****3.8.3. Net Earnings and Earnings per Share Excluding Certain Items**

Below is a table showing the year-over-year comparison excluding the items related to the acquisition of Logica, as well as the 2011 favourable tax adjustments:

For the year ended September 30,

<i>(in thousands of dollars unless otherwise indicated)</i>	2012	2011	Change
Earnings before income taxes	262,926	537,835	(51.1%)
<i>Add back:</i>			
Acquisition-related and integration costs <sup>1</sup>	254,973		
Logica loss <sup>2</sup>	18,314		
Interest rate impact <sup>3</sup>	19,010		
<b>Earnings before income taxes prior to adjustments</b>	<b>555,223</b>	537,835	<b>3.2%</b>
<i>Margin</i>	<i>13.2%</i>	<i>12.7%</i>	
Income tax expense	131,397	99,696	31.8%
<i>Add back:</i>			
Income tax recovery on the Logica loss	1,098		
Tax adjustments		41,415	
Tax deduction on acquisition-related and integration costs, and interest rate impact	21,396		
<b>Income tax expense prior to adjustments</b>	<b>153,891</b>	141,111	<b>9.1%</b>
<i>Effective tax rate prior to adjustments</i>	<i>27.7%</i>	<i>26.2%</i>	
<b>Net earnings prior to adjustments</b>	<b>401,332</b>	396,724	<b>1.2%</b>
<i>Margin</i>	<i>9.5%</i>	<i>9.4%</i>	
<b>Weighted average number of shares <sup>4</sup></b>			
Class A subordinate shares and Class B shares ( <i>basic</i> )	258,199,439	265,333,074	(2.7%)
Class A subordinate shares and Class B shares ( <i>diluted</i> )	268,411,780	275,820,247	(2.7%)
<b>Earnings per share (in dollars) <sup>5</sup></b>			
Basic EPS	1.55	1.50	3.3%
Diluted EPS	1.50	1.44	4.2%

<sup>1</sup> Fiscal 2012 costs relate to the acquisition and integration of Logica.

<sup>2</sup> Logica's results for the six-week period ended September 30, 2012, excluding acquisition-related and integration costs.

<sup>3</sup> The interest rate impact removes the incremental interest expense related to the debt drawn for the acquisition of Logica and the difference in the interest rate between our variable rate credit facility and the fixed interest rate on the long-term notes.

<sup>4</sup> The weighted average number of shares was re-calculated without the issuance of the 46.7 million Class A shares to the CDPQ.

<sup>5</sup> EPS amounts are prior to Logica results, fiscal 2011 favourable tax adjustments, interest rate impact, acquisition-related and integration costs, severances, excess real estate provisions, leasehold improvement write-offs and impairment charges.

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### 4. Liquidity

#### 4.1. CONSOLIDATED STATEMENTS OF CASH FLOWS

CGI's growth is financed through a combination of our cash flow from operations, borrowing under our existing credit facilities, the issuance of long-term debt, and the issuance of equity. One of our primary financial goals is to maintain an optimal level of liquidity through the active management of our assets and liabilities as well as our cash flows.

As at September 30, 2012, cash and cash equivalents were \$113.1 million. The following table provides a summary of the generation and utilization of cash for the fiscal year ended September 30, 2012 and 2011.

For the year ended September 30,

<i>(in thousands of dollars)</i>	2012	2011	Change
Cash provided by operating activities	613,262	570,002	43,260
Cash used in investing activities	(2,849,034)	(131,014)	(2,718,020)
Cash provided by (used in) financing activities	2,285,480	(491,608)	2,777,088
Effect of foreign exchange rate changes on cash and cash equivalents	2,722	4,764	(2,042)
<b>Net increase (decrease) in cash and cash equivalents and bank overdraft</b>	<b>52,430</b>	<b>(47,856)</b>	<b>100,286</b>

##### 4.1.1. Cash Provided by Operating Activities

Cash provided by operating activities was \$613.3 million in fiscal 2012, representing 12.9% of revenue. This is compared to \$570.0 million or 13.5% of revenue in the prior year. The timing of our working capital inflows and outflows will always have an impact on the cash flow from operations. Excluding the payments in respect to the acquisition-related and integration costs, the cash provided by operating activities would have been \$654.0 million, representing 13.7% of revenue. This increase was mainly due to the improvements in the DSO, lower tax payments, and cash coming from the other working capital items.

##### 4.1.2. Cash Used in Investing Activities

Cash used in investing activities was \$2,849.0 million in fiscal 2012, an increase of \$2,718.0 million, compared to the \$131.0 million used in fiscal 2011. The year-over-year increase was mainly due to the acquisition of Logica which accounted for \$2,734.8 million of the increase.

Proceeds from the sale of investment in joint venture and businesses increased by \$26.5 million year-over year due to the sale of our 49% interest in Innovapost Inc.

Short-term investments, comprised of term deposits, have original maturities over three months, but not more than one year, at the date of purchase. During the year ended September 30, 2012, the Company invested a net of \$5.2 million compared to proceeds received of \$2.0 million net in the same period last year on the redemption and purchase of short-term investments.

Cash used for the purchase of property, plant and equipment ( PP&E ) amounted to \$64.6 million during the year, a decrease of \$0.4 million over the \$65.0 million invested last year. During the year, our investment for the purchase of a data centre facility in the Greater Toronto Area was offset by lower investments in leasehold improvements, furniture and office equipment, and computer equipment.

Investments in intangible assets amounted to \$43.7 million, representing an increase of \$16.8 million from last year. The increase was due to the adding and updating of functionality in our business solutions. We also invested in new solutions during the year.



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Investments in contract costs amounted to \$25.3 million in fiscal 2012, compared to \$27.9 million in fiscal 2011 reflecting a \$2.6 million decrease. The decrease was due to less contract costs capitalized as contracts migrated out of their transition phase.

The Company purchased \$1.0 million of long-term investments in the current year, whereas \$14.2 million was invested in the prior year.

**4.1.3. Cash Provided by (Used in) Financing Activities**

During fiscal 2012, \$2,285.5 million was provided by the Company's financing activities, representing an increase of \$2,777.1 million when compared to the \$491.6 million consumed in fiscal 2011. The increase is due to the term loan and shares issued for the acquisition of Logica.

In fiscal 2012, we made net repayments of \$158.6 million on our credit facilities and another \$954.2 million on our outstanding long-term debt, of which \$891.4 million was related to the debt assumed from the Logica acquisition. In fiscal 2011, we made net repayments totalling \$104.3 million on our credit facilities and \$129.7 million on our long-term debt.

During the year, we also used \$102.8 million to repurchase 5.4 million CGI shares on the open market under the previous and current NCIB, while in fiscal 2011 the Company spent \$305.0 million to purchase 16.4 million CGI shares under the NCIB then in effect. The Company's cash management strategy is to maintain the flexibility to pay down debt and/or repurchase shares depending on economic conditions. In addition, we received \$1,047.2 million in proceeds from the issuance of shares to fund the acquisition and the exercise of stock options in the year, compared to \$52.1 million in the previous year.

At the beginning of fiscal 2011, \$2.6 million was used to purchase CGI shares under the Performance Share Unit (PSU) Plan which is part of the compensation package of various executive officers. At the beginning of fiscal 2012, we sold the shares that were not paid out in the compensation packages and received \$1.2 million. We also used \$14.3 million to purchase the CGI shares for the fiscal 2012 PSU Plan.

**4.1.4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents**

For 2012 and 2011, the foreign exchange effect was negligible. These amounts had no effect on net earnings as they were recorded in other comprehensive income.

**4.2. CAPITAL RESOURCES**

<i>(in thousands of dollars)</i>	<b>Total commitment</b>	Available at September 30, 2012	Outstanding at September 30, 2012
	\$	\$	\$
Cash and cash equivalents		113,103	
Short-term investments		14,459	
Long-term marketable investments		15,533	
Unsecured committed revolving facilities <sup>1</sup>	<b>1,500,000</b>	786,089	713,911
Total	<b>1,500,000</b>	929,184	713,911

<sup>1</sup> Consists of drawn portion of \$692.0 million and Letters of Credit for \$22.0 million outstanding on September 30, 2012. Our cash position and bank lines are sufficient to support our growth strategy. At September 30, 2012, cash and cash equivalents, short-term and long-term marketable investments were \$143.1 million.

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Cash equivalents typically include money market funds and term deposits as well as bankers' acceptances and bearer deposit notes issued by major banks, all with initial maturities of 90 days or less.

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Short-term investments include fixed deposits, term deposits, municipal, provincial and government bills with initial maturities ranging from 91 days to 1 year.

Long-term marketable investments include corporate and government bonds with maturities ranging from one to five years, rated AA or higher.

The amount available under our credit facilities was \$786.1 million. The long-term debt agreements contain covenants which require us to maintain certain financial ratios. At September 30, 2012, CGI was in compliance with these covenants.

