

CGI GROUP INC  
Form 40-F  
December 23, 2010

**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, 2010**

**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)*

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)*

1130 Sherbrooke Street West

7<sup>th</sup> Floor

Montréal, Québec

Canada H3A 2M8

(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
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Class A Subordinate Voting Shares	New York Stock Exchange
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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

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

Annual Information Form

Audited Annual Financial Statements

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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: 237,684,791 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  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, 2010. 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, 2010 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.

### **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 Multi-Lateral Instrument 52-110 adopted by the Canadian Securities Administrators which took effect on March 30, 2004, as amended.

The Audit and Risk Management Committee is composed of Mrs. Eileen A. Mercier, Chair of the committee, and Messrs. Claude Boivin, Richard B. Evans and Gilles Labbé.

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, and

- Eileen A. Mercier

### **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.

#### *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 break down of fees incurred within each of the pre-approved envelopes.

*Fees Paid to External Auditors*

During the years ended September 30, 2010 and September 30, 2009, CGI paid the following fees to its external auditors:

Service retained	Fees paid	
	2010 <sup>(a)</sup>	2009 <sup>(b)</sup>
Audit fees	\$2,594,000	\$3,152,914
Audit related fees <sup>(c)</sup>	\$ 482,061	\$2,676,048
Tax fees <sup>(d)</sup>	\$ 108,380	\$ 173,697
All other fees <sup>(e)</sup>	\$ 4,989	
<b>Total fees paid</b>	<b>\$3,189,430</b>	<b>\$6,002,659</b>

- (a) The fees billed for the year ended September 30, 2010 were for services rendered by Ernst & Young LLP, the Company's current external auditors.
- (b) The fees billed for the year ended September 30, 2009 were for services rendered by Deloitte & Touche LLP, the Company's former external auditors.
- (c) The audit related fees billed by the external auditors for the year ended September 30, 2010 were in relation to service organization control procedures audits and assistance and International Financial Reporting Standards transition assistance, and those billed for the year ended September 30, 2009 were in relation to service organization control procedures audits, accounting consultations and employee benefit plan audits.
- (d)

The tax fees billed by the external auditors for the year ended September 30, 2010 were in relation to tax research and advisory services and those billed for the year ended September 30, 2009 were in relation to tax research and interpretation, support

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activities related to tax audit, and preparation of personal tax returns, principally on behalf of expatriates. None of the persons for whom tax returns were prepared were officers of the Company.

- (e) The other fees billed by the external auditors for the year ended September 30, 2010 were in relation to government contract compliance 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**

With the exception of the membership of the Committee which has one member who is not considered to be an independent director, 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 25 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

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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**Tabular Presentation of Contractual Obligations**

As of September 30, 2010, the Registrant's known contractual obligations were as follows:

<b>Contractual Obligations</b> (in 000 of Canadian dollars)	<b>Total</b>	<b>Payment due by period</b>				<b>After 5 years</b>
		<b>Less than 1 year</b>	<b>2<sup>nd</sup> and 3<sup>rd</sup> years</b>	<b>4<sup>th</sup> and 5<sup>th</sup> years</b>		
Long-Term Debt Obligations	1,096,171	95,169	973,386	26,225	1,391	
Capital (Finance) Lease Obligations	57,705	19,408	27,764	9,038	1,495	
Operating Lease Obligations <sup>(1)</sup>	917,834	135,003	223,209	172,874	386,748	
Purchase Obligations	118,084	64,600	46,374	6,482	628	
<b>Total</b>	<b>2,189,794</b>	<b>314,180</b>	<b>1,270,733</b>	<b>214,619</b>	<b>390,262</b>	

(1) Included in these obligations are \$16.8 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, 2010
2. Audited Annual Financial Statements for the fiscal year ended September 30, 2010
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.



**ANNUAL INFORMATION FORM**

For the fiscal year ended  
September 30, 2010

December 13, 2010

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This *Annual Information Form* is dated December 13, 2010 and, unless specifically stated otherwise, all information disclosed in this form is provided as at September 30, 2010, 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). The Company continued the activities of *Conseillers en gestion et informatique CGI inc.*, which was originally founded in 1976. The executive and registered office of the Company is situated at 1130 Sherbrooke Street West, 7th floor, Montreal, Quebec, Canada, H3A 2M8. 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).

### *Subsidiaries*

The following is a list of the subsidiaries of CGI (i) whose total assets represent more than 10% of CGI's consolidated assets as at September 30, 2010, or (ii) whose sales and operating revenues represent more than 10% of CGI's consolidated sales and operating revenues for the year ended September 30, 2010. 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 13, 2010, 235,942,404 Class A subordinate voting shares and 33,608,159 Class B shares, were issued and outstanding. These shares represent respectively 41.2% and 58.8% 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 (First Preferred Shares), issuable in series, and an unlimited number of Second Preferred Shares (Second Preferred Shares), also issuable in series. As of December 13, 2010 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 3, and First Preferred Shares and Second Preferred Shares on page 5 of CGI's *Management Proxy Circular* dated December 13, 2010 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 13, 2010, 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 224,260,187 Class A subordinate voting shares were traded on the *Toronto Stock Exchange* during the year ended September 30, 2010 as follows:

Month	High <sup>(a)</sup> (\$)	Low <sup>(a)</sup> (\$)	Volume
October 2009	13.90	12.07	21,680,326
November 2009	13.50	12.11	19,703,686
December 2009	14.78	13.02	14,982,923
January 2010	15.21	13.93	19,158,920
February 2010	15.24	13.86	14,671,557
March 2010	15.74	14.76	16,558,608
April 2010	15.64	14.64	17,893,843
May 2010	16.66	14.73	22,172,541
June 2010	16.80	15.77	20,097,411
July 2010	16.79	14.34	21,647,153
August 2010	15.33	14.38	13,714,616
September 2010	15.79	14.35	21,978,603

(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 January 27, 2010, 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 *Significant developments of the most recent three fiscal years – Fiscal Year ended September 30, 2010 – Significant Developments* 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 37 and the disclosure under the heading *Report of the Audit and Risk Management Committee* on page 46 and following of CGI's *Management Proxy Circular* dated December 13, 2010 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 7 to 13, and the table on board of directors committee membership on page 35 of CGI's *Management Proxy Circular* dated December 13, 2010 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
François Boulanger Brossard, Quebec Canada	Senior Vice-President and Corporate Controller
Benoit Dubé St-Lambert, Quebec Canada	Executive Vice-President and Chief Legal Officer
Julie Godin Verdun (Ile des soeurs), Quebec Canada	Senior Vice-President, Human Resources, Leadership & Organizational Development



<b>Name and place of residence</b>	<b>Principal occupation</b>
Serge Godin Westmount, Quebec Canada	Founder and Executive Chairman of the Board
André Imbeau Beloeil, Quebec Canada	Founder, Executive Vice-Chairman of the Board and Corporate Secretary
Eva Maglis Montreal, Quebec Canada	Senior Vice-President and General Manager
Claude Marcoux Sainte-Foy, Quebec Canada	Senior Vice-President and General Manager
Doug McCuaig Toronto, Ontario Canada	President, Canada
Donna S. Morea Falls Church, Virginia USA	President, U.S., Europe and Asia
Luc Pinard St-Lambert, Quebec Canada	Executive Vice-President, Chief Technology and Quality Officer
Michael E. Roach Outremont, Quebec Canada	President and Chief Executive Officer
Daniel Rocheleau Longueuil, Quebec Canada	Executive Vice-President and Chief Business Engineering Officer
Jacques Roy Boucherville, Quebec Canada	Senior Vice-President, Finance and Treasury
Claude Séguin Montreal, Quebec Canada	Senior Vice-President, Corporate Development and Strategic Investments
George Schindler Fairfax, Virginia USA	President, CGI Federal
Nazzic Turner Oakton, Virginia USA	Senior Vice-President and General Manager

Benoit Dubé was appointed Executive Vice-President and Chief Legal Officer on June 4, 2010 and prior to his appointment was a Vice-President in the Company's law department. 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 with the title Administrative Vice-President. She was appointed an officer of the

Company on July 26, 2010 and was appointed Senior Vice-President, Human Resources, Leadership & Organizational Development October 1, 2010. 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 & Consulting on October 1, 2010. Prior to his appointment as President, Canada on June 4, 2010, Doug McCuaig was Senior Vice-President. He was appointed as an officer of the Company on July 26, 2010. Claude Marcoux, George Schindler and Nazzic Turner were also appointed by the Board of Directors as officers of the Company on July 26, 2010. 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 13, 2010 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 grow.

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**

The Company's activities are divided in the following segments: (i) Canada, (ii) U.S. and India (collectively U.S. ), and (iii) Europe and Asia Pacific (collectively Europe ).

The following table shows the revenues for each of the segments in 2010 and 2009 as well as the related foreign currency impacts:

	<i>(In 000 of dollars)</i>	
<b>Segment</b>	<b>2010</b>	<b>2009</b>
Canada		
Before foreign currency impact	\$ 2,121,123	\$ 2,179,659
Foreign currency impact	(\$8,711)	
Canada revenue	\$ 2,112,412	\$ 2,179,659
U.S.		
Before foreign currency impact	\$ 1,588,746	\$ 1,361,787
Foreign currency impact	(\$188,347)	
U.S. revenue	\$ 1,400,399	\$ 1,361,787
Europe		
Before foreign currency impact	245,522	\$ 283,715
Foreign currency impact	(\$26,216)	
Europe revenue	\$ 219,306	\$ 283,715
<b>Total</b>	<b>\$ 3,732,117</b>	<b>\$ 3,825,161</b>

*Services Offered by CGI*

CGI provides end-to-end IT services and BPS to clients worldwide, utilizing a highly customized, cost efficient delivery model. 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 in North America, Europe and India.

In addition, CGI has an extensive solutions portfolio of more than 100 solutions that contribute value to our application services offering, including the following:

*Momentum* is an integrated enterprise resource planning suite with over 100 installations 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*.



*CGI's AMS Advantage* is an enterprise resource planning suite that 25 U.S. state governments rely on to support financial management.

*MSuite*<sup>®</sup>, *PrimeSuite* are robust wealth management solutions widely adopted in the Canadian financial industry.

#### *Management of IT and business functions ( outsourcing )*

Clients contract entire or partial responsibility for their IT or business functions to CGI to achieve significant savings and access the best technology, while retaining control over strategic IT and business functions. As part of such agreements, we implement our quality processes and best-of-breed practices to improve the efficiency of the clients operations. We also integrate clients operations into our technology network. Finally, we may transfer specialized professionals from our clients, enabling our clients to focus on mission critical 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, as well as other services such as payroll and document management services. Outsourcing contracts typically have terms from five to ten years and are renewable.

#### *Consulting and Systems Integration*

CGI provides a full range of IT and management 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 provide them with solutions that help them achieve their business goals. Our targeted verticals include: a) government and healthcare helping organizations improve the performance of mission-critical functions through the innovative use of information technology; b) financial services helping clients grow and increase profitability by adopting solutions that support integrated customer-focused operations; c) telecommunications and utilities helping providers deliver new revenue streams while improving productivity and client service; d) retail and distribution establishing flexible and customer-centered operating models that help clients lower costs and increase profitability; and e) manufacturing helping clients leverage information technology to better manage the entire product lifecycle.

#### *Client Base*

CGI works with 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 13, 2010, CGI had approximately 31,000 professionals. 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.

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### *CGI Offices and Global Delivery Model*

CGI and its affiliated companies operate in more than 125 offices. More than 5,500 members representing approximately 20% of CGI's global workforce serve the Company's clients from global delivery centers located on three 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 on pages 20 and 21 of the business booklet of CGI's *Annual Report* for fiscal 2010 entitled *Thank You*, which information is incorporated by reference. The *2010 Annual Report* was filed with Canadian securities regulatory authorities and 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 business booklet and of the financial booklet of the *2010 Annual Report* will be provided promptly to shareholders upon request.

All CGI's offices are located in rented premises with the exception of one property that we own in Montreal where one of our data centres is located, and an office building we own in Mumbai but that is built on land that we lease.

### *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 has 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.

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. Following its merger with *IMRglobal* in July 2001, CGI gained applications development centres in Mumbai and Bangalore in India, which 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.

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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 information technology 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 information technology and business process services in Canada, the United States and Europe. According to *IDC*'s research conducted in 2009, the potential business opportunity for information technology outsourcing was estimated to be US\$519 billion in the U.S., US\$552 billion in Europe and US\$49 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.

### **CGI's Growth and Positioning Strategy**

CGI has major competitive advantages to address the current demand for services and the potential market for global outsourcing services. The Company benefits from a strong financial position and offers the full range of IT services. CGI's independence from hardware manufacturers is also a differentiating factor, allowing us to focus on developing the best solution for our clients' needs.

CGI benefits from a highly flexible global delivery model (see the heading *CGI Offices and Global Delivery Model* earlier in this document) providing clients with high quality services on competitive terms, while protecting CGI's margins.

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CGI's client base is principally grouped within five industry vertical markets (see the heading *Markets for CGI's services* earlier in this document). In order to develop services adapted to the specific needs of each market, the Company's professionals are grouped according to targeted client segments, which provide the Company with a deeper understanding of the trends specific to each industry, as well as a better understanding of the clients' competitive and technological challenges. This market expertise is a key factor in the Company's ability to develop comprehensive business solutions.

CGI's *Build and Buy* strategy is founded on four pillars of growth that combines organic growth and acquisitions in a way that provides an ideal mix of profitable revenue delivered by a proximity-based model ensuring that the Company maintains an intimate relationship with its clients while offering them the benefits of global sourcing options.

The first pillar of this strategy focuses on generating organic growth through contract wins, renewals and extensions in the areas of outsourcing and systems integration and consulting.

The second pillar of the strategy involves the pursuit of new large outsourcing contracts, leveraging our end-to-end services, global delivery model and critical mass. CGI's global delivery model offers a unique blend of onshore, nearshore and offshore delivery options that result in highly responsive and cost effective delivery. Further, based on the Company's growth rate over the last several years, we have the critical mass required to bid on large and complex opportunities in North America and Europe.

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.

### **Significant Developments of the Most Recent Three Fiscal Years**

#### *Key Performance Measures*

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:

#### **Profitability**

*Adjusted EBIT* is a measure of earnings before items not directly related to the cost of operations. We define this measure as earnings from continuing operations before acquisition-related and integration costs, interest on long-term debt, interest income, other (income) expenses, gain on sale of capital assets, and income tax expense. Management believes this measure best reflects the profitability of our operations.

*Diluted earnings per share from continuing operations attributable to shareholders of CGI* is a measure of earnings generated for shareholders on a per share basis, assuming all in-the-money options outstanding are exercised.

#### **Liquidity**

*Cash provided by continuing 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.

*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 maintaining a DSO below its 45-day target.



**Growth**

*Constant currency growth* is a measure of revenue growth before foreign currency impacts. We believe that it is helpful to adjust revenue to exclude the impact of currency fluctuations to better understand trends in the business.

*Backlog* represents management's best estimate of revenue to be realized in the future based on the terms of respective client agreements active at a point in time.

*Book-to-Bill ratio* 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. 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.

**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 investment position. 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, 2010**Significant Developments*

As a result of the restructuring initiatives implemented in fiscal 2009, we have positioned ourselves to compete strategically and seize opportunities as our economy emerges from the recession. Over the year, 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 have 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 the year are:

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.

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*Acquisition of Stanley Inc.*

On May 7, 2010, CGI announced a definitive merger agreement with Stanley, a provider of information technology 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.

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.

In line with our fourth pillar of strategic growth, Stanley's operations will increase our scale and our capabilities to serve the U.S. federal government, expanding our offering into the defense and intelligence space.

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 incorporate the operations of Stanley subsequent to August 17, 2010. Since the completion of the transaction, we have focused on the integration of Stanley into CGI and to date \$20.9 million of acquisition-related and integration costs have been incurred. We expect approximately \$5.4 million to be incurred over the next fiscal year. To date, on a run-rate basis, approximately 87% or \$23.4 million of our annual synergy target has been realized with the remainder expected to be achieved in the next nine months. The Company expects to realize an earnings per share accretion rate of approximately 15% to 20% for this transaction over the next 12 to 24 months.

*Bookings and Book-to-Bill Ratio*

The Company achieved a book-to-bill ratio of 124% for the year. 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%.

We provide information regarding bookings because we believe doing so provides useful information regarding changes in 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.

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*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 )	Seven years	Not released
	CGI Federal will deliver IT infrastructure support services to the EPA under the newly established ITS-EPA II program and will assist 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.		
November 3, 2009	Yellow Pages Group	10-year extension	\$100 million
	CGI will manage 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.		
November 5, 2009	U.S. Department of Housing and Urban Development ( HUD )	One year renewal	US\$58.1 million
	CGI administers HUD multi-family housing programs in California, Florida, New York, Ohio and Washington, DC, in conjunction with its state and local housing agency partners.		
December 15, 2009	North American financial institutions	New contracts & renewals	\$1.1 billion
	CGI has signed new contracts and renewals with North American financial institutions totaling \$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.		
January 19, 2010	U.S. Department of State and U.S. Agency for International Development	10 years	US\$395 million
	CGI will provide 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 will be deployed to help TP Group consolidate its current multi application, multi vendor environment to improve overall time to market and total cost of ownership.		
May 4, 2010		10 years	US\$168 million

California Department of Health Care  
Services

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 will continue 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.

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<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
June 17, 2010	State of Maine	11 years	Not released
	CGI will deliver managed application services for the State's AMS Advantage® enterprise resource planning system which supports financial management and procurement operations. CGI will host the State's AMS Advantage ERP system and provide disaster recovery services. CGI will also manage 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 will manage Atlantic Lottery's data center and provide related application support and development.		
July 7, 2010	The Beer Store	Seven years	Not released
	This new 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 new agreement, which will support productivity improvements, establishes 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 will continue to leverage its Halifax delivery center to provide systems development, maintenance and integration services to Manulife Financial.		
August 9, 2010	eHealth Ontario	Six years	\$46 million
	CGI will design, build, implement and manage a province-wide chronic disease management system and portal which will be used initially to better manage diabetes care, a top clinical priority for eHealth Ontario.		
August 11, 2010	Plexxus	Five years	\$34 million
	CGI will support 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.		

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September 30, 2010      U.S. General Services Administration      Five years      US\$46 million

Under the Data.gov Dataset Hosting Services BPA, CGI will provide hosting services for this important government information, as well as technology tools for dataset analysis, and professional services.

October 5, 2010      Bombardier Aerospace      Five years      US\$160 million

CGI will be 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.

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*Share Repurchase Program*

On January 27, 2010, the Company's Board of Directors authorized and 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 voting shares during the next year. The NCIB enables 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 may be purchased under the NCIB commencing February 9, 2010 and ending on the earlier of February 8, 2011, or the date on which the Company has either acquired the maximum number of Class A subordinate voting shares allowable under the NCIB, or elects 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 current and previous NCIB. As at September 30, 2010, the Company may purchase up to an additional 7.0 million shares under the current NCIB.

*Foreign currency impact*

The impact of foreign currency during fiscal 2010 decreased revenues by 5.8%. This compares 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.

*Fiscal Year ended September 30, 2009**Significant Developments*

Economic events in fiscal 2009 underscored the need to focus on the fundamentals – delivering projects on time and on budget, generating cash, managing costs, diligently paying down our debt and channeling business development efforts to achieve our profitable growth strategy. CGI's discipline in adhering to these fundamentals allowed us to maintain industry leading margins through challenging times. Moreover, we responded to our clients' need for lower cost alternatives by continuously investing in our existing centres of excellence and opening a new centre in Troy, Alabama, U.S.A. We also leveraged the economic downturn by presenting a service portfolio – Solutions for Tough Economic Times, to produce the quick return on investment clients needed to address budget reductions or deficits, increased expenses, and workforce reductions.

Highlights for the year were:

Bookings over \$4 billion, exceeding our target of 100% book-to-bill ratio;

Revenue of \$3.8 billion, an increase of 3.2% year-over-year;

The cost of services, selling and administrative expenses as a percentage of revenue was lowered to 82.9% from 83.9% in the prior year;

Higher adjusted EBIT margin, earnings from continuing operations margin, and net earnings margin compared to fiscal 2008 and 2007;

Both basic and diluted earnings per share from continuing operations grew more than 9.6% compared to fiscal 2008;

DSO improved to 39 days from 50 days a year ago;

Generated cash of \$630 million from continuing operations, an improvement of \$275 million over 2008; and

Finished the year with cash of \$343 million which was in excess of long-term debt by \$60 million.

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As part of its build and buy strategy, the Company's strategic expansion plans called for its profitable growth targets to be evenly split between acquisition and organic growth. Using our investment criteria, the Company reviewed several acquisition opportunities in fiscal 2009, but ultimately chose not to proceed because of timing, alignment or price considerations.

*Bookings and Book-to-Bill Ratio*

The Company achieved a book-to-bill ratio of 106% for the year. Book-to-bill is stated as a proportion of total bookings to revenue for the period. Of the \$4.1 billion in bookings signed during the year, 52% came from new business, while 48% came from extensions and renewals.

Our largest verticals for bookings were government & healthcare and financial services, making up approximately 46% and 41% of total bookings, respectively. From a geographical perspective, the U.S. made up 58% of total bookings, followed by Canada at 33% and Europe at 9%.

*Significant Bookings in the Year*

<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
October 14, 2008	Federal Communications Commission	10 years	US\$25 million
	Federal Communications Commission selected CGI as the prime contractor to provide its Momentum® financial management software and Financial Management Line of Business hosting solution as a part of the agency's Core Financial System Replacement initiative.		
October 20, 2008	North Carolina Department of Revenue	Three years	US\$55.3 million
	CGI helps improve state tax administration by building a second-generation integrated tax management solution that employs commercial off-the-shelf products configured specifically for the Department of Revenue's needs.		
March 10, 2009	Cigna	Multi-year	US\$35 million per year
	CGI assumed responsibility for maintaining service delivery for applications supporting claims, billing, banking, sales and underwriting, enrollment and eligibility, and reinsurance.		
March 17, 2009	Centers for Medicare & Medicaid Services	Five and one-half years	US\$135 million
	CGI was awarded the Medicare Advantage & Part D Maintenance and Enhancement Services contract for updating and enhancing the system's performance and scalability.		
March 25, 2009	Foresters	10 years	\$182 million
	CGI delivers IT application maintenance and development services from its centres of excellence in Toronto, Halifax and Bangalore while IT infrastructure services including data centre mainframe, voice communications, IT help desk and distributed computing services are delivered from its centres in Ontario.		
April 7, 2009	General Services Administration	Five years	US\$43 million

CGI updates the agency's legacy billing and accounts receivable modules. Full life cycle services and infrastructure hosting are included in this contract.