Total debt increased by \$2,242.7 million to \$3,248.4 million at September 30, 2012, compared to \$1,005.7 million at September 30, 2011. The variation was mainly due to the term loan for \$1,933.9 million for the Logica acquisition, proceeds of US\$475.0 million, and the net reimbursement of \$158.6 million under the credit facility. Also, during the year, we reimbursed the last tranche of US\$20.0 million of the 2004 private debt placement financing.

Additional funding for the acquisition came from the issuance of 46.7 million Class A shares in CGI for C\$1.0 billion from the CDPQ.

The Company expects that cash generated from the combined operations will permit a significant deleveraging over the next three years and that funds generated will be adequate to meet our liquidity needs in the foreseeable future while maintaining adequate liquidity.

**4.3. CONTRACTUAL OBLIGATIONS**

We are committed under the terms of contractual obligations with various expiration dates, primarily for the rental of premises, computer equipment used in outsourcing contracts and long-term service agreements. For the year ended September 30, 2012, the Company increased its commitments by \$3,311.4 million year-over year due mainly to the debt used to fund the Logica acquisition. Commitments also increased due to the inclusion of Logica's commitments.

**Commitment type**

<i>(in thousands of dollars)</i>	<b>Total</b>	<b>Less than 1 year</b>	<b>2nd and 3rd years</b>	<b>4th and 5th years</b>	<b>After 5 years</b>
Long-term debt	<b>3,178,276</b>	18,942	1,008,869	1,766,404	384,061
Capital lease obligations	<b>85,124</b>	33,405	42,666	8,767	286
Operating leases					
Rental of office space <sup>1</sup>	<b>1,703,857</b>	305,679	521,565	403,610	473,003
Computer equipment	<b>114,584</b>	60,735	47,673	6,176	
Automobiles	<b>113,895</b>	69,284	41,530	3,066	15
Long-term service agreements and other	<b>35,457</b>	17,597	13,120	4,740	
<b>Total contractual obligations</b>	<b>5,231,193</b>	<b>505,642</b>	<b>1,675,423</b>	<b>2,192,763</b>	<b>857,365</b>

<sup>1</sup> Included in these obligations are \$81.5 million of office space leases from past acquisitions.

**4.4. FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS**

We use various financial instruments to manage its exposure to fluctuations of foreign currency exchange rates. We do not hold or use any derivative instruments for trading purposes. Foreign exchange translation gains or losses on the net investments and the effective portions of gains or losses on instruments hedging the net investments are recorded in the consolidated statement of comprehensive income. Any realized or unrealized gains or losses on instruments covering the U.S. denominated debt are also recognized in the consolidated statement of comprehensive income.



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We have the following outstanding hedging instruments:

### **Hedges on net investments in foreign operations**

US\$818.0 million debt designated as the hedging instrument of our net investment in U.S. operations;

45.0 million debt designated as the hedging instrument of our net investment in European operations;

\$1,153.7 million cross-currency swaps to hedge our net investment in European operations.

### **Cash flow hedges on future revenue**

US\$32.1 million foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Canadian dollar;

US\$51.9 million foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Indian rupee;

\$53.1 million foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the Canadian dollar and the Indian rupee.

### **Cash flow hedges on unsecured committed term loan credit facility**

\$1,234.4 million interest rate swaps floating-to-fixed.

### **Fair value hedges on Senior U.S. unsecured notes**

US\$125.0 million interest rate swaps fixed-to-floating.

### **Derivatives not designated as hedges**

£37.3 million foreign currency forward contracts to hedge the net exposure of some assets and liabilities not denominated in the functional currencies.

The effective portion of the change in the fair value of the derivative instruments is recognized in other comprehensive income and the ineffective portion, if any, in net earnings. During the year ended September 30, 2012, our hedging instruments were effective.

We expect that approximately \$2.1 million of the accumulated net unrealized losses on all derivative financial instruments designated as cash flow hedges at September 30, 2012 will be reclassified in net earnings in the next 12 months.



**Table of Contents****4.5. SELECTED MEASURES OF LIQUIDITY AND CAPITAL RESOURCES**

As at September 30,	2012	2011
Net debt to capitalization ratio	46.6%	27.4%
Net debt ( <i>in thousands of dollars</i> )	3,105,313	918,968
Return on equity	5.0%	19.6%
Return on invested capital	11.4%	13.7%
Days sales outstanding	70	53

We use the net debt to capitalization ratio as an indication of our financial leverage in order to pursue any large outsourcing contracts, expand global delivery centres, or make acquisitions. On August 20, 2012, we acquired Logica using a combination of debt and stock, causing our net debt to capitalization ratio to increase.

Return on equity is a measure of the return we are generating for our shareholders. ROE decreased from 19.6% at the end of fiscal 2011 to 5.0% at the end of fiscal 2012. The decrease is mainly due to the impact of the acquisition-related and integration costs. The decrease in the ratio is also attributable to the higher amount of equity which resulted from the issuance of \$1.0 billion worth of Class A shares, as well as a higher amount of favourable tax adjustments recorded in the prior year.

ROIC is a measure of the Company's efficiency in allocating the capital under our control to profitable investments. The return on invested capital was 11.4% as at September 30, 2012, a decrease compared to 13.7% a year ago. The decrease in this ratio was mainly a result of the issuance of 46.7 million of Class A shares for proceeds of \$1.0 billion and the term loan of \$1,933.9 million.

DSO increased to 70 days from 53 days last year. In calculating the DSO, we subtract the deferred revenue balance from trade accounts receivable and work in progress; for that reason, the timing of payments received from outsourcing clients in advance of the work to be performed and the timing of payments related to project milestones can affect the DSO fluctuations. The increase in the number of days is due to the inclusion of the full value of Logica's trade receivables, work in progress, and deferred revenue in the calculation while only the six weeks of revenue from the acquisition is included. Without considering the impact of Logica, DSO would have improved to 47 days at the end of September 30, 2012. We remain committed to manage our DSO within our 45-day target.

**4.6. OFF-BALANCE SHEET FINANCING AND GUARANTEES**

We do not engage in the practice of off-balance sheet financing, except for the use of certain operating leases for office space, computer equipment and vehicles. In accordance with IFRS, neither the lease liability nor the underlying asset is carried on the balance sheet as the terms of the leases do not meet the criteria for capitalization. From time to time, we also enter into agreements to provide financial or performance assurances to third parties on the sale of assets, business divestitures, guarantees and U.S. Government contracts.

In connection with sales of assets and business divestitures, we may be required to pay counterparties for costs and losses incurred as the result of breaches in representations and warranties, intellectual property right infringement and litigation against counterparties. While some of the agreements specify a maximum potential exposure totalling approximately \$6.5 million, others do not specify a maximum amount or limited period. It is impossible to reasonably estimate the maximum amount that may have to be paid under such guarantees. The amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. The Company does not expect to incur any potential payment in connection with these guarantees that could have a materially adverse effect on its consolidated financial statements.

We are also engaged to provide services under contracts with the U.S. Government. The contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether our operations are being conducted in accordance with these requirements. Generally, the Government has the right to change the scope of, or terminate, these projects at its convenience. The termination or a reduction in the scope of a major government project could have a material adverse effect on our results of operations and financial condition.

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In the normal course of business, we may provide certain clients, principally governmental entities, with bid and performance bonds. In general, we would only be liable for the amount of the bid bonds if we refuse to perform the project once the bid is awarded. We would also be liable for the performance bonds in the event of default in the performance of our obligations. As at September 30, 2012, we had committed for a total of \$49.0 million for these bonds. To the best of our knowledge, we complied with our performance obligations under all service contracts for which there was a performance or bid bond, and the ultimate liability, if any, incurred in connection with these guarantees would not have a material adverse effect on our consolidated results of operations or financial condition.

In addition, we provided a guarantee of \$5.9 million on the residual value of leased equipment, accounted for as an operating lease, at the expiration of the lease term.

### **4.7. CAPABILITY TO DELIVER RESULTS**

Sufficient capital resources and liquidity are required for supporting ongoing business operations and to execute our build and buy growth strategy. The Company has sufficient capital resources coming from the cash generated from operations, credit facilities, long-term debt agreements and invested capital from shareholders. Our principal uses of cash are for procuring new large outsourcing and managed services contracts; investing in our business solutions; pursuing accretive acquisitions; buying back CGI shares and paying down debt. Funds were also used to expand our global delivery network as more and more of our clients demand lower cost alternatives. In terms of financing, we are well positioned to continue executing our four-pillar growth strategy in fiscal 2013.