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<b>Announcement Date</b>	<b>Client</b>	<b>Duration</b>	<b>Value</b>
April 8, 2009	Environmental Protection Agency	Three years	US\$67 million
	CGI was selected by the U.S. Environmental Protection Agency to provide support for the Central Data Exchange, the point of entry for the transmission of environmental data to EPA on the national Environmental Information Exchange Network.		
April 17, 2009	State of Louisiana	Three years	US\$40 million
	CGI delivers IT operations and service management to support Louisiana's ongoing Road Home Program. To successfully manage the complex series of IT interactions that support the Road Home program, the CGI team delivers application maintenance, user support, data warehouse services and reporting, as well as disaster recovery and continuity of operations planning.		
May 14, 2009	General Services Administration	Five years	US\$52 million
	CGI provides operations and maintenance support and software upgrades for the agency's Pegasys financial management application. The Pegasys financial management system, which is hosted in CGI's Phoenix data centre, is based on CGI's market leading Momentum® financial management software. It supports users from 11 regions across the country and the processing of nearly 20 million transactions totalling over US\$24 billion annually. Under this contract, CGI provides project management, production support, testing, development and implementation support as well as software upgrades and maintenance.		
July 29, 2009	Commonwealth of Virginia	Until June 2016	US\$70 million
	Contract was extended for CGI's award-winning Electronic Procurement System (eVA). Between the implementation of the system in 2001 and the end of fiscal 2009, the Commonwealth used eVA to purchase \$20 billion of products and services, with \$11.6 billion purchased from small, minority or women-owned business, while saving the state and taxpayers more than \$280 million.		
August 27, 2009	Government of Canada	Four-year extension	\$78 million
	The Company has been working with Public Works and Government Services Canada to define, scope and implement Results Base Services through a CGI managed services delivery model.		
October 9, 2009	General Services Administration	Five years	US\$32 million
	CGI provides data centre hosting and application management support of the agency's Integrated Financial System, which is based on CGI's Momentum® financial management		

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software. This contract was signed prior to and announced subsequent to our fiscal 2009 year end.

October 13, 2009

Daimler Financial Services ( DFS )

Five-year  
extension

Not released

CGI provides a full end-to-end applications management service for international Vehicle Asset Financing providing DFS with a cost-effective service to streamline and standardize its business processes, while at the same time maximizing operational savings by utilizing CGI's industry leading outsourcing services. This contract was signed prior to and announced subsequent to our fiscal 2009 year end.

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*Share Repurchase Program*

On January 27, 2009, the Company's Board of Directors authorized the renewal of a Normal Course Issuer Bid and the purchase of up to 10% of the public float of the Class A subordinate voting shares during the one year period ended February 8, 2010. The Company received approval from the Toronto Stock Exchange for its intention to make the Normal Course Issuer Bid, which allowed CGI to purchase on the open market, through the facilities of the Toronto Stock Exchange, up to 26,970,437 Class A subordinate voting shares for cancellation.

During fiscal 2009, the Company repurchased 9,525,892 of its Class A subordinate voting shares for \$99.9 million at an average share price including commissions of \$10.49, under the then current and the previous Normal Course Issuer Bid.

*Foreign currency impact*

The impact of foreign currency during fiscal 2009 increased revenues by 5.1%. This compares to a reduction of 3.3% in fiscal 2008 and 0.3% in fiscal 2007. The foreign currency impact in 2009 was mainly due to the strengthening of the U.S. dollar.

*Fiscal Year ended September 30, 2008**Significant Developments*

CGI delivered strong financial performance throughout fiscal 2008. Steady organic and profitable growth as well as leading margins characterized our operational performance. The Company booked 30% more new business in fiscal 2008 compared with the previous year and the more significant bookings are outlined below. As part of its build and buy strategy, the Company's strategic expansion plans called for its growth targets to be evenly split between acquisition and organic growth. Using our disciplined investment criteria, the Company reviewed several acquisition opportunities in fiscal 2008, but ultimately chose not to proceed because of timing, alignment or price.

Instead, cash was re-invested in organic growth, reducing debt and buying back shares as part of the Company's Normal Course Issuer Bid. During the year, we repaid \$106.2 million of our credit facility net of drawings, and repurchased 19.9 million shares for \$213.5 million.

*Bookings*

The Company booked new business that exceeded its revenue, resulting in a book-to-bill ratio of 112% for the year. The book-to-bill ratio is stated as a proportion of total bookings to revenue for the period. New business booked in the year was across all verticals and geographies. Our three largest verticals for bookings were government and healthcare, financial services, and telecommunications and utilities, making up approximately 40%, 35% and 13% of total bookings, respectively. From a geographical perspective, Canada made up 51% of total bookings, followed by the U.S. and Europe at 41% and 8%, respectively.

All geographies showed year-over-year booking improvements highlighted by Canada with 47% followed by Europe and U.S. with improvements of 26% and 15%, respectively.

*Significant Bookings in the Year*

October 3, 2007: 10-year US\$110 million managed services contract with Océ North America to deliver infrastructure services, including end-user computing, service desk, enterprise operations and data center hosting.

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November 14, 2007: Three-year \$91.8 million contract with Public Works and Government Services Canada ( PWGSC ) for the provision of engineering and technical management services to their Information Technology Services Branch. The agreement also entitles PWGSC to four one-year extensions, with a total potential contract value of \$400 million.

February 4, 2008: Two-year contract valued at approximately US\$27 million with the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services ( CMS ) to implement CMS Provider Enrollment Chain and Ownership System One-Stop-Shop release.

April 2, 2008: Consulting contracts awarded by Revenu Québec valued at more than \$40 million for the improvement of the government's existing personal income tax system and the development of a new system.

April 10, 2008: 10-year project valued at US\$83 million with the U.S. Environmental Protection Agency to modernize its financial system using CGI's commercial Momentum® software, and to transition its financial system IT hosting and application management to CGI.

May 1, 2008: Five-year contract with Daimler Financial Services to provide a full end-to-end applications management service for international Vehicle Asset Financing.

May 7, 2008: 10-year US\$115 million contract with Magnolia Insurance Company to provide back-office services including complete policy administration, billing and accounting, claims administration, statistical reporting, and statutory accounting services.

May 28, 2008: Three-year US\$29.6 million contract with the Oregon Department of Human Services to design, develop and implement its next generation Statewide Automated Child Welfare Information System.

June 19, 2008: Seven-year agreements valued at US\$80 million with Australia and New Zealand Banking Group Limited and Bank of Montreal Financial Group to extend their use of CGI's Proponix global trade platform.

September 15, 2008: Five-year agreement with the Ontario Education Collaborative Marketplace valued at \$40 million to build and manage the electronic marketplace.

October 8, 2008: Seven-year contract extension with Co-operators General Insurance Company valued at approximately \$110 million, whereby CGI will continue to provide data center services. This contract renewal was signed prior to and announced subsequent to our year end.

#### *Divestiture*

As announced on July 21, 2008, the Company divested its Canadian claims adjusting and risk management services business for a consideration of \$38.1 million. The Company received net cash proceeds of \$29.2 million in August 2008. Of the remaining \$6.4 million, \$5.5 million is to be paid on or before August 5, 2014. The net assets disposed of included goodwill of \$7.7 million, which is net of an impairment of \$4.1 million. Additional information on this transaction is provided in Note 19 to our 2008 consolidated financial statements.

Prior to this transaction, management regularly reviewed CGI's operating results based on its two lines of business IT services and BPS. Subsequent to this divestiture, the Company integrated BPS into its ITS line of business to drive incremental operating efficiencies (see the heading *Business Structure* earlier in this document).

*Share Repurchase Program*

On February 5, 2008, the Company's Board of Directors authorized the renewal of a Normal Course Issuer Bid and the purchase of up to 10% of the public float of the Class A subordinate voting shares during the one year period ended February 6, 2009. The Company received approval from the Toronto Stock Exchange for its intention to make an Issuer Bid, which allowed CGI to purchase on the open market, through the facilities of the Toronto Stock Exchange, up to 28,502,941 Class A subordinate voting shares for cancellation.

During fiscal 2008, the Company repurchased 19,910,068 of its Class A subordinate voting shares for \$213.5 million at an average share price of \$10.72, under the then current and the previous Normal Course Issuer Bid.

*Foreign currency impact*

The impact of foreign currency during fiscal 2008 reduced revenues by 3.3%. This compares to a reduction of 0.3% in fiscal 2007 and 3.0% in fiscal 2006. The foreign currency impact in 2008 resulted mainly from unfavourable U.S. dollar fluctuations.

**FORWARD LOOKING INFORMATION AND RISK FACTORS****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 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.

**Risk Factors**

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.

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*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 length of the sales cycle for major outsourcing contracts*

As outsourcing deals become larger and more complex, the Company is experiencing longer selling cycles lasting between 12 and 24 months. The lengthening sales cycle could affect our ability to meet annual growth targets.

*The availability and retention of qualified IT professionals*

There is strong demand for qualified individuals in the IT industry. Therefore, it is important that we remain able to successfully attract and retain highly qualified staff. 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 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.

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*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**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 makes us subject to currency fluctuations; the burden of complying with a wide variety of national and local laws; differences in and uncertainties arising from local business culture and practices; multiple and sometimes conflicting laws and regulations, including tax laws; changes to tax laws including the availability of tax credits and other incentives that may adversely impact the cost of the services we provide; operating losses incurred in certain countries as we develop our international service delivery capabilities and the non-deductibility of these losses for tax purposes; the absence in some jurisdictions of effective laws to protect our intellectual

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property rights; restrictions on the movement of cash and other assets; restrictions on the import and export of certain technologies; restrictions on the repatriation of earnings; and political, social and economic instability including the threats of terrorism and pandemic illnesses. We have a hedging strategy in place to mitigate foreign currency exposure; but, other than the use of financial products to deliver on our hedging strategy, we do not trade derivative financial instruments. Any or all of these risks could impact our global business operations and cause our profitability to decline.

*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.

*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 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 professional training programs and attrition rates among our personnel appropriately. To the extent that we fail 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.

*Government business risk*

Changes in federal, provincial or state 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

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governments in general, or by specific departments or agencies in particular; the adoption of new legislation 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. Our client base in the government economic sector is very diversified with contracts from many different departments and agencies in the U.S. and Canada; however, 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 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 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.

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*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 acquisitions*

A significant part of our growth strategy is dependent on our ability to continue making large acquisitions to increase our critical mass in selected geographic areas, as well as niche acquisitions to increase the breadth and depth of our service offerings. The successful execution of our strategy 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. Without additional acquisitions, we are unlikely to maintain our historic or expected growth rates.

*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 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.

**LEGAL PROCEEDINGS**

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. 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.

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**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, a joint venture, pursuant to which CGI is its preferred IT supplier. The Company exercises joint control over Innovapost's operating, financing and investing activities through its 49% ownership interest.

**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.

**AUDITORS**

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 pertinent pages of any document incorporated by reference in the *Annual Information Form*, (ii) a copy of the comparative financial statements of the Company for the year ended September 30, 2010 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 13, 2010 and (iv) a copy of the business booklet and of the financial booklet of the *2010 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 13, 2010.

Additional financial information in relation to the last fiscal year ended September 30, 2010, is presented in the audited consolidated financial statements and in the *Management's Discussion & Analysis* contained in the financial booklet of the *2010 Annual Report* entitled *Numbers*.