Strong and experienced leadership is essential to successfully implement our corporate strategy. CGI has a strong leadership team with members who are highly knowledgeable and have gained a significant amount of experience within the IT industry via various career paths and leadership roles. CGI fosters leadership development to ensure a continuous flow of knowledge and strength is maintained throughout the organization. As part of our succession planning in key positions, we established the Leadership Institute, our own corporate university, to develop leadership, technical and managerial skills inspired by CGI's roots and traditions.

As a company built on human capital, our professionals and their knowledge are critical to delivering quality service to our clients. Our human resources program provides competitive compensation and benefits, a favourable working environment, and our training and career development programs combine to allow us to attract and retain the best talent. Employee satisfaction is monitored regularly through a company-wide survey and issues are addressed immediately. Prior to the Logica acquisition, approximately 85% of our employees, whom we refer to as members, are also owners of CGI through our Share Purchase Plan. This, along with the Profit Participation Program, allows members to share in the success of the Company and aligns member objectives with our strategic goals.

In addition to our capital resources and the talent of our human capital, CGI has established a Management Foundation encompassing governance policies, sophisticated management frameworks and an organizational model for its business unit and corporate processes. This foundation, along with our appropriate internal systems, helps in providing for a consistent high standard of quality service to our clients. CGI's operations maintain appropriate certifications in accordance with service requirements such as the ISO and Capability Maturity Model Integration quality programs.

## **5. Fourth Quarter Results**

In the fourth quarter of fiscal 2012, our priority was to successfully close the acquisition of Logica and begin executing the integration plan. In addition, the Company remained focused on its business development activities to increase our sales funnel and backlog.

**Table of Contents***Average foreign exchange rates*

<b>For the three months ended September 30,</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
U.S. dollar	<b>0.9948</b>	0.9802	<b>1.5%</b>
Euro	<b>1.2452</b>	1.3836	<b>(10.0%)</b>
Indian rupee	<b>0.0181</b>	0.0214	<b>(15.4%)</b>
British pound	<b>1.5727</b>	1.5773	<b>(0.3%)</b>
Australian dollar	<b>1.0337</b>	1.0279	<b>0.6%</b>
Swedish krona	<b>0.1476</b>	0.1513	<b>(2.4%)</b>

**5.1. REVENUE VARIATION AND REVENUE BY SEGMENT**

The following table provides a summary of our revenue growth, in total and by segment, separately showing the impacts of foreign currency variations between the fourth quarter of 2012 and the fourth quarter of 2011. The Q4 2011 revenue by segment is recorded reflecting the actual foreign exchange rates for that year. The foreign exchange impact is the difference between the current period's actual results and the current period's results converted with prior year's foreign exchange rates.

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For the three months ended September 30,

*(in thousands of dollars except for percentage)*

	2012	2011	Change
<b>Total CGI Revenue</b>	<b>1,609,661</b>	1,005,667	<b>60.1%</b>
Variation prior to foreign currency impact	59.6%		
Foreign currency impact	0.5%		
<b>Variation over previous period</b>	<b>60.1%</b>		
<b>U.S.</b>			
Revenue prior to foreign currency impact	537,087	476,650	12.7%
Foreign currency impact	9,508		
<b>U.S. revenue</b>	<b>546,595</b>	476,650	<b>14.7%</b>
<b>Canada</b>			
Revenue prior to foreign currency impact	279,748	300,810	(7.0%)
Foreign currency impact	(525)		
<b>Canada revenue</b>	<b>279,223</b>	300,810	<b>(7.2%)</b>
<b>Global Infrastructure Services</b>			
Revenue prior to foreign currency impact	164,492	173,245	(5.1%)
Foreign currency impact	255		
<b>Global Infrastructure Services revenue</b>	<b>164,747</b>	173,245	<b>(4.9%)</b>
<b>Europe</b>			
Revenue prior to foreign currency impact	54,932	54,962	(0.1%)
Foreign currency impact	(3,711)		
<b>Europe revenue</b>	<b>51,221</b>	54,962	<b>(6.8%)</b>
<b>Logica</b>			
Revenue prior to foreign currency impact	567,875		N/A
Foreign currency impact	N/A		
<b>Logica revenue</b>	<b>567,875</b>		<b>N/A</b>

Revenue for the fourth quarter of fiscal 2012 was \$1,609.7 million, an increase of \$604.0 million or 60.1% year over year. Foreign currency rate fluctuations favourably impacted revenue in the amount of \$5.5 million, resulting in a constant currency growth rate of 59.6% year-over-year. This significant increase was attributable to the acquisition of Logica concluded on August 20, 2012, contributing \$567.9 million in revenue. As well, our U.S. segment posted the strongest revenue performance, growing 12.7% on a constant currency basis.

Excluding the revenue from Logica, the legacy CGI operations recognized revenue of \$1,041.8 million, an increase of \$36.1 million or 3.6% from the fourth quarter of fiscal 2011. Overall, this growth came primarily from the government and health vertical markets.

**5.1.1. U.S.**

Revenue in our U.S. segment for the three months ended September 30, 2012 was \$546.6 million, an increase of \$69.9 million or 14.7%. On a constant currency basis, revenue increased by \$60.4 million or 12.7% year-over-year. The slight strengthening of the U.S. dollar caused a favourable foreign exchange impact of \$9.5 million. The increase came primarily from strong performance across the healthcare and financial services vertical markets, each posting constant currency growth of 37.9% and 18.3%, respectively, while the government vertical followed with a growth of 8.7%, as existing project work with various government agencies continued to expand.

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### **5.1.2. Canada**

Revenue in our Canada segment was \$279.2 million in the fourth quarter of 2012, a decrease of \$21.6 million or 7.2% year-over-year. This decrease was mainly a result of engagements being delivered in the healthcare, government and telecommunications and utilities vertical markets while there were some delays in contract awards and the ramping up of new projects. This decrease was partially offset by new project start-ups with our existing financial services clients.

### **5.1.3. Global Infrastructure Services**

Revenue in our GIS segment was \$164.7 million in the fourth quarter of 2012, a decrease of \$8.5 million or 4.9% year-over-year. The revenue change was primarily the result of the expiration of a document management services contract in the financial services vertical. This was partially offset by new contracts and expanded scope on existing projects in the manufacturing, retail & distribution vertical market.

### **5.1.4. Europe**

For the three months ended September 30, 2012, revenue in our Europe segment was flat year-over-year on a constant currency basis, while unfavourable foreign exchange variation impacted the segment by \$3.7 million. While the slowdown of project work in the telecommunications and utilities vertical market put downward pressure on our revenue in this segment, growth in the financial services and MRD verticals offset this impact.

### **5.1.5. Logica**

The acquisition of Logica occurred during the peak vacation period in Europe where a significant number of the members as well as their clients were on leave. As a significant portion of Logica's revenue is recognized on a time and material basis, the resulting revenue for this period was not reflective of business-as-usual.

Revenue generated by Logica operations for the six-week period subsequent to the acquisition date represented \$567.9 million or 35.3% of total Company revenue for the quarter. During this period, Logica's revenue consisted of 14.1% from financial services, 29.4% from government, 2.8% from healthcare, 29.9% from MRD, and 23.8% from telecommunications & utilities.

**Table of Contents****5.2. ADJUSTED EBIT BY SEGMENT**

For the three months ended September 30,

(in thousands of dollars except for percentage)

	2012	2011	Change
U.S.	67,244	31,705	112.1%
As a percentage of U.S. revenue	12.3%	6.7%	
Canada	52,011	42,857	21.4%
As a percentage of Canada revenue	18.6%	14.2%	
Global Infrastructure Services	11,197	10,973	2.0%
As a percentage of GIS revenue	6.8%	6.3%	
Europe	2,533	3,062	(17.3%)
As a percentage of Europe revenue	4.9%	5.6%	
Logica	(18,845)		N/A
As a percentage of Logica revenue	(3.3%)	N/A	
<b>Adjusted EBIT</b>	<b>114,140</b>	<b>88,597</b>	<b>28.8%</b>
Adjusted EBIT margin	7.1%	8.8%	

Adjusted EBIT for the fourth quarter of fiscal 2012 was \$114.1 million, an increase of \$25.5 million or 28.8% from the same quarter in the previous year. The margin decreased from 8.8% to 7.1%. Excluding the impact of the acquisition of Logica, the legacy operations of CGI would have generated an adjusted EBIT of \$133.0 million, an increase of \$44.4 million or 50.1% over the \$88.6 million from Q4 2011. The legacy CGI operations would have had a margin of 12.8% which improved over Q4 2011's adjusted EBIT margin of 8.8%.

**5.2.1. U.S.**

U.S. adjusted EBIT was \$67.2 million for the three months ended September 30, 2012, an increase of \$35.5 million or 112.1% over the prior year, while margins have almost doubled, increasing from 6.7% to 12.3%. The improvement in profitability was due to the growth from our healthcare and government vertical markets as described in the revenue section, and more license sales compared to Q4 2011. Finally, charges taken in Q4 2011 as part of our Performance Improvement Plan helped address the cost structure of our U.S. business units.