The documents mentioned above are available on [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:

1130 Sherbrooke Street West

7th Floor

Montreal, Quebec

H3A 2M8

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	67
Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI Group Inc. by Insiders	70

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**Fundamental Texts of CGI Group Inc.**

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**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><u>Presentation</u></b>	<b>1</b>
<b><u>1. Dream, Mission, Vision and Values</u></b>	<b>2</b>
<b><u>2. CGI Management Foundation</u></b>	<b>12</b>
<b><u>3. 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><u>4. Codes of Ethics</u></b>	<b>48</b>
<u>4.1 Code of Ethics and Business Conduct for members, officers and directors of CGI</u>	49
<u>4.2 Executive Code of Conduct</u>	67
<u>4.3 Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI by</u>	
<u>Insiders</u>	70
<b><u>Appendix</u></b>	<b>94</b>
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**1. Dream, Mission, Vision and Values**

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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 win and grow.

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.

## CORPORATE SOCIAL RESPONSIBILITY

Our business model is designed to ensure that we are close to our clients and communities. 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.

#### **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

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.

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.  
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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## **2. CGI Management Foundation**

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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**

**Dream, Mission, Vision, Values, Quality Policies, Strategic Directions & 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**

**Governance Policies, Management Frameworks, HR Policies, Financial Policies & 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.

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

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practices. The process is also constantly fuelled by client, member and shareholder evaluations of our activities and performance.

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.

Client Satisfaction  
Assessment Program

Member Satisfaction  
Assessment Program

Shareholder Satisfaction  
Assessment Program

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.

**3. Documents and Policies Pertaining to Corporate Governance**

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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

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.

- 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.

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

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
  - 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.

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.



- 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.

- 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.

### **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

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.
  - (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.

- 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.

- 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.

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.



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.

### **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

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.
- (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.

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;
- 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

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.

### **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.

- 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.



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.

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.

- 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.

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;

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.

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.

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,

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.

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.



#### **4. Codes of Ethics**

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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 win and grow.

## **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.

## 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.

#### **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**

###### **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.

##### **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;
- 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.

## **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.

### **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.

### **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 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.

**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 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.

## 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.

#### **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.

### **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.

### **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.

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 distance 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.ethicspoint.com](http://www.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.

### QUESTIONS

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

## 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

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.

## 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.

### 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).

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.



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.

## 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

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.

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.

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.

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).

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.

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.

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.

#### 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.

## 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).

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.

## 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

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.

- 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.

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



- 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;
    - 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.

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);

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.

### **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
  - (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.

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 10 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.

**Appendix**

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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,
    - (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;



- (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.
-

- (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.

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 accounting principles generally accepted in Canada 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 8, 2010

(signed)

**R. David Anderson**

Executive Vice-President and Chief Financial Officer

## 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.

There were two exclusions from our assessment. Our interest in a joint venture was excluded from our assessment as we do not have the ability to dictate or modify the joint venture's internal control over financial reporting, and we do not have the practical ability to assess those controls. Our interest in the joint venture represents approximately 1% of our consolidated total assets and approximately 2% of our consolidated revenue as at and for the year ended September 30, 2010. We have assessed the Company's internal controls over the inclusion of our share of the joint venture and its results for the year in our consolidated financial statements. In addition, management's assessment and conclusion on the effectiveness of internal controls over financial reporting excludes the controls, policies and procedures of Stanley, Inc. (Stanley) which was acquired six weeks prior to the Company's fiscal year-end. Our assessment is limited to the internal controls over the inclusion of its financial position and results in our consolidated financial statements. Stanley's operations represent approximately 28% of our consolidated total assets (including intangible assets and goodwill) and approximately 3% of our consolidated revenue for the year ended September 30, 2010. The exclusion is due to the short time frame between the consummation date of the acquisition and the date of management's assessment.

As of the end of the Company's 2010 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, 2010, was effective.

The effectiveness of the Company's internal control over financial reporting as at September 30, 2010, has been audited by the Company's independent auditors, as stated in their report appearing on page 42.

(signed)

**Michael E. Roach**

President and Chief Executive Officer  
November 8, 2010

(signed)

**R. David Anderson**

Executive Vice-President and Chief Financial Officer



## **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 at September 30, 2010, 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 its interest in a joint venture, which is included in the 2010 consolidated financial statements of the Company, and constituted approximately 1% of total assets as of September 30, 2010 and approximately 2% of revenues for the year then ended. In addition, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Stanley, Inc., acquired six weeks prior to the Company's fiscal year-end, which is included in the 2010 consolidated financial statements of the Company and constituted approximately 28% of total assets (including intangible assets and goodwill) as of September 30, 2010 and approximately 3% of revenues 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 its interest in a joint venture and of Stanley, Inc.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2010 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, 2010, and our report dated November 8, 2010 expressed an unqualified opinion thereon.

(signed)<sup>1</sup>

**Ernst & Young LLP**

Chartered Accountants

Montréal, Canada

November 8, 2010

1 Chartered accountant auditor permit No. 15859

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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 consolidated balance sheet of CGI Group Inc. (the Company) as at September 30, 2010 and the consolidated statements of earnings, comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for the years ended September 30, 2009 and 2008, were audited by other auditors whose report dated November 8, 2009, expressed an unqualified opinion on those statements and included a comment paragraph for U.S. readers that disclosed changes in the Company's accounting principles discussed in Note 2 to those financial statements.

We conducted our audit 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2010 and the consolidated results of its operations and its cash flows for the year then ended in conformity with Canadian generally accepted accounting principles.

As explained in note 2 to the consolidated financial statements, in 2010, the Company adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, Section 1602, Non-Controlling Interests, and amendments to Section 3862, Financial Instruments Disclosures. As explained in note 28, in 2010 the Company adopted the requirements of the Financial Accounting Standards Board's (FASB) ASC Topic 805, Business Combinations.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 8, 2010 expressed an unqualified opinion thereon.

(signed)<sup>1</sup>

**Ernst & Young LLP**

Chartered Accountants

Montréal, Canada

November 8, 2010

<sup>1</sup> Chartered accountant auditor permit No. 158599



Consolidated Financial Statements  
Consolidated Statements of Earnings

Years ended September 30 (in thousands of Canadian dollars, except share data)	2010	2009 (Restated Note 2a)	2008 (Restated Note 2a)
	\$	\$	\$
<b>Revenues</b>	<b>3,732,117</b>	3,825,161	3,705,863
Operating expenses			
Costs of services, selling and administrative (Note 17)	<b>3,025,823</b>	3,170,406	3,110,760
Amortization (Note 14)	<b>195,308</b>	195,761	163,172
Acquisition-related and integration costs (Note 18a)	<b>20,883</b>		
Interest on long-term debt	<b>17,123</b>	18,960	27,284
Interest income	<b>(2,419)</b>	(2,908)	(5,570)
Other (income) expenses	<b>(952)</b>	3,569	3,341
Foreign exchange (gain) loss	<b>(916)</b>	(1,747)	1,445
Gain on sale of capital assets	<b>(469)</b>		
	<b>3,254,381</b>	3,384,041	3,300,432
Earnings from continuing operations before income taxes	<b>477,736</b>	441,120	405,431
Income tax expense (Note 16)	<b>114,970</b>	125,223	106,297
Earnings from continuing operations	<b>362,766</b>	315,897	299,134
Earnings (loss) from discontinued operations, net of income taxes (Note 19)		1,308	(5,134)
<b>Net earnings</b>	<b>362,766</b>	317,205	294,000
<b>Attributable to:</b>			
Shareholders of CGI Group Inc.			
Earnings from continuing operations	<b>362,386</b>	315,158	298,266
Earnings (loss) from discontinued operations		1,308	(5,134)
Net earnings attributable to shareholders of CGI Group Inc.	<b>362,386</b>	316,466	293,132
Non-controlling interest			
Net earnings attributable to non-controlling interest	<b>380</b>	739	868
<b>Net earnings</b>	<b>362,766</b>	317,205	294,000
<b>Basic earnings (loss) per share attributable to shareholders of CGI Group Inc.</b>			
Continuing operations (Note 13)	<b>1.27</b>	1.03	0.94
Discontinued operations			(0.02)
	<b>1.27</b>	1.03	0.92

**Diluted earnings (loss) per share attributable to shareholders of CGI Group Inc.**

Continuing operations (Note 13)	<b>1.24</b>	1.02	0.92
Discontinued operations			(0.02)
	<b>1.24</b>	1.02	0.90

See Notes to the consolidated financial statements.

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## Consolidated Statements of Comprehensive Income

Years ended September 30 (in thousands of Canadian dollars)	<b>2010</b>	2009 (Restated Note 2a)	2008 (Restated Note 2a)
	\$	\$	\$
<b>Net earnings</b>	<b>362,766</b>	317,205	294,000
Net unrealized (losses) gains on translating financial statements of self-sustaining foreign operations (net of income taxes)	<b>(53,598)</b>	6,249	66,200
Net unrealized gains (losses) on translating long-term debt designated as hedges of net investments in self-sustaining foreign operations (net of income taxes)	<b>15,806</b>	15,739	(538)
Net unrealized gains (losses) on cash flow hedges (net of income taxes)	<b>2,036</b>	13,446	(1,013)
Other comprehensive (loss) income (Note 15)	<b>(35,756)</b>	35,434	64,649
<b>Comprehensive income</b>	<b>327,010</b>	352,639	358,649
<b>Attributable to:</b>			
Shareholders of CGI Group Inc.	<b>326,630</b>	351,900	357,781
Non-controlling interest	<b>380</b>	739	868

See Notes to the consolidated financial statements.  
Consolidated Statements of Retained Earnings

Years ended September 30 (in thousands of Canadian dollars)	<b>2010</b>	2009 (Restated Note 2a)	2008 (Restated Note 2a)
	\$	\$	\$
<b>Retained earnings, beginning of year</b>	<b>1,182,237</b>	921,380	750,138
Net earnings attributable to shareholders of CGI Group Inc.	<b>362,386</b>	316,466	293,132
Excess of purchase price over carrying value of Class A subordinate shares acquired (Note 11)	<b>(347,940)</b>	(55,609)	(121,890)
Change in subsidiary investment	<b>(297)</b>		
<b>Retained earnings, end of year</b>	<b>1,196,386</b>	1,182,237	921,380

See Notes to the consolidated financial statements.