**5.2.2. Canada**

Canada adjusted EBIT was \$52.0 million in the fourth quarter of 2012, an increase of \$9.2 million or 21.4%. As a percentage of revenue, the margin increased from 14.2% to 18.6%. The increase was mainly due to the Performance Improvement Plan in Q4 2011. Offsetting these improvements was the lower than average utilization level of our members in Canada as an above average number of members were on the bench between assignments. This was due to the delays from contract awards and the ramping up of new projects noted above in the revenue section.

**5.2.3. Global Infrastructure Services**

Adjusted EBIT in GIS was \$11.2 million for the three months ended September 30, 2012, a slight increase of \$0.2 million from the same period in the prior year. As a percentage of revenue, the margin increased from 6.3% to 6.8%. The overall profitability of this segment remained stable year-over-year as both periods were impacted by the expiration of a document management services contract in the financial services vertical market, creating excess in capacity.

**Table of Contents****5.2.4. Europe**

Europe adjusted EBIT was \$2.5 million for the fourth quarter of 2012, a slight decrease of \$0.5 million compared to the fourth quarter in the prior year, while as a percentage of revenue, the margin decreased from 5.6% to 4.9%. The segment adjusted EBIT grew from the revenue growth in the financial services and MRD verticals. This was offset by a non-recurring bad debt expense of \$1.4 million from an insolvent client, as well as the resulting excess in capacity as members were placed on the bench.

**5.2.5. Logica**

As noted above in the revenue section, the impact on revenue caused by the vacation period was also reflected in a reduction in the adjusted EBIT for Logica. In addition, redundancy costs and other synergies, as expected, could not be optimized quickly as we needed to work through the various work councils. The result was a lower level of revenue in the period with no accompanying reductions in the cost base. While a number of initiatives had been launched, including the initial discussions with various work councils, the shortness of the period, the vacation impact and the intangible amortization of \$10.6 million resulted in an adjusted loss before interest and taxes for the six weeks of \$18.8 million or a negative margin of 3.3%. Subsequent to the end of the year we started to make adjustments to the cost structure.

**5.3. NET EARNINGS AND EARNINGS PER SHARE**

The following table sets out the information supporting the earnings per share calculations:

**For the three months ended September 30**

<i>(in thousands of dollars unless otherwise indicated)</i>	2012	2011	Change
Adjusted EBIT	114,140	88,597	28.8%
Acquisition-related and integration costs	248,320		N/A
Finance costs	17,901	4,132	333.2%
Finance income	(3,710)	(626)	492.7%
Other expenses (income)	1,691	(1,602)	(205.6%)
Share of profit on joint venture		(4,187)	(100.0%)
<b>(Loss) Earnings before income taxes</b>	<b>(150,062)</b>	90,880	<b>(265.1%)</b>
Income tax expense	17,906	21,344	(16.1%)
<i>Effective tax rate</i> <sup>1</sup>	<i>(11.9%)</i>	<i>23.5%</i>	
<b>Net (loss) earnings</b>	<b>(167,968)</b>	69,536	<b>(341.6%)</b>
<i>Margin</i>	<i>(10.4%)</i>	<i>6.9%</i>	
<b>Weighted average number of shares</b>			
Class A subordinate shares and Class B shares <i>(basic)</i>	279,284,376	261,897,680	6.6%
Class A subordinate shares and Class B shares <i>(diluted)</i>	289,815,528	271,838,839	6.6%
<b>Earnings per share <i>(in dollars)</i></b>			
Basic EPS	(0.60)	0.27	(322.2%)
Diluted EPS	(0.58)	0.26	(323.1%)

<sup>1</sup> Tax rate reflects the impact of certain acquisition-related and integration costs not being deductible for tax purposes.

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The net loss was \$168.0 million for the quarter ended September 30, 2012 compared to net earnings of \$69.5 million in the same period of the prior year. The loss is due to the acquisition-related and integration costs.

The increase in weighted average number of shares is due to the issuance of 46.7 million Class A shares. During the current quarter, no shares were repurchased and 2.0 million options were exercised.

Below is a table showing the year-over-year comparison excluding the items related to the acquisition of Logica as well as the provisions on excess real estate, the related leasehold improvements write-off, the severance costs and the impairment charges:

**For the three months ended September 30**

<i>(in thousands of dollars unless otherwise indicated)</i>	<b>2012</b>	<b>2011</b>	<b>Change</b>
(Loss) Earnings before income taxes	<b>(150,062)</b>	90,880	<b>(265.1%)</b>
<i>Add back:</i>			
Acquisition-related and integration costs <sup>1</sup>	<b>248,320</b>		
Logica loss <sup>2</sup>	<b>18,314</b>		
Interest rate impact <sup>3</sup>	<b>10,996</b>		
Severances, excess real estate provisions, leasehold improvement write-offs and impairment charge <sup>4</sup>	<b>13,421</b>	50,753	
<b>Earnings before income taxes prior to adjustments</b>	<b>140,989</b>	141,633	<b>(0.5%)</b>
<i>Margin</i>	<i>13.5%</i>	<i>14.1%</i>	
Income tax expense	<b>17,906</b>	21,344	<b>(16.1%)</b>
<i>Add back:</i>			
Income tax recovery on the Logica loss	<b>1,098</b>		
Tax deduction on acquisition-related and integration costs, interest rate impact, severances, excess real estate provisions, leasehold improvement write-offs and impairment charge	<b>22,023</b>	15,328	
<b>Income tax expense prior to adjustments</b>	<b>41,027</b>	36,672	<b>11.9%</b>
<i>Effective tax rate prior to adjustments</i> <sup>5</sup>	<i>29.1%</i>	<i>25.9%</i>	
<b>Net earnings prior to adjustments</b>	<b>99,962</b>	104,961	<b>(4.8%)</b>
<i>Margin</i>	<i>9.6%</i>	<i>10.4%</i>	
<b>Weighted average number of shares</b> <sup>6</sup>			
Class A subordinate shares and Class B shares ( <i>basic</i> )	<b>258,469,235</b>	261,897,680	<b>(1.3%)</b>
Class A subordinate shares and Class B shares ( <i>diluted</i> )	<b>269,000,386</b>	271,838,839	<b>(1.0%)</b>
<b>Earnings per share (in dollars)</b> <sup>7</sup>			
Basic EPS	<b>0.39</b>	0.40	<b>(2.5%)</b>
Diluted EPS	<b>0.37</b>	0.39	<b>(5.1%)</b>

<sup>1</sup> Costs related to the acquisition and integration of Logica.

<sup>2</sup> Logica's results for the six-week period ended September 30, 2012, excluding acquisition-related and integration costs.

<sup>3</sup> The interest rate impact removes the incremental interest expense related to the debt drawn for the acquisition of Logica and the difference in the interest rate between our variable rate credit facility and the fixed interest rate on the long-term notes.

<sup>4</sup> In Q4 2011, \$50.8 million (\$45.4 million under Canadian GAAP) of provisions on excess real estate, related leasehold improvements write-off, severance costs, and impairment charges were added back to earnings in order to calculate a more meaningful net earnings and margin number for the operations. Similar types of charges were added back to the fourth quarter of fiscal 2012 for comparative purposes.

<sup>5</sup> Effective tax rate for the quarter is higher than the previous year due to higher profitability in jurisdictions with higher statutory tax rates.

<sup>6</sup> The weighted average number of shares were re-calculated without the issuance of the 46.7 million Class A shares to the CDPQ.

<sup>7</sup> EPS amounts are attributable to shareholders of CGI and prior to acquisition-related and integration costs, severances, excess real estate provisions, leasehold improvement write-offs and impairment charges.