## Consolidated Balance Sheets

As at September 30 (in thousands of Canadian dollars)	2010	2009 (Restated Note 2a)
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 3)	127,824	343,427
Short-term investments	13,196	
Accounts receivable (Note 4)	423,926	461,291
Work in progress	358,984	249,022
Prepaid expenses and other current assets	76,844	82,237
Income taxes	7,169	2,759
Future income taxes (Note 16)	16,509	15,110
Total current assets before funds held for clients	1,024,452	1,153,846
Funds held for clients	248,695	332,359
Total current assets	1,273,147	1,486,205
Capital assets (Note 5)	238,024	212,418
Intangible assets (Note 6)	516,754	455,775
Other long-term assets (Note 7)	42,261	60,558
Future income taxes (Note 16)	11,592	10,173
Goodwill (Note 8)	2,525,413	1,674,781
	<b>4,607,191</b>	<b>3,899,910</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	304,376	306,826
Accrued compensation	191,486	165,981
Deferred revenue	145,793	136,135
Income taxes	86,877	88,002
Future income taxes (Note 16)	26,423	50,250
Current portion of long-term debt (Note 10)	114,577	17,702
Total current liabilities before clients' funds obligations	869,532	764,896
Clients' funds obligations	248,695	332,359
Total current liabilities	1,118,227	1,097,255
Future income taxes (Note 16)	170,683	171,697
Long-term debt (Note 10)	1,039,299	265,428
Other long-term liabilities (Note 9)	119,899	83,934
	<b>2,448,108</b>	<b>1,618,314</b>

Commitments, contingencies and guarantees (Note 25)

**Shareholders equity**

Retained earnings	<b>1,196,386</b>	1,182,237
Accumulated other comprehensive loss (Note 15)	<b>(321,746)</b>	(285,990)
	<b>874,640</b>	896,247
Capital stock (Note 11)	<b>1,195,069</b>	1,298,270
Contributed surplus (Note 12c)	<b>82,922</b>	80,737
Equity attributable to shareholders of CGI Group Inc.	<b>2,152,631</b>	2,275,254
Equity attributable to non-controlling interest	<b>6,452</b>	6,342
	<b>2,159,083</b>	2,281,596
	<b>4,607,191</b>	3,899,910

See Notes to the consolidated financial statements.

Approved by the Board

(signed)

Director

**Michael E. Roach**

(signed)

Director

**Serge Godin**

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## Consolidated Statements of Cash Flows

Years ended September 30 (in thousands of Canadian dollars)	2010	2009 (Restated Note 2a)	2008 (Restated Note 2a)
	\$	\$	\$
<b>Operating activities</b>			
Earnings from continuing operations	<b>362,766</b>	315,897	299,134
Adjustments for:			
Amortization (Note 14)	<b>219,740</b>	218,087	186,120
Future income taxes (Note 16)	<b>(21,417)</b>	29,300	(22,675)
Foreign exchange (gain) loss	<b>(828)</b>	723	1,846
Stock-based compensation (Note 12a)	<b>15,517</b>	8,617	5,131
Gain on sale of capital assets	<b>(469)</b>		
Net change in non-cash working capital items (Note 21a)	<b>(22,942)</b>	57,620	(113,886)
Cash provided by continuing operating activities	<b>552,367</b>	630,244	355,670
<b>Investing activities</b>			
Purchase of short-term investments	<b>(12,940)</b>		
Business acquisitions (net of cash acquired) (Note 18)	<b>(899,564)</b>	(997)	(3,911)
Proceeds from sale of assets and businesses (net of cash disposed)	<b>4,100</b>	4,991	29,238
Purchase of capital assets	<b>(47,684)</b>	(69,212)	(60,983)
Proceeds from disposal of capital assets	<b>896</b>		
Additions to intangible assets	<b>(69,722)</b>	(62,367)	(60,942)
Decrease in other long-term assets			3,019
Cash used in continuing investing activities	<b>(1,024,914)</b>	(127,585)	(93,579)
<b>Financing activities</b>			
Use of credit facilities	<b>939,394</b>	144,694	90,305
Repayment of credit facilities	<b>(82,684)</b>	(157,505)	(196,533)
Repayment of long-term debt	<b>(125,168)</b>	(117,752)	(10,153)
Proceeds on settlement of forward contracts (Note 10)		18,318	
Repurchase of Class A subordinate shares (including share repurchase costs)	<b>(516,699)</b>	(101,698)	(216,208)
Issuance of shares	<b>53,039</b>	16,141	32,423
Change in subsidiary investment	<b>(571)</b>	(425)	
Cash provided by (used in) continuing financing activities	<b>267,311</b>	(198,227)	(300,166)
Effect of foreign exchange rate changes on cash and cash equivalents from continuing operations	<b>(10,367)</b>	(11,300)	398
Net (decrease) increase in cash and cash equivalents from continuing operations	<b>(215,603)</b>	293,132	(37,677)

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Net cash and cash equivalents provided by (used in) discontinued operations (Note 19)		161	(1,068)
Cash and cash equivalents, beginning of year	<b>343,427</b>	50,134	88,879
<b>Cash and cash equivalents, end of year (Note 3)</b>	<b>127,824</b>	343,427	50,134

Supplementary cash flow information (Note 21)  
See Notes to the consolidated financial statements.

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Notes to the Consolidated Financial Statements

**Years ended September 30, 2010, 2009 and 2008**

(tabular amounts only are in thousands of Canadian dollars, except share data)

Note 1

Description of business

CGI Group Inc. (the Company), directly or through its subsidiaries, manages information technology services (IT services), including outsourcing, systems integration and consulting, software licenses and maintenance, as well as business process services (BPS) to help clients cost effectively realize their strategies and create added value.

Note 2

Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP), which differ in certain material respects from U.S. GAAP. A reconciliation between Canadian and U.S. GAAP can be found in Note 28. Certain comparative figures have been reclassified in order to conform to the presentation adopted in 2010.

changes in accounting policies

On October 1, 2009, the Company elected to adopt the following Handbook Sections issued by the Canadian Institute of Chartered Accountants (CICA) during the year as they primarily converge with the International Financial Reporting Standards (IFRS) and U.S. GAAP:

- a) Section 1582, Business Combinations, which replaces Section 1581, Business Combinations. The Section establishes standards for the accounting for a business combination. It is similar to the corresponding provisions of IFRS 3 (Revised), Business Combinations and of U.S. GAAP standard, Accounting Standards Codification (ASC) Topic 805, Business Combinations. The new Section requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at their acquisition-date fair values including non-controlling interest and contingent consideration. Subsequent changes in fair value of contingent consideration classified as a liability are recognized in earnings. Acquisition-related and integration costs are also to be expensed as incurred rather than considered as part of the purchase price allocation. In addition, changes in estimates associated with future income tax assets after the measurement period are recognized as income tax expense rather than as a reduction of goodwill, with prospective application to all business combinations regardless of the date of acquisition.

Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These sections are similar to the corresponding provisions of IFRS standard, International Accounting Standards 27 (Revised), Consolidated and Separate Financial Statements and of U.S. GAAP standard, ASC Topic 810, Consolidation.

Section 1602 requires the Company to report non-controlling interests as a separate component of shareholders equity rather than as a liability on the consolidated balance sheets. Transactions between an entity and non-controlling interests are considered as equity transactions. In addition, the attribution of net earnings and comprehensive income between the Company's shareholders and non-controlling interests is presented separately in the consolidated statements of earnings and comprehensive income rather than reflecting non-controlling interests as a deduction of net earnings and total comprehensive income.

In accordance with the transitional provisions, these sections have been applied prospectively, with the exception of the presentation requirements for non-controlling interest, which must be applied retrospectively. The adoption of these sections change the accounting of the business combination realized in fiscal year 2010 for which acquisition-related and integration costs of \$20,883,000 with associated income tax expense of \$3,688,000 were recorded directly in the consolidated statement of earnings (refer to Note 18a). The previously unrecognized future tax assets related to losses carried forward of past acquisitions of \$7,378,000 were also recognized as a

reduction of income tax expense (refer to Note 18b). In addition, the above-mentioned reclassifications of non-controlling interest have been reflected in the consolidated financial statements and had no significant impact. The effects on future periods will depend on the nature and significance of the business combinations subject to these standards.

- b) In June 2009, the CICA amended Section 3862 Financial Instruments Disclosures to adopt the amendments proposed by the International Accounting Standards Board ( IASB ) to IFRS 7 Financial Instruments: Disclosures . The amendments were made to enhance disclosure requirements about the liquidity risk and fair value measurement of financial instruments. The amendments are effective for annual financial statements relating to fiscal years ending after September 30, 2009, and comparative information is not required in the first year of adoption. The Company adopted these amendments in fiscal 2010. The adoption of these amendments had no impact on the consolidated financial statements. The new disclosures are included in Note 26.

## **USE OF ESTIMATES**

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and shareholders' 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 inherent in the financial reporting process, actual results could differ from those estimates. Significant estimates include, but are not limited to, purchase accounting and goodwill, income taxes, contingencies and other liabilities, revenue recognition, stock based compensation, investment tax credits and government programs and the impairment of long-lived assets and goodwill.

## **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 investment using the proportionate consolidation method.

## **REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE**

The Company generates revenue principally through the provision of IT services and BPS.

The IT services include a full range of information technology services, namely: i) outsourcing ii) systems integration and consulting iii) software licenses and iv) provision of maintenance. BPS provides business processing for the financial services sector, as well as other services such as payroll, insurance processing and document management services.

The Company provides services and products under arrangements that contain various pricing mechanisms. The Company recognizes revenue when persuasive evidence of an arrangement exists, services or products have been provided to the client, the fee is fixed or determinable, and collectability is reasonably assured.

The Company's arrangements often include a mix of the services listed below. If an arrangement involves the provision of multiple elements, the total arrangement value is allocated to each element as a separate unit of accounting if: 1) the delivered item has value to the client on a stand-alone basis; 2) there is objective and reliable evidence of the fair value of the undelivered item; and 3) in an arrangement that includes a general right of return relative to the delivered item, the delivery or performance of the undelivered item is considered probable and substantially in the control of the Company. If these criteria are met, then the total consideration of the arrangement is allocated among the separate units of accounting based on their relative fair values. Fair value is established based on the internal or external evidence of the amount charged for each revenue element. However, some software license arrangements are subject to specific policies as described below in [Software license arrangements](#).

In situations where there is fair value for all undelivered elements, but not for the delivered elements, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of revenue allocated to the delivered elements equals the total arrangement consideration less the aggregate fair value of any undelivered elements.

For all types of arrangements, the appropriate revenue recognition method is applied for each unit of accounting, as described below, based on the nature of the arrangement and the services included in each unit of accounting. All deliverables that do not meet the separation criteria are combined into one unit of accounting and the most appropriate revenue recognition method is applied.

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. If uncertainty exists about client acceptance, revenue is not recognized until acceptance occurs. 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 the 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 the historical experience with the specific client.

Provisions for estimated contract losses, if any, are recognized in the period in which the loss is determined. Contract losses are measured at the amount by which the estimated total costs exceed the estimated total revenue from the contract.

## **OUTSOURCING AND BPS ARRANGEMENTS**

Revenue from outsourcing and BPS arrangements under time and materials and unit-priced arrangements are recognized as the services are provided at the contractually stated price. If the contractual per-unit prices within a unit-priced contract change during the term of the arrangement, the Company evaluates whether it is more appropriate to record revenue based on the average per-unit price during the term of the contract or based on the actual amounts billed.

Revenue from outsourcing and BPS arrangements under fixed-fee arrangements is recognized on a straight-line basis over the term of the arrangement, regardless of the amounts billed, 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 and software licenses arrangements where the implementation services are essential to the functionality of the software or where the software requires significant customization are recognized using the percentage-of-completion method over the implementation period. The Company uses the labour costs or labour hours incurred to date 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 are reflected in the statement of earnings in the period in which the facts that gave rise to the revision become known.

Revenue from systems integration and consulting services under benefits-funded arrangements is recognized only to the extent it can be predicted, with reasonable certainty, that the benefit stream will generate amounts sufficient to fund the value on which revenue recognition is based.