**Table of Contents****6. Eight Quarter Summary****Results of Operations for the three months ended***(in thousands of dollars unless otherwise noted)*

	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010
<b>Growth</b>								
Backlog ( <i>in millions of dollars</i> )	17,647	13,610	13,118	13,558	13,398	12,587	12,459	12,980
Bookings ( <i>in millions of dollars</i> )	1,523	1,478	787	1,392	1,472	1,442	771	1,191
Book-to-bill ratio	95%	139%	74%	135%	146%	142%	69%	109%
Revenue	1,609,661	1,064,863	1,065,791	1,032,139	1,005,667	1,012,845	1,111,715	1,093,715
Year-over-year growth <sup>1</sup>	60.1%	5.1%	(4.1%)	(5.6%)	2.4%	15.1%	24.5%	22.7%
Constant currency growth <sup>1</sup>	59.6%	3.0%	(4.8%)	(6.1%)	5.3%	18.0%	27.9%	25.9%
<b>Profitability</b>								
Adjusted EBIT	114,140	136,253	156,390	139,946	88,597	139,189	153,745	154,815
Adjusted EBIT margin	7.1%	12.8%	14.7%	13.6%	8.8%	13.7%	13.8%	14.2%
Net earnings	(167,968)	87,228	105,726	106,543	69,536	123,203	118,743	126,657
Net earnings margin	(10.4%)	8.2%	9.9%	10.3%	6.9%	12.2%	10.7%	11.6%
Basic EPS ( <i>in dollars</i> )	(0.60)	0.34	0.41	0.41	0.27	0.47	0.45	0.47
Diluted EPS ( <i>in dollars</i> )	(0.58)	0.33	0.40	0.40	0.26	0.45	0.43	0.45
<b>Liquidity</b>								
Cash provided by operating activities	109,346	250,985	104,217	148,714	186,611	93,152	192,390	97,849
As a percentage of revenue	6.8%	23.6%	9.8%	14.4%	18.6%	9.2%	17.3%	8.9%
Days sales outstanding	70	49	53	51	53	52	43	42
<b>Capital structure</b>								
Net debt to capitalization ratio	46.6%	19.4%	24.0%	26.6%	27.4%	28.7%	29.2%	31.1%
Net debt	3,105,313	633,354	795,339	879,523	918,968	928,979	940,567	1,017,666
Return on equity	5.0%	15.4%	17.4%	18.4%	19.6%	20.5%	19.0%	17.2%
Return on invested capital	11.4%	11.8%	12.5%	12.8%	13.7%	15.7%	15.9%	15.7%
<b>Balance sheet</b>								
Cash and cash equivalents, bank overdraft								
and short-term investments	127,562	77,418	70,213	63,908	70,839	12,578	66,428	75,278
Total assets	10,453,442	4,550,384	4,550,394	4,578,816	4,657,354	4,408,387	4,538,875	4,511,600
Long-term financial liabilities	4,124,342	854,933	969,761	1,066,333	238,151	1,032,092	1,101,737	1,088,837

<sup>1</sup> Reflects the acquisition of Logica on August 20, 2012.

There are factors causing quarterly variances which may not be reflective of the Company's future performance. First, there is seasonality in SI&C work, and the quarterly performance of these operations is impacted by occurrences such as vacations and the number of statutory holidays in any given quarter. Outsourcing contracts including BPS contracts are affected to a lesser extent by seasonality. Second, the workflow from some clients may fluctuate from quarter to quarter based on their business cycle and the seasonality of their own operations. Third, the savings that we generate for a client on a given outsourcing contract may temporarily reduce our revenue stream from this client, as these savings may not be immediately offset by additional work performed for this client.

In general, cash flow from operating activities could vary significantly from quarter to quarter depending on the timing of monthly payments received from large clients, cash requirements associated with large acquisitions, outsourcing contracts and projects, the timing of the reimbursements for various tax credits as well as profit sharing payments to members and the timing of restructuring cost payments.

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Foreign exchange fluctuations can also contribute to quarterly variances as our percentage of operations in foreign countries evolves. The effect from these variances is primarily on our revenue and to a much less extent, on our net margin as we benefit from natural hedges.

### **7. Changes in Accounting Policies**

The audited consolidated financial statements for the years ended September 30, 2012 and 2011 include all adjustments that CGI's management considers necessary for the fair presentation of its financial position, results of operations, and cash flows.

#### **7.1. ADOPTION OF IFRS**

In February 2008, the Canadian Accounting Standards Board confirmed that the use of IFRS would be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. Accordingly, the audited consolidated financial statements for the year ended September 30, 2011 have been adjusted as per the guidance provided in IFRS 1, First-Time Adoption of International Financial Reporting Standards (IFRS 1). The reconciliations from Canadian GAAP to IFRS, a discussion of the adjustments, and other initial elections upon IFRS adoption can be found in Note 33 of the audited consolidated financial statements for the year ended September 30, 2012.

#### **7.2. FUTURE ACCOUNTING STANDARD CHANGES**

The following standards have been issued but are not yet effective:

IFRS 9, Financial Instruments, covers the classification and measurement of financial assets and financial liabilities.

IFRS 10, Consolidated Financial Statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities, provides guidance on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

IFRS 13, Fair Value Measurements, provides guidance on fair value measurements by providing a definition of fair value and a single source of fair value measurement and disclosure requirements.

IAS 1, Presentation of Financial Statements, was amended to require grouping together items within the statement of comprehensive income that may be reclassified to the statement of income.

IAS 19, Employee Benefits, was amended to adjust the calculation of the financing cost component of defined benefit plans and to enhance disclosure requirements.

Other than IFRS 9, the above standards are effective October 1, 2013, with earlier application permitted. IFRS 9 is effective October 1, 2015, also with earlier application permitted. The Company is currently evaluating the impact of these standards on its consolidated financial statements.



**Table of Contents****8. Critical Accounting Estimates**

The Company's significant accounting policies are described in Note 3 of the audited consolidated financial statements for the year ended September 30, 2012. The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and equity and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates and judgements inherent in the financial reporting process, actual results could differ.

An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made, if different estimates could reasonably have been used in the period, or changes in the accounting estimates that are reasonably likely to occur, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

Areas impacted by estimates	Consolidated balance sheets	Consolidated statements of earnings		
		Revenue	Cost of services, selling and administrative	Income taxes
Business combinations	ü		ü	
Income taxes	ü			ü
Contingencies and provisions	ü		ü	
Revenue recognition <sup>1</sup>	ü	ü	ü	
Share-based payments	ü		ü	
Investment tax credits and other government programs	ü		ü	
Impairment of PP&E, intangible assets and goodwill	ü		ü	
Employee benefits	ü		ü	

<sup>1</sup> Affects the balance sheet through accounts receivable, work in progress and deferred revenue.

*Business combinations*

The Company accounts for its business combinations using the acquisition method. Under this method, estimates we make to determine the fair values of asset and liabilities acquired include judgements in our determinations of acquired intangible assets and assessment of the fair value of existing PP&E. Acquired liabilities can include litigation and other contingency reserves existing at the time of the acquisition. Goodwill is recognized as of the acquisition date as the excess of the cost of the acquisition over the net identifiable assets acquired and liabilities assumed at their acquisition-date fair values.

When establishing fair values, management will make significant estimates and assumptions, especially with respect to intangible assets. Intangible assets acquired and recorded by the Company may include client relationships and contracts, software licenses, trademarks and business solutions. Estimates include but are not limited to the forecasting of future cash flows and discount rates. From time to time, the Company may engage third-party firms to assist us in determining the fair value of assets and liabilities assumed. Management's estimates of fair values are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. As a result, actual results may differ from estimates impacting our earnings.

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### *Income taxes*

Current income taxes are recognized with respect to the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are determined using enacted or substantively enacted tax rates that will be in effect for the year in which the differences are expected to be recovered or settled.

In the course of the Company's operations, uncertainties exist with respect to interpretation of complex tax regulations, the amount and timing of future taxable income. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

The ultimate amount of future income taxes and income tax provision could be materially different from those recorded, as it is influenced by future operating results of the Company and its tax interpretations.

### *Contingencies and provisions*

The Company accrues for costs and provisions requiring significant judgment.

Contingencies for pending or threatened litigation, guarantees and other possible liabilities involve uncertainty relating to possible gain or loss to the Company that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the reduction of a liability or the occurrence of a liability. The accrued legal claim provisions are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances.

Furthermore, there are various claims and pending actions against the Company arising in the ordinary course of its business as well as inherited from business acquisitions. Certain of these actions seek damages in significant amounts. Among other things, the Company considers the period in which the underlying cause of the claim occurred, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the loss to determine whether a loss accrual or disclosure in the condensed consolidated financial statements is required.

The Company accrues lease provisions which consist of estimated costs associated with vacated premises. The provisions reflect the present value of lease payments in excess of the expected sublease proceeds on the remaining term of the lease. Key assumptions include the discount rate and the estimate of potential revenues from the subleasing of vacated premises.

### *Revenue recognition*

CGI provides services and products containing pricing mechanisms such as fixed-price arrangements under percentage-of-completion which requires estimates of revenue and costs over the entire arrangement, including estimates of resources and costs necessary to complete performance.

Another assessment, related to a contract which involves the provision of multiple services and products, is to determine how the estimated contract revenue is allocated to each separately identifiable component based on their fair value. Revenue is then recognized for each separately identifiable component as services and products are delivered.

Revenue from benefits-funded arrangements is recognized only to the extent that it is probable that the benefit stream associated with the transaction will generate amounts sufficient to fund the value on which revenue recognition is based.

Management regularly reviews arrangement profitability and the underlying estimates. Estimates of total revenue at the start of the contract may differ materially from actual revenue generated due to volume variations, changes in technology and other factors which may not be foreseen at inception. Provisions for estimated contract losses are recognized in the period when it is determined that a loss is probable and is presented in other long-term liabilities. Contract losses are measured at the amount by which the estimated total costs exceed the estimated total revenue from the contract.