**Software license arrangements**

Most of the Company's software license arrangements are accounted for as described above in Systems integration and consulting services. In addition, the Company has software license arrangements that do not include implementation services that are essential to the functionality of the software or software that requires significant customization, but that may involve the provision of multiple elements such as integration and post-contract customer support. For these types of arrangements, revenue from software licenses is recognized upon delivery of software if persuasive evidence of an arrangement exists, collection is probable, the fee is fixed or determinable and vendor-specific objective evidence (VSOE) of fair value of an arrangement exists to allocate the total fee to the different elements of an arrangement based on their relative VSOE of fair value. The residual method, as defined above, using VSOE of fair value can be used to allocate the arrangement consideration. VSOE of fair value is established through internal evidence of prices charged for each revenue element when that element is sold separately. Revenue from maintenance services for licenses sold and implemented is recognized ratably over the term of the contract.

**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 performances of services are classified as deferred revenue.

**REIMBURSEMENTS**

Reimbursements, including those relating to travel and other out-of-pocket expenses, and other similar third party costs, such as the cost of hardware and software re-sales, are included in revenue, and the corresponding expense is included in costs of services when the Company has assessed that the costs meet the criteria for gross revenue recognition.

**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 of term deposits, have remaining maturities over three months, but not more than one year, at the date of purchase. Short-term investments are designated as held-for-trading and are carried at fair value.

**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 Company presents the funds held for clients and related obligations separately.

**CAPITAL ASSETS**

Capital assets, including those under capital leases, are recorded at cost and are amortized over their estimated useful lives using the straight-line method.

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

**INTANGIBLE ASSETS**

**Contract costs**

Contract costs are mainly incurred when acquiring or implementing long-term IT services and BPS contracts. Contract costs are classified as intangible assets. These assets are recorded at cost and amortized using the straight-line method over the term of the respective contracts. Contract costs are comprised primarily of incentives and transition costs.

Occasionally, incentives are granted to clients upon signing of outsourcing contracts. These incentives can be granted either in the form of cash payments, issuance of equity instruments or discounts awarded principally over a transition period, as negotiated in the contract. In the case of equity instruments, cost is measured at the estimated fair value at the time they are issued. For discounts, cost is measured at the value of the granted financial commitment and a corresponding amount is recorded as deferred revenue. As services are provided to the client, the amount is amortized and recorded as a reduction of revenue.

Capital assets acquired from a client in connection with outsourcing contracts are capitalized as such and amortized consistent with the amortization policies described previously. The excess of the amount paid over the fair value of capital assets acquired in connection with outsourcing contracts is considered as an incentive granted to the client, and is recorded as described in the preceding paragraph.

Transition costs consist of expenses 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 expenses related to activities such as the conversion of the client's applications to the Company's platforms. These incremental costs are comprised essentially of labour costs, including compensation and related fringe benefits, as well as subcontractor costs.

Pre-contract costs associated with acquiring or implementing long-term IT services and BPS contracts are expensed as incurred except where it is virtually certain that the contracts will be awarded and the costs are incremental and directly related to the acquisition of the contract. Eligible pre-contract costs are recorded at cost and amortized using the straight-line method over the expected term of the respective contracts.

#### **Other intangible assets**

Other 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 for distribution are capitalized when they meet specific capitalization criteria related to technical, market and financial feasibility. Business solutions and software licenses acquired through a business combination are initially recorded at fair value based on the estimated net future income producing capabilities of the software products. Client relationships are acquired through business combinations and are initially recorded at their fair value based on the present value of expected future cash flows.

The Company amortizes its other 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

#### **IMPAIRMENT OF LONG-LIVED ASSETS**

When events or changes in circumstances indicate that the carrying amount of long-lived assets, such as capital assets and intangible assets, may not be recoverable, undiscounted estimated cash flows are projected over their remaining term and compared to the carrying amount. To the extent that such projections indicate that future undiscounted cash flows are not sufficient to recover the carrying amounts of related assets, a charge is recorded to reduce the carrying amount to the projected future discounted cash flows.

#### **OTHER LONG-TERM ASSETS**

Other long-term assets consist mainly of deferred financing fees, deferred compensation plan assets, long-term maintenance agreements and forward contracts.

#### **BUSINESS COMBINATIONS AND GOODWILL**

On October 1, 2009, the Company elected to early adopt prospectively Section 1582 which revised the accounting guidance that the Company was required to apply for past acquisitions done in prior fiscal years. The underlying principles are similar to the previous guidance but introduce certain accounting changes which were described earlier in changes in *accounting policies* in this note.

The Company accounts for its business combinations using the purchase method of accounting. Under this method, the Company allocates the purchase price to tangible and intangible assets acquired and liabilities assumed based on estimated fair values at the date of acquisition, with the excess of the purchase price amount being allocated to goodwill.

Acquisition-related and integration costs associated to the business combination are expensed as incurred. Changes in estimates associated with future income tax assets after measurement period are recognized as income tax expense with prospective application to all business combinations regardless of the date of acquisition.

Goodwill for each reporting unit is assessed for impairment at least annually, or when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. The Company has designated September 30 as the date for the annual impairment test. An impairment charge is recorded when the

carrying amount of the reporting unit exceeds its fair value and is determined as the difference between the goodwill's carrying amount and its implied fair value.

**EARNINGS PER SHARE**

Basic earnings per share are 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.

**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 cost reduction method to account for tax credits. Under this method, tax credits related to operating expenditures are recognized in the period in which the related expenditures are charged to operations, provided there is reasonable assurance of realization. Tax credits related to capital expenditures are recorded as a reduction of the cost of the related asset, provided there is reasonable assurance of realization. The tax credits recorded are based on management's best estimates of amounts expected to be recovered and are subject to audit by the taxation authorities.

## **INCOME TAXES**

Income taxes are accounted for using the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the amounts reported for financial statement purposes and tax values of assets and liabilities using substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded for the portion of the future income tax assets when its realization is not considered more likely than not.

## **TRANSLATION OF FOREIGN CURRENCIES**

Revenue and expenses 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 net earnings. Self-sustaining subsidiaries, with economic activities largely independent of the Company, are accounted for using the current rate method. Under this method, assets and liabilities of subsidiaries 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 (losses) on translating financial statements of self-sustaining foreign operations in the consolidated statements of comprehensive income.

The accounts of foreign subsidiaries, which are financially or operationally dependent on the Company, are accounted for using the temporal method. Under this method, 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 subsidiaries are reflected in net earnings.

## **STOCK-BASED COMPENSATION**

The Company uses the fair value based method to account for stock options awarded under its stock option plan. The fair value of stock options is recognized as compensation costs in earnings with a corresponding credit to contributed surplus on a straight line basis over the vesting period of the entire award. The number of stock options expected to vest are estimated on the grant date and subsequently revised on a periodic basis. When stock options are exercised, any consideration paid by employees is credited to capital stock and the recorded fair value of the option is removed from contributed surplus and credited to capital stock.

## **HEDGING TRANSACTIONS**

The Company uses various financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. The Company does not hold or use any derivative instruments for trading purposes.

### **Cash flow hedges on Senior U.S. unsecured notes**

Effective December 21, 2007, the Company entered into forward contracts to hedge the contractual principal repayments of the Senior U.S. unsecured notes. The purpose of the hedging transactions is to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency debt principal repayments.

The hedges were documented as cash flow hedges and no component of the derivative's fair value are excluded from the assessment and measurement of hedge effectiveness. The hedge is considered to be highly effective as the terms of the forward contracts coincide with the intended repayment of the two remaining tranches of the debt. The first tranche was repaid in fiscal 2009.

The forward contracts are derivative instruments and, therefore, are recorded at fair value on the balance sheet under other current assets and other long-term assets and the effective portion of the change in fair value of the derivatives is

recognized in other comprehensive income (loss). An amount that will offset the related translation gain or loss arising from the remeasurement of the portion of the debt that is designated is reclassified each period from other comprehensive income (loss) to earnings. The forward premiums or discounts on the forward contracts used to hedge foreign currency long-term debt are amortized as an adjustment of interest expense over the term of the forward contracts. Valuation models, such as discounted cash flow analysis using observable market inputs, are utilized to determine the fair values of the forward contracts. Realized and unrealized foreign exchange gains and losses in relation to forward contracts for the year ended September 30, 2010, were not significant. The cash flows of the hedging transaction are classified in the same manner as the cash flows of the position being hedged.

**Hedge on net investments in self-sustaining foreign subsidiaries**

The Company has designated certain long-term debt as a hedging instrument for a portion of the Company's net investment in self-sustaining U.S. and European subsidiaries. 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 (loss).

**Cash flow hedges on future revenue**

During the year ended September 30, 2010, the Company entered into various 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. During the year ended September 30, 2009, the Company entered into various 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, and to hedge the variability in the foreign currency exchange rate between the U.S. dollar and the Canadian dollar on future U.S. revenue. The cash flow hedges mature at various dates until 2014.

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. The forward contracts are derivative instruments, and, therefore, are recorded at fair value on the balance sheet 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 forward contracts.

The effective portion of the change in fair value of the derivative instruments is recognized in other comprehensive income (loss) and the ineffective portion, if any, in the consolidated statement of earnings. The effective portion of the change in fair value of the derivatives is reclassified out of other comprehensive income (loss) into earnings as an adjustment to revenue when the hedged revenue is recognized. The assessment of effectiveness is based on forward rates utilizing the hypothetical derivative method. During fiscal 2010, the Company's hedging relationships were effective. The cash flows of the hedging transactions are classified in the same manner as the cash flows of the position being hedged.

**FUTURE ACCOUNTING CHANGES**

In December 2009, the CICA issued Emerging Issue Committee Abstract ( EIC ) 175, Revenue Arrangements with Multiple Deliverables , an amendment to EIC 142, Revenue Arrangements with Multiple Deliverables . EIC 175 provides guidance on certain aspects of the accounting for arrangements under which the Company will perform multiple revenue-generating activities. Under the new guidance, when VSOE or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. EIC 175 also includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. EIC 175 is effective prospectively, with retrospective adoption permitted, for revenue arrangements entered into or materially modified in fiscal years beginning on or after January 1, 2011. Early adoption is also permitted. Effective October 1, 2010, the Company will early adopt this new EIC, on a prospective basis. The effects on future periods will depend on the nature and significance of the future customer contracts subject to this EIC.

Note 3

Cash and cash equivalents

	<b>2010</b>	2009
	<b>\$</b>	\$
Cash	<b>27,162</b>	203,160
Cash equivalents	<b>100,662</b>	140,267
	<b>127,824</b>	343,427

Note 4

Accounts receivable

	<b>2010</b>	2009
	<b>\$</b>	\$
Trade	<b>349,349</b>	317,647
Other <sup>1</sup>	<b>74,577</b>	143,644

423,926 461,291

- 1 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 \$55,758,000 and \$124,803,000 of other accounts receivable in 2010 and 2009, respectively.

Effective April 1, 2008, the Company became eligible for the new Development of E-Business refundable tax credit, which replaces prior existing Québec tax credit programs. The fiscal measure enables 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.

Prior to April 1, 2008, in order to be eligible for the E-Commerce Place, Cité du Multimédia de Montréal, New Economy Centres tax credits, the Company relocated some of its eligible employees to designated locations. Real estate costs for these designated locations are significantly higher than they were at the previous facilities. As at September 30, 2010, the balance outstanding for financial commitments for these real estate locations was \$352,362,000 ranging between three months and 13 years. The refundable tax credits for these programs were calculated at rates varying between 35% to 40% on salaries paid in Québec to a maximum range of \$12,500 to \$15,000 per year per eligible employee.