**Table of Contents***Share-based payments*

The Company operates equity-settled stock option and PSU plans under which the Company receives services from employees and others as consideration for equity instruments. The fair value of the stock options is established on the grant date using the Black-Scholes pricing model. The variables in the model include, but are not limited to: the expected stock price volatility over the term of the awards, expected forfeitures, the expected life of the options and the risk-free interest rate. Different assumptions and changes in circumstances could create material differences in our results of operations.

*Investment tax credits and other government programs*

The Company receives refundable tax credits on salaries and tax credits on research and software development costs, which meet the criteria of investment tax credits and government programs. The Company is subject to annual audits to verify the amount for which it is entitled and whether it operates eligible activities under the terms of various government tax credit programs. Assessments of the proportion of eligible expenses and of the acceptability rate by these different governments are performed periodically.

*Impairment of PP&E, intangible assets and goodwill*

The Company tests the recoverability of PP&E, intangible assets and goodwill when events or changes in circumstances indicate that their carrying amounts may not be recoverable. The Company assesses at each reporting date whether any such events or changes in circumstances exist. The carrying amount of PP&E and intangible assets not available for use and goodwill are tested for impairment annually.

If there is any indication that impairment exists or when annual impairment for an asset is required, the Company estimates the recoverable amount of the asset or cash-generating unit ( CGU ) to which the asset relates to determine the extent of any impairment loss. The CGU for which goodwill is assessed for potential impairment is the operating segment level.

The Company uses the discounted cash flow method to estimate the recoverable amount which relies on the use of estimates such as the amount and timing of cash flows that are projected over the expected remaining life of the asset and the time value of money. Any change in the estimates used could have a material impact on the calculation of fair value and the resulting impairment charge.

An impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its recoverable amount.

Additionally, an assessment is made at each reporting date for PP&E and intangible assets as to whether there is any indication that previously recorded impairment losses may no longer exist or may have decreased and therefore must be reversed. If such an indication exists, the Company estimates the asset's recoverable amount using the discounted cash flow method.

*Employee benefits*

The present value of the retirement benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the expense for pension include the discount rate, expected long-term rate of return on plan assets, compensation and benefits increases, inflation rates as well as mortality rates.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the expected future benefit payments and represent the market rates for high quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefits obligations. A lower discount rate increases the benefit obligation and generally increases the expense. Other key assumptions for pension benefits are based in part on current market conditions. Additional information is disclosed in Note 29 to the audited consolidated financial statements.

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### **9. Integrity of Disclosure**

Our management assumes the responsibility for the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Board of Directors' duties include the assessment of the integrity of the Company's internal control and information systems.

CGI has a formal Corporate Disclosure Policy as a part of its Fundamental Texts whose goal is to raise awareness of the Company's approach to disclosure among the Board of Directors, senior management and employees. The Board of Directors has established a Disclosure Policy Committee responsible for all regulatory disclosure requirements and overseeing the Company's disclosure practices.

The Audit and Risk Management Committee of CGI is composed entirely of independent directors who meet the independence and experience requirements of the New York Stock Exchange as well as those that apply under Canadian securities regulation. The responsibilities of our Audit and Risk Management Committee include: a) the review of all our public disclosure documents containing audited or unaudited financial information; b) identifying and examining the financial and operating risks to which we are exposed and reviewing the various policies and practices that are intended to manage those risks; c) the review and assessment of the effectiveness of our accounting policies and practices concerning financial reporting; d) the review and monitoring of our internal control procedures, programs and policies and assessment of the adequacy and effectiveness thereof; e) reviewing the adequacy of our internal audit resources including the mandate and objectives of the internal auditor; f) recommendation to the Board of Directors of CGI on the appointment of external auditors, the assertion of the external auditors' independence, the review of the terms of their engagement as well as pursuing ongoing discussions with them; g) the review of the audit procedures; h) the review of related party transactions; and i) such other responsibilities usually attributed to audit and risk committees or as directed by our Board of Directors.

The Company evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting, supervised by and with the participation of the Chief Executive Officer and the Chief Financial Officer as of September 30, 2012. The CEO and CFO concluded that, based on this evaluation, the Company's disclosure controls and procedures and internal controls over financial reporting were adequate and effective, at a reasonable level of assurance, to ensure that material information related to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Management's assessment and conclusion on the effectiveness of disclosure controls and procedures and internal controls over financial reporting excludes the controls, policies and procedures of Logica which was acquired six weeks prior to CGI's fiscal year-end. Logica's results since the acquisition date are included in the September 30, 2012, consolidated financial statements of CGI and constituted approximately 58% of total assets as of September 30, 2012, and approximately 12% of revenue for the year then ended. Please refer to Note 24 to the consolidated financial statements for further details of the acquisition.



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**Table of Contents****10. Risk Environment****10.1. RISKS AND UNCERTAINTIES**

While we are confident about our long-term prospects, the following risks and uncertainties could affect our ability to achieve our strategic vision and objectives for growth and should be considered when evaluating our potential as an investment.

**10.1.1. Risks Related to the Market****Economic risk**

The level of business activity of our clients, which is affected by economic conditions, has a bearing upon the results of our operations. We can neither predict the impact that current economic conditions will have on our future revenue, nor predict when economic conditions will show meaningful improvement. During an economic downturn, our clients and potential clients may cancel, reduce or defer existing contracts and delay entering into new engagements. In general, companies also decide to undertake fewer IT systems projects during difficult economic times, resulting in limited implementation of new technology and smaller engagements. Since there are fewer engagements in a downturn, competition usually increases and pricing for services may decline as competitors, particularly companies with significant financial resources, decrease rates to maintain or increase their market share in our industry and this may trigger pricing adjustments related to the benchmarking obligations within our contracts. Our pricing, revenue and profitability could be negatively impacted as a result of these factors.

**10.1.2. Risks Related to our Industry****The competition for contracts**

CGI operates in a global marketplace in which competition among providers of IT services is vigorous. Some of our competitors possess greater financial, marketing, sales resources, and larger geographic scope in certain parts of the world than we do, which, in turn, provides them with additional leverage in the competition for contracts. In certain niche, regional or metropolitan markets, we face smaller competitors with specialized capabilities who may be able to provide competing services with greater economic efficiency. Some of our competitors have more significant operations than we do in lower cost countries that can serve as a platform from which to provide services worldwide on terms that may be more favourable. Increased competition among IT services firms often results in corresponding pressure on prices. There can be no assurance that we will succeed in providing competitively priced services at levels of service and quality that will enable us to maintain and grow our market share.

**The availability and retention of qualified IT professionals**

There is strong demand for qualified individuals in the IT industry. Hiring and retaining a sufficient amount of individuals with the desired knowledge and skill set may be difficult. Therefore, it is important that we remain able to successfully attract and retain highly qualified professionals and establish an effective succession plan. If our comprehensive programs aimed at attracting and retaining qualified and dedicated professionals do not ensure that we have staff in sufficient numbers and with the appropriate training, expertise and suitable government security clearances required to serve the needs of our clients, we may have to rely on subcontractors or transfers of staff to fill resulting gaps. If our succession plan fails to identify those with potential or to develop these key individuals, we may lose key members and be required to recruit and train these new resources. This might result in lost revenue or increased costs, thereby putting pressure on our earnings.

**Table of Contents***The ability to continue developing and expanding service offerings to address emerging business demands and technology trends*

The rapid pace of change in all aspects of information technology and the continually declining costs of acquiring and maintaining information technology infrastructure mean that we must anticipate changes in our clients' needs. To do so, we must adapt our services and our solutions so that we maintain and improve our competitive advantage and remain able to provide cost effective services. The market for the services and solutions we offer is extremely competitive and there can be no assurance that we will succeed in developing and adapting our business in a timely manner. If we do not keep pace, our ability to retain existing clients and gain new business may be adversely affected. This may result in pressure on our revenue, profit margin and resulting cash flows from operations.

*Infringing on the intellectual property rights of others*

Despite our efforts, the steps we take to ensure that our services and offerings do not infringe on the intellectual property rights of third parties may not be adequate to prevent infringement and, as a result, claims may be asserted against us or our clients. We enter into licensing agreements for the right to use intellectual property and may otherwise offer indemnities against liability and damages arising from third-party claims of patent, copyright, trademark or trade secret infringement in respect of our own intellectual property or software or other solutions developed for our clients. In some instances, the amount of these indemnity claims could be greater than the revenue we receive from the client. Intellectual property claims or litigation could be time-consuming and costly, harm our reputation, require us to enter into additional royalty or licensing arrangements, or prevent us from providing some solutions or services. Any limitation on our ability to sell or use solutions or services that incorporate software or technologies that are the subject of a claim could cause us to lose revenue-generating opportunities or require us to incur additional expenses to modify solutions for future projects.

*Benchmarking provisions within certain contracts*

Some of our outsourcing contracts contain clauses allowing our clients to externally benchmark the pricing of agreed upon services against those offered by other providers in an appropriate peer comparison group. The uniqueness of the client environment is factored in and, if results indicate a difference outside the agreed upon tolerance, we may be required to work with clients to reset the pricing for their services.

*Protecting our intellectual property rights*

Our success depends, in part, on our ability to protect our proprietary methodologies, processes, know-how, tools, techniques and other intellectual property that we use to provide our services. CGI's business solutions will generally benefit from available copyright protection and, in some cases, patent protection. Although CGI takes reasonable steps to protect and enforce its intellectual property rights, there is no assurance that such measures will be enforceable or adequate. The cost of enforcing our rights can be substantial and, in certain cases, may prove to be uneconomic. In addition, the laws of some countries in which we conduct business may offer only limited intellectual property rights protection. Despite our efforts, the steps taken to protect our intellectual property may not be adequate to prevent or deter infringement or other misappropriation of intellectual property, and we may not be able to detect unauthorized use of our intellectual property, or take appropriate steps to enforce our intellectual property rights.

**10.1.3. Risks Related to our Business***Risks associated with our growth strategy*

CGI's Build and Buy strategy is founded on four pillars of growth: first, organic growth through contract wins, renewals and extensions in the areas of outsourcing and system integration; second, the pursuit of new large outsourcing contracts; third, acquisitions of smaller firms or niche players; and fourth, transformational acquisitions.

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Our ability to grow through organic growth and new large outsourcing transactions is affected by a number of factors outside of our control, including a lengthening of our sales cycle for major outsourcing contracts.

Our ability to grow through niche and transformational acquisitions requires that we identify suitable acquisition targets and that we correctly evaluate their potential as transactions that will meet our financial and operational objectives. There can be no assurance that we will be able to identify suitable acquisition candidates and consummate additional acquisitions that meet our economic thresholds, or that future acquisitions will be successfully integrated into our operations and yield the tangible accretive value that had been expected.

If we are unable to implement our Build and Buy strategy, we will likely be unable to maintain our historic or expected growth rates.

### **The variability of financial results**

Our ability to maintain and increase our revenues is affected not only by our success in implementing our Build and Buy strategy, but also by a number of other factors, including: our ability to introduce and deliver new services and products; a lengthened sales cycle; the cyclical nature of purchases of technology services and products; the nature of a customer's business; and the structure of agreements with customers. These, and other factors, make it difficult to predict financial results for any given period.

### **Business mix variations**

The proportion of revenue that we generate from shorter-term systems integration and consulting ( SI&C ) projects, versus revenue from long-term outsourcing contracts, will fluctuate at times, affected by acquisitions or other transactions. An increased exposure to revenue from SI&C projects may result in greater quarterly revenue variations.

### **The financial and operational risks inherent in worldwide operations**

We manage operations in numerous countries around the world. The scope of our operations subjects us to various issues that can negatively impact our operations: the fluctuations of currency (see foreign exchange risk); the burden of complying with a wide variety of national and local laws (see regulatory risk); the differences in and uncertainties arising from local business culture and practices; political, social and economic instability including the threats of terrorism, civil unrest, war, natural disasters and pandemic illnesses. Any or all of these risks could impact our global business operations and cause our profitability to decline.

### **Organizational challenges associated with our size**

With the acquisition of Logica, our organization has doubled in size with expanded operations in both Europe and Asia. Our culture, standards, core values, and our policies need to be instilled across the newly acquired businesses as well as maintained within our existing operations. To effectively communicate and manage these standards throughout a large global organization is both challenging and time consuming. Newly acquired businesses may be resistant to change and may remain attached to past methods, standards and practices which may compromise our business agility in pursuing opportunities. Cultural differences in various countries may also present barriers to introducing new ideas or aligning our vision and strategy with the rest of the organization. If we cannot overcome these obstacles in maintaining a strategic bond throughout the company worldwide, we may not be able to achieve our growth and profitability objectives.

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**Table of Contents****Taxes**

In estimating our income tax payable, management uses accounting principles to determine income tax positions that are likely to be sustained by applicable tax authorities. However, there is no assurance that our tax benefits or tax liability will not materially differ from our estimates or expectations. The tax legislation, regulation and interpretation that apply to our operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various jurisdictions in which we operate. Moreover, our tax returns are continually subject to review by applicable tax authorities; it is these tax authorities that will make the final determination of the actual amounts of taxes payable or receivable, of any future tax benefits or liabilities and of income tax expense that we may ultimately recognize. Any of the above factors could have a material adverse effect on our net income or cash flows by affecting our operations and profitability, the availability of tax credits, the cost of the services we provide, and the availability of deductions for operating losses as we develop our international service delivery capabilities.

**Credit risk with respect to accounts receivable**

In order to sustain our cash flows and net earnings from operations, we must collect the amounts owed to us in an efficient and timely manner. Although we maintain provisions to account for anticipated shortfalls in amounts collected, the provisions we take are based on management estimates and on our assessment of our clients' creditworthiness which may prove to be inadequate in the light of actual results. To the extent that we fail to perform our services in accordance with our contracts and our clients' reasonable expectations, and to the extent that we fail to invoice clients for our services correctly in a timely manner, our collections could suffer resulting in a direct and adverse impact to our revenue, net earnings and cash flows. In addition, a prolonged economic downturn may cause clients to curtail or defer projects, impair their ability to pay for services already provided, and ultimately cause them to default on existing contracts, in each case, causing a shortfall in revenue and impairing our future prospects.

**Material developments regarding major commercial clients resulting from such causes as changes in financial condition, mergers or business acquisitions**

Consolidation among our clients resulting from mergers and acquisitions may result in loss or reduction of business when the successor business information technology needs are served by another service provider or are provided by the successor company's own personnel. Growth in a client's information technology needs resulting from acquisitions or operations may mean that we no longer have a sufficient geographic scope or the critical mass to serve the client's needs efficiently, resulting in the loss of the client's business and impairing our future prospects. There can be no assurance that we will be able to achieve the objectives of our growth strategy in order to maintain and increase our geographic scope and critical mass in our targeted markets.

**Early termination risk**

If we should fail to deliver our services according to contractual agreements, some of our clients could elect to terminate contracts before their agreed expiry date, which would result in a reduction of our earnings and cash flow and may impact the value of our backlog. In addition, a number of our outsourcing contractual agreements have termination for convenience and change of control clauses according to which a change in the client's intentions or a change in control of CGI could lead to a termination of the said agreements. Early contract termination can also result from the exercise of a legal right or when circumstances that are beyond our control or beyond the control of our client prevent the contract from continuing. In cases of early termination, we may not be able to recover capitalized contract costs and we may not be able to eliminate ongoing costs incurred to support the contract.

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**Table of Contents****Cost estimation risks**

In order to generate acceptable margins, our pricing for services is dependent on our ability to accurately estimate the costs and timing for completing projects or long-term outsourcing contracts. In addition, a significant portion of our project-oriented contracts are performed on a fixed-price basis. Billing for fixed-price engagements is carried out in accordance with the contract terms agreed upon with our client, and revenue is recognized based on the percentage of effort incurred to date in relation to the total estimated costs to be incurred over the duration of the respective contract. These estimates reflect our best judgment regarding the efficiencies of our methodologies and professionals as we plan to apply them to the contracts in accordance with the CGI Client Partnership Management Framework ( CPMF ), a process framework which helps ensure that all contracts are managed according to the same high standards throughout the organization. If we fail to apply the CPMF correctly or if we are unsuccessful in accurately estimating the time or resources required to fulfil our obligations under a contract, or if unexpected factors, including those outside of our control, arise, there may be an impact on costs or the delivery schedule which could have an adverse impact on our expected profit margins.

**Risks related to teaming agreements and subcontracts**

We derive substantial revenues from contracts where we enter into teaming agreements with other providers. In some teaming agreements we are the prime contractor whereas in others we act as a subcontractor. In both cases, we rely on our relationships with other providers to generate business and we expect to do so in the foreseeable future. Where we act as prime contractor, if we fail to maintain our relationships with other providers, we may have difficulty attracting suitable participants in our teaming agreements. Similarly, where we act as subcontractor, if our relationships are impaired, other providers might reduce the work they award to us, award that work to our competitors, or choose to offer the services directly to the client in order to compete with our business. In either case, our business, prospects, financial condition and operating results could be harmed.

**Our partners' ability to deliver on their commitments**

Increasingly large and complex contracts may require that we rely on third party subcontractors including software and hardware vendors to help us fulfil our commitments. Under such circumstances, our success depends on the ability of the third parties to perform their obligations within agreed upon budgets and timeframes. If our partners fail to deliver, our ability to complete the contract may be adversely affected, which may have an unfavourable impact on our profitability.