## Note 5

## Capital assets

	2010		2009			
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Land and buildings	17,309	4,461	12,848	17,757	3,427	14,330
Leasehold improvements	142,297	76,381	65,916	139,542	68,879	70,663
Furniture, fixtures and equipment	75,990	30,605	45,385	55,953	24,569	31,384
Computer equipment	256,985	143,110	113,875	190,850	94,809	96,041
	492,581	254,557	238,024	404,102	191,684	212,418

Capital assets include assets acquired under capital leases totalling \$57,101,000 (\$37,680,000 in 2009), net of accumulated amortization of \$35,533,000 (\$17,880,000 in 2009). Amortization expense of capital assets acquired under capital leases was \$18,467,000 and \$13,213,000 in 2010 and 2009, respectively.

## Note 6

## Intangible assets

	Cost	Accumulated amortization	2010 Net book value
	\$	\$	\$
Intangible assets			
Contract costs			
Incentives	236,750	190,294	46,456
Transition costs	200,154	102,734	97,420
	436,904	293,028	143,876
Other intangible assets			
Internal-use software	90,704	66,841	23,863
Business solutions	283,799	178,491	105,308
Software licenses	174,412	123,977	50,435
Client relationships and other	426,546	233,274	193,272
	975,461	602,583	372,878
	1,412,365	895,611	516,754

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	Cost \$	Accumulated amortization \$	2009 Net book value \$
Intangible assets			
Contract costs			
Incentives	247,146	185,296	61,850
Transition costs	169,087	77,138	91,949
	416,233	262,434	153,799
Other intangible assets			
Internal-use software	88,128	59,033	29,095
Business solutions	284,341	160,423	123,918
Software licenses	144,861	108,127	36,734
Client relationships and other	341,188	228,959	112,229
	858,518	556,542	301,976
	1,274,751	818,976	455,775

All intangible assets are subject to amortization. The following table presents the aggregate amount of intangible assets that were acquired or internally developed during the period:

	2010 \$	2009 \$	2008 \$
Acquired	166,468	22,965	30,665
Internally developed	49,193	44,181	40,257
	215,661	67,146	70,922

Amortization expense of other intangible assets included in the consolidated statements of earnings is as follows:

	2010 \$	2009 \$	2008 \$
Internal-use software	11,121	12,963	12,307
Business solutions	26,322	33,444	34,367
Software licenses	18,726	16,674	17,997
Client relationships and other	36,676	37,748	37,121
Amortization of other intangible assets (Note 14)	92,845	100,829	101,792

Amortization expense of contract costs is presented in Note 14.

Note 7

Other long-term assets

2010 \$	2009 \$
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Deferred financing fees	<b>2,360</b>	3,643
Deferred compensation plan assets	<b>16,318</b>	13,108
Long-term maintenance agreements	<b>5,542</b>	13,735
Forward contracts (Note 26)	<b>13,317</b>	22,372
Other	<b>4,724</b>	7,700
Other long-term assets	<b>42,261</b>	60,558

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## Note 8

## Goodwill

The variations in goodwill are as follows:

				2010
	Canada	U.S. & India	Europe & Asia Pacific	Total
	\$	\$	\$	\$
Balance, beginning of year	1,141,381	432,320	101,080	1,674,781
Acquisition (Note 18a)		886,403		886,403
Foreign currency translation adjustment		(25,961)	(9,810)	(35,771)
Balance, end of year	1,141,381	1,292,762	91,270	2,525,413
				2009
	Canada	U.S. & India	Europe & Asia Pacific	Total
	\$	\$	\$	\$
Balance, beginning of year	1,158,730	431,129	99,503	1,689,362
Acquisition	209			209
Purchase price adjustments (Note 18c)	(16,059)	(3,865)	(415)	(20,339)
Disposal of assets (Note 18b)	(1,499)			(1,499)
Foreign currency translation adjustment		5,056	1,992	7,048
Balance, end of year	1,141,381	432,320	101,080	1,674,781

## Note 9

## Other long-term liabilities

	2010	2009
	\$	\$
Deferred compensation	25,173	22,727
Deferred revenue	40,702	27,774
Deferred rent	44,737	16,940
Forward contracts (Note 26)	3,396	7,648
Other	5,891	8,845
Other long-term liabilities	119,899	83,934

Asset retirement obligations included in other 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 asset retirement obligation liability of \$3,060,000 (\$2,522,000 in 2009) was based on the expected cash flows of \$4,370,000 (\$3,579,000 in 2009) and was discounted at an interest rate of 6.42% (6.83% in 2009). The timing of the settlement of these obligations varies between one and 13 years.





## Note 10

## Long-term debt

	2010	2009
	\$	\$
Senior U.S. unsecured notes, bearing a weighted average interest rate of 5.27% and repayable by payments of \$89,593 (US\$87,000) in 2011 and \$20,596 (US\$20,000) in 2014, less imputed interest of \$290 <sup>1</sup>	<b>109,899</b>	114,061
Unsecured committed revolving term facility bearing interest at LIBOR rate plus 0.63% or bankers acceptance rate plus 0.63%, maturing in 2012	<b>964,223</b>	126,043
Obligations bearing a weighted average interest rate of 4.00% and repayable in blended monthly instalments maturing at various dates until 2018	<b>22,049</b>	5,879
Obligations under capital leases, bearing a weighted average interest rate of 4.89% and repayable in blended monthly instalments maturing at various dates until 2018	<b>57,705</b>	37,147
	<b>1,153,876</b>	283,130
Current portion	<b>114,577</b>	17,702
	<b>1,039,299</b>	265,428

- 1 As at September 30, 2010, the private placement financing with U.S. institutional investors is comprised of two remaining tranches of Senior U.S. unsecured notes maturing in January 2011 and 2014 for a total amount of US\$107,000,000. On January 29, 2009, the Company repaid the first tranche in the amount of US\$85,000,000 and settled the related forward contracts taken to manage the Company's exposure to fluctuations in the foreign exchange rate resulting in a cash inflow of \$18,318,000. The Senior U.S. unsecured notes contain covenants that require the Company to maintain certain financial ratios (Note 27). At September 30, 2010, the Company is in compliance with these covenants.
- 2 The Company has a five-year unsecured revolving credit facility available for an amount of \$1,500,000,000 that expires in August 2012 bearing interest at LIBOR plus a variable margin that is determined based on leverage ratios. As at September 30, 2010, an amount of \$964,223,000 has been drawn upon this facility (Note 26). Also an amount of \$15,846,000 has been committed against this facility to cover various letters of credit issued for clients and other parties. In addition to the revolving credit facility, the Company has available demand lines of credit in the amount of \$25,000,000. At September 30, 2010, no amount had been drawn upon these facilities. The revolving credit facility contains covenants that require the Company to maintain certain financial ratios (Note 27). At September 30, 2010, the Company is in compliance with these covenants. The Company also has a proportionate share of a revolving demand credit facility related to the joint venture for an amount of \$2,500,000 bearing interest at the Canadian prime rate. As at September 30, 2010, no amount has been drawn upon this facility.

Principal repayments on long-term debt over the forthcoming years are as follows:

	\$
2011	95,169
2012	968,636
2013	4,750
2014	24,308
2015	1,917
Thereafter	1,391

Total principal payments on long-term debt 1,096,171

Minimum capital lease payments are as follows:

	Principal	Interest	Payment
	\$	\$	\$
2011	19,408	2,441	21,849
2012	17,308	1,440	18,748
2013	10,456	578	11,034
2014	5,850	276	6,126
2015	3,188	68	3,256
Thereafter	1,495		1,495
Total minimum capital lease payments	57,705	4,803	62,508

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## Note 11

## 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 2010, 2009 and 2008, the Class A subordinate and the Class B shares varied as follows:

	Class A subordinate shares		Class B shares		Number	Total Carrying value \$
	Number	Carrying value \$	Number	Carrying value \$		
Balance, September 30, 2007	290,545,715	1,321,305	34,208,159	47,724	324,753,874	1,369,029
Repurchased and cancelled <sup>1</sup>	(20,488,168)	(90,748)			(20,488,168)	(90,748)
Repurchased and not cancelled <sup>1</sup>		(847)				(847)
Issued upon exercise of options <sup>2</sup>	4,107,823	42,238			4,107,823	42,238
Balance, September 30, 2008	274,165,370	1,271,948	34,208,159	47,724	308,373,529	1,319,672
Repurchased and cancelled <sup>1</sup>	(9,708,292)	(44,272)			(9,708,292)	(44,272)
Issued upon exercise of options <sup>2</sup>	2,221,032	22,870			2,221,032	22,870
Conversion of shares <sup>3</sup>	600,000	837	(600,000)	(837)		
Balance, September 30, 2009	267,278,110	1,251,383	33,608,159	46,887	300,886,269	1,298,270
Repurchased and cancelled <sup>1</sup>	(35,602,085)	(168,759)			(35,602,085)	(168,759)
Issued upon exercise of options <sup>2</sup>	6,008,766	65,558			6,008,766	65,558
<b>Balance, September 30, 2010</b>	<b>237,684,791</b>	<b>1,148,182</b>	<b>33,608,159</b>	<b>46,887</b>	<b>271,292,950</b>	<b>1,195,069</b>

- 1 On January 27, 2010, the Company's Board of Directors authorized the renewal of a Normal Course Issuer Bid (NCIB) to purchase up to 10% of the public float of the Company's Class A subordinate shares during the next year. The Toronto Stock Exchange (TSX) subsequently approved the Company's request for approval. The Issuer Bid enables the Company to purchase up to 25,151,058 Class A subordinate shares (26,970,437 in 2009 and

28,502,941 in 2008) for cancellation on the open market through the TSX. The Class A subordinate shares were available for purchase under the Issuer Bid commencing February 9, 2010, until no later than February 8, 2011, or on such earlier date when the Company completes its purchases or elects to terminate the bid. During 2010, the Company repurchased, under the previous and current NCIB, 35,602,085 Class A subordinate shares (9,525,892 in 2009 and 19,910,068 in 2008) for cash consideration of \$516,699,000 (\$99,881,000 in 2009 and \$213,485,000 in 2008). The excess of the purchase price over the carrying value of Class A subordinate shares repurchased, in the amount of \$347,940,000 (\$55,609,000 in 2009 and \$121,890,000 in 2008), was charged to retained earnings.

As at September 30, 2008, 182,400 of the repurchased Class A subordinate shares with a carrying value of \$847,000 and a purchase value of \$1,817,000 were held by the Company and had been cancelled and paid subsequent to year-end.

- 2 The carrying value of Class A subordinate shares includes \$13,332,000 (\$5,253,000 in 2009 and \$10,223,000 in 2008) which corresponds to a reduction in contributed surplus representing the value of accumulated compensation cost associated with the options exercised during the year.
- 3 During the twelve months ended September 30, 2009, a shareholder converted 600,000 Class B shares into 600,000 Class A subordinate shares.