**Guarantees risk**

In the normal course of business, we enter into agreements that may provide for indemnification and guarantees to counterparties in transactions such as consulting and outsourcing services, business divestitures, lease agreements and financial obligations. These indemnification undertakings and guarantees may require us to compensate counterparties for costs and losses incurred as a result of various events, including breaches of representations and warranties, intellectual property right infringement, claims that may arise while providing services or as a result of litigation that may be suffered by counterparties.

**Risk related to human resources utilization rates**

In order to maintain our profit margin, it is important that we maintain the appropriate availability of professional resources in each of our geographies by having a high utilization rate while still being able to assign additional resources to new work. Maintaining an efficient utilization rate requires us to forecast our need for professional resources accurately and to manage recruitment activities, professional training programs, attrition rates and restructuring programs appropriately. To the extent that we fail to do so, or to the extent that laws and regulations, particularly those in Europe, restrict our ability to do so, our utilization rates may be reduced; thereby having an impact on our revenue and profitability. Conversely, we may find that we do not have sufficient resources to deploy against new business opportunities in which case our ability to grow our revenue would suffer.

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### **Client concentration risk**

We derive a significant portion of our revenue from the services we provide to the U.S. federal government and its agencies, and we expect that this will continue for the foreseeable future. In the event that a major U.S. federal government agency were to limit, reduce, or eliminate the business it awards to us, we might be unable to recover the lost revenue with work from other agencies or other clients, and our business, prospects, financial condition and operating results could be materially and adversely affected. Although IFRS considers a national government and its agencies as a single client, our client base in the U.S. government economic sector is in fact diversified with contracts from many different departments and agencies.

### **Government business risk**

Changes in government spending policies or budget priorities could directly affect our financial performance. Among the factors that could harm our government contracting business are the curtailment of governments' use of consulting and IT services firms; a significant decline in spending by governments in general, or by specific departments or agencies in particular; the adoption of new legislation and/or actions affecting companies that provide services to governments; delays in the payment of our invoices by government payment offices; and general economic and political conditions. These or other factors could cause government agencies and departments to reduce their purchases under contracts, to exercise their right to terminate contracts, to issue temporary stop work orders, or not to exercise options to renew contracts, any of which would cause us to lose future revenue. Government spending reductions or budget cutbacks at these departments or agencies could materially harm our continued performance under these contracts, or limit the awarding of additional contracts from these agencies.

### **Regulatory risk**

Our global operations require us to be compliant with laws in many jurisdictions on matters such as: anticorruption, trade restrictions, immigration, taxation, securities regulation, anti-competition, data privacy and labour relations, amongst others. Complying with these diverse requirements worldwide is a challenge and consumes significant resources. Some of these laws may impose conflicting requirements; we may face the absence in some jurisdictions of effective laws to protect our intellectual property rights; there may be restrictions on the movement of cash and other assets; or restrictions on the import and export of certain technologies; or restrictions on the repatriation of earnings and reduce our earnings, all of which may expose us to penalties for non-compliance and harm our reputation.

Our business with the US federal government and its agencies requires that we comply with complex laws and regulations relating to government contracts. These laws relate to the integrity of the procurement process, impose disclosure requirements, and address national security concerns, among others matters. For instance, we are routinely subject to audits by U.S. government agencies with respect to compliance with these rules. If we fail to comply with these requirements we may incur penalties and sanctions, including contract termination, suspension of payments, suspension or debarment from doing business with the federal government, and fines.

### **Legal claims made against our work**

We create, implement and maintain IT solutions that are often critical to the operations of our clients' business. Our ability to complete large projects as expected could be adversely affected by unanticipated delays, renegotiations, and changing client requirements or project delays. Also, our solutions may suffer from defects that adversely affect their performance; they may not meet our clients' requirements or may fail to perform in accordance with applicable service levels. Such

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problems could subject us to legal liability, which could adversely impact our business, operating results and financial condition, and may negatively affect our professional reputation. We typically include provisions in our contracts which are designed to limit our exposure to legal claims relating to our services and the applications we develop. These provisions may not protect us adequately or may not be enforceable under some circumstances or under the laws of some jurisdictions.

**Information and infrastructure risks**

Our business often requires that our clients' applications and information, which may include their proprietary information, be processed and stored on our networks and systems, and in data centres that we manage. Digital information and equipment is subject to loss, theft or destruction, and services that we provide may become temporarily unavailable as a result thereof or upon an equipment or system malfunction. Failures can arise from human error in the course of normal operations, maintenance and upgrading activities, or from hacking, vandalism (including denial of service attacks and computer viruses), theft and unauthorized access by third parties, as well as from power outages or surges, floods, fires, natural disasters or from any other causes. The measures that we take to protect information and software, including both physical and logical controls on access to premises and information and backup systems may prove in some circumstances to be inadequate to prevent the loss, theft or destruction of client information or service interruptions. Such events may expose the Company to financial loss or damages.

**Risk of harm to our reputation**

CGI's reputation as a capable and trustworthy service provider and long term business partner is key to our ability to compete effectively in the market for information technology services. The nature of our operations exposes us to the potential loss, unauthorized access to, or destruction of our clients' information, as well as temporary service interruptions. Depending on the nature of the information or services, such events may have a negative impact on how the Company is perceived in the marketplace. Under such circumstances, our ability to obtain new clients and retain existing clients could suffer with a resulting impact on our revenue and profit.

**Risks associated with the integration of new operations**

The successful integration of new operations arising from our acquisition strategy or from large outsourcing contracts requires that a substantial amount of management time and attention be focused on integration tasks. Management time that is devoted to integration activities may detract from management's normal operations focus with resulting pressure on the revenues and earnings from our existing operations. In addition, we may face complex and potentially time-consuming challenges in implementing the uniform standards, controls, procedures and policies across new operations to harmonize their activities with those of our existing business units. Integration activities can result in unanticipated operational problems, expenses and liabilities. If we are not successful in executing our integration strategies in a timely and cost-effective manner, we will have difficulty achieving our growth and profitability objectives.

**Liquidity and funding risks**

The Company's future growth is contingent on the execution of its business strategy, which, in turn, is dependent on its ability to grow the business organically as well as conclude business acquisitions. By its nature, our growth strategy requires us to fund the investments required to be made using a mix of cash generated from our existing operations, money borrowed under our existing or future credit agreements, and equity funding generated by the issuance of shares of our capital stock to counterparties in transactions, or to the general public. Our ability to raise the required funding depends on the capacity of the capital markets to meet our financing needs in a timely fashion and on the basis of interest rates and share prices that are reasonable in the context of profitability objectives. Increasing interest rates, volatility in our share price, and the capacity of our current lenders to meet our liquidity requirements are all factors that may have an adverse impact on our access to the funding we require. If we are unable to obtain the necessary funding, we may be unable to achieve our growth objectives.

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### **Foreign exchange risk**

The majority of our revenue and costs are denominated in currencies other than the Canadian dollar. Foreign exchange fluctuations impact the results of our operations as they are reported in Canadian dollars. This risk is partially mitigated by a natural hedge in matching our costs with revenue denominated in the same currency and through the use of derivatives in our worldwide hedging strategy. However, as we continue our global expansion, natural hedges may begin to diminish. Other than the use of financial products to deliver on our hedging strategy, we do not trade derivative financial instruments.

With our expanded presence in Europe, uncertainty regarding the ability of certain European countries to continue servicing their sovereign debt and related austerity measures may destabilize the euro. Similarly, given the scope of our U.S. operations, if the U.S. dollar continues to weaken against the Canadian dollar, our worldwide financial results may not reach expectations.

## **10.2. LEGAL PROCEEDINGS**

The Company is involved in legal proceedings, audits, claims and litigation arising in the ordinary course of its business. Certain of these matters seek damages in significant amounts. Although, the outcome of such matters is not predictable with assurance, the Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities.

### **Transfer Agent**

Computershare Investor Services Inc.

(800) 564-6253

### **Investor Relations**

Lorne Gorber

Senior Vice-President, Global Communications & Investor Relations

Telephone: (514) 841-3355

[lorne.gorber@cgi.com](mailto:lorne.gorber@cgi.com)



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**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Groupe CGI Inc./CGI Group Inc.

Date: December 20, 2012

By: /s/ Benoit Dubé  
Name: Benoit Dubé  
Title: Executive Vice-President and  
Chief Legal Officer

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**EXHIBIT INDEX**

- 23.1 Consent of Ernst & Young LLP
- 99.1 Certification of the Registrant s Chief Executive Officer required pursuant to Rule 13a-14(a).
- 99.2 Certification of the Registrant s Chief Financial Officer required pursuant to Rule 13a-14(a).
- 99.3 Certification of the Registrant s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.4 Certification of the Registrant s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.