## Note 12

## Stock-based compensation plans and contributed surplus

**A) STOCK OPTIONS**

Under the Company's stock option plan, the Board of Directors may grant, at its discretion, 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. Options generally vest one to three years from the date of grant conditionally upon the 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, 2010, 52,002,178 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 for the years ended September 30:

	<b>2010</b>			<b>2009</b>		<b>2008</b>
	<b>Weighted</b>			<b>Weighted</b>		<b>Weighted</b>
	<b>average</b>			<b>average</b>		<b>average</b>
	<b>exercise price</b>	<b>Number of</b>	<b>exercise price</b>	<b>exercise price</b>	<b>Number of</b>	<b>exercise price</b>
	<b>per share</b>	<b>options</b>	<b>per share</b>	<b>per share</b>	<b>options</b>	<b>per share</b>
	<b>\$</b>		<b>\$</b>			<b>\$</b>
Outstanding, beginning of year	<b>28,883,835</b>	<b>9.16</b>	26,757,738	9.34	24,499,886	8.52
Granted	<b>8,413,586</b>	<b>12.58</b>	8,448,453	9.32	7,798,388	11.39
Exercised	<b>(6,008,766)</b>	<b>8.69</b>	(2,221,032)	7.93	(4,107,823)	7.79
Forfeited	<b>(3,734,542)</b>	<b>9.65</b>	(3,863,746)	11.16	(1,094,052)	10.65
Expired	<b>(998,630)</b>	<b>15.91</b>	(237,578)	14.11	(338,661)	12.20
Outstanding, end of year	<b>26,555,483</b>	<b>10.03</b>	28,883,835	9.16	26,757,738	9.34
Exercisable, end of year	<b>14,116,392</b>	<b>8.60</b>	18,087,166	8.75	19,398,753	8.56

The following table summarizes information about outstanding stock options granted by the Company as at September 30, 2010:

<b>Range of exercise price</b>	<b>Number of options</b>	<b>Options outstanding</b>		<b>Options exercisable</b>	
		<b>Weighted average remaining contractual life (years)</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
<b>\$</b>			<b>\$</b>		<b>\$</b>
<b>2.06 to 5.20</b>	<b>10,729</b>	<b>0.51</b>	<b>2.57</b>	<b>10,729</b>	<b>2.57</b>
<b>6.05 to 6.98</b>	<b>2,255,941</b>	<b>4.48</b>	<b>6.48</b>	<b>2,255,941</b>	<b>6.48</b>
<b>7.00 to 7.87</b>	<b>3,408,828</b>	<b>4.57</b>	<b>7.74</b>	<b>3,408,828</b>	<b>7.74</b>
<b>8.00 to 8.99</b>	<b>4,417,145</b>	<b>3.43</b>	<b>8.62</b>	<b>4,417,145</b>	<b>8.62</b>
<b>9.05 to 9.90</b>	<b>4,832,132</b>	<b>7.50</b>	<b>9.34</b>	<b>1,692,713</b>	<b>9.40</b>

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<b>10.05 to</b>					
<b>11.80</b>	<b>3,566,872</b>	<b>6.99</b>	<b>11.37</b>	<b>2,284,340</b>	<b>11.35</b>
<b>12.54 to</b>					
<b>13.26</b>	<b>7,964,939</b>	<b>9.01</b>	<b>12.55</b>	<b>10,799</b>	<b>13.26</b>
<b>14.48 to</b>					
<b>15.58</b>	<b>98,897</b>	<b>9.54</b>	<b>14.98</b>	<b>35,897</b>	<b>9.55</b>
	<b>26,555,483</b>	<b>6.58</b>	<b>10.03</b>	<b>14,116,392</b>	<b>8.60</b>

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The following table presents the weighted average assumptions used to determine the stock-based compensation cost recorded in cost of services, selling and administrative expenses using the Black-Scholes option pricing model for the years ended September 30:

	<b>2010</b>	2009	2008
Stock-based compensation costs (\$)	<b>15,517</b>	8,617	5,131
Dividend yield (%)	<b>0.00</b>	0.00	0.00
Expected volatility (%)	<b>27.32</b>	24.42	23.70
Risk-free interest rate (%)	<b>2.48</b>	3.05	4.09
Expected life (years)	<b>5.00</b>	5.00	5.00
Weighted average grant date fair value (\$)	<b>3.63</b>	2.59	3.37

#### **B) PERFORMANCE SHARE UNITS (PSUS)**

On September 28, 2010, the Company adopted a PSU plan for senior executives and other key employees ( participants ). Under that plan, the Board of Directors may grant PSUs to participants which entitles them to receive one Class A subordinate share for each PSU. The vesting and performance conditions are determined by the Board of Directors at the time of each grant. PSUs must be exercised within three years following the end of the Company's fiscal year during which the award is made, except in the event of retirement, termination of employment or death. There was no grant under this plan in fiscal year 2010.

#### **C) CONTRIBUTED SURPLUS**

The following table summarizes the contributed surplus activity since September 30, 2007:

	\$
Balance, September 30, 2007	82,465
Compensation cost associated with exercised options (Note 11)	(10,223)
Stock-based compensation costs	5,131
Balance, September 30, 2008	77,373
Compensation cost associated with exercised options (Note 11)	(5,253)
Stock-based compensation costs	8,617
Balance, September 30, 2009	80,737
Compensation cost associated with exercised options (Note 11)	(13,332)
Stock-based compensation costs	15,517
<b>Balance, September 30, 2010</b>	<b>82,922</b>

#### Note 13

##### Earnings per share

The following table sets forth the computation of basic and diluted earnings per share from continuing operations attributable to shareholders of the Company for the years ended September 30:

	2010		2009		2008
	Weighted Earnings		Weighted Earnings		Weighted Earnings
	per		per		per
Earnings	average share	Earnings	average share	Earnings	average share
from	number of	from	number of	from	number of
continuing	shares	continuing	shares	continuing	shares
operations	outstanding	operations	outstanding	operations	outstanding
\$	\$	\$	\$	\$	\$



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	<b>362,386</b>	<b>284,826,257</b>	<b>1.27</b>	315,158	306,853,077	1.03	298,266	317,604,899	0.94
Dilutive options <sup>2</sup>		<b>8,093,693</b>			3,492,164			5,199,388	
	<b>362,386</b>	<b>292,919,950</b>	<b>1.24</b>	315,158	310,345,241	1.02	298,266	322,804,287	0.92

- 1 The 35,602,085 Class A subordinate shares repurchased during the year (9,525,892 in 2009 and 19,910,068 in 2008), were excluded from the calculation of weighted average number of shares outstanding as of the date of repurchase.
- 2 The calculation of the diluted earnings per share excluded 8,029,590, 13,384,651 and 8,764,136 options for the years ended September 30, 2010, 2009 and 2008, respectively, as they were anti-dilutive.

Note 14  
Amortization

	<b>2010</b>	2009	2008
	<b>\$</b>	\$	\$
Amortization of capital assets	<b>72,067</b>	61,412	43,455
Amortization of intangible assets			
Contract costs related to transition costs	<b>30,396</b>	22,377	17,925
Other intangible assets (Note 6)	<b>92,845</b>	100,829	101,792
Impairment of other intangible assets <sup>1</sup>		11,143	
	<b>195,308</b>	195,761	163,172
Amortization of contract costs related to incentives (presented as reduction of revenue)	<b>23,149</b>	21,043	21,682
Amortization of deferred financing fees (presented in interest on long-term debt)	<b>1,283</b>	1,283	1,266
	<b>219,740</b>	218,087	186,120

1 The impairment of other intangible assets relates to certain assets that were no longer expected to provide future value.

Note 15

Accumulated other comprehensive loss

	<b>Balance, as at</b>	<b>Net changes</b>	<b>Balance, as at</b>
	<b>October 1, 2009</b>	<b>during the year</b>	<b>September 30, 2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$12,686)	<b>(359,423)</b>	<b>(53,598)</b>	<b>(413,021)</b>
Net unrealized gains on translating long-term debt designated as a hedge of net investments in self-sustaining foreign operations (net of accumulated income tax expense of \$14,347)	<b>61,000</b>	<b>15,806</b>	<b>76,806</b>
Net unrealized gains on cash flow hedges (net of accumulated income tax expense of \$5,336)	<b>12,433</b>	<b>2,036</b>	<b>14,469</b>
	<b>(285,990)</b>	<b>(35,756)</b>	<b>(321,746)</b>
	Balance, as at	Net changes	Balance, as at
	October 1, 2008	during the year	September 30, 2009
	\$	\$	\$
	(365,672)	6,249	(359,423)

Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$10,464)			
Net unrealized gains on translating long-term debt designated as a hedge of net investments in self-sustaining foreign operations (net of accumulated income tax expense of \$11,623)	45,261	15,739	61,000
Net unrealized gains on cash flow hedges (net of accumulated income tax expense of \$4,422)	(1,013)	13,446	12,433
	(321,424)	35,434	(285,990)
	Balance, as at	Net changes	Balance, as at
	October 1, 2007	during the year	September 30, 2008
	\$	\$	\$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$7,029)	(431,872)	66,200	(365,672)
Net unrealized gains on translating long-term debt designated as a hedge of net investment in self-sustaining foreign operations (net of accumulated income tax expense of \$8,748)	45,799	(538)	45,261
Net unrealized losses on cash flow hedges (net of accumulated income tax recovery of \$187)		(1,013)	(1,013)
	(386,073)	64,649	(321,424)

For the year ended September 30, 2010, \$8,359,000 of the net unrealized gains previously recognized in other comprehensive income (net of income taxes of \$3,746,000) were reclassified to net earnings for derivatives designated as cash flow hedges (\$928,000 net of income taxes of \$478,000 for the year ended September 30, 2009, and nil for the year ended September 30, 2008).

## Note 16

## Income taxes

Future income taxes are classified as follows:

	<b>2010</b>	2009
	\$	\$
Current future income tax assets	<b>16,509</b>	15,110
Long-term future income tax assets	<b>11,592</b>	10,173
Current future income tax liabilities	<b>(26,423)</b>	(50,250)
Long-term future income tax liabilities	<b>(170,683)</b>	(171,697)
Future income taxes, net	<b>(169,005)</b>	(196,664)

The income tax expense is as follows:

	<b>2010</b>	2009	2008
	\$	\$	\$
Current	<b>136,387</b>	95,923	128,972
Future	<b>(21,417)</b>	29,300	(22,675)
	<b>114,970</b>	125,223	106,297

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:

	<b>2010</b>	2009	2008
	%	%	%
Company's statutory tax rate	<b>30.2</b>	30.9	31.2
Effect of foreign tax rate differences	<b>0.3</b>		(0.6)
Final determination from agreements with tax authorities and expirations of statutes of limitations	<b>(7.9)</b>	(3.9)	(3.7)
Non-deductible and tax exempt items	<b>1.7</b>	1.3	0.8
Impact on future tax assets and liabilities resulting from tax rate changes	<b>(0.3)</b>		(1.7)
Tax benefits on losses	<b>0.1</b>	0.1	0.2
Effective income tax rate	<b>24.1</b>	28.4	26.2

Future income tax assets and liabilities are as follows at September 30:

	2010	2009
	\$	\$
Future income tax assets:		
Accounts payable and accrued liabilities	14,074	11,316
Tax benefits on losses carried forward	14,667	10,171
Capital assets, intangible assets and other long-term liabilities	20,482	17,197
Accrued compensation	28,397	23,414
Unrealized losses on cash flow hedges	1,585	3,395
Allowance for doubtful accounts	1,793	3,107
Other	1,612	2,433
	<b>82,610</b>	71,033
Valuation allowance	<b>(4,346)</b>	(6,818)
	<b>78,264</b>	64,215
Future income tax liabilities:		
Capital assets, intangible assets and other long-term assets	161,988	161,008
Work in progress	25,165	22,395
Goodwill	27,774	25,276
Refundable tax credits on salaries	20,985	40,233
Unrealized gain on cash flow hedges	6,908	7,478
Other	4,449	4,489
	<b>247,269</b>	260,879
Future income taxes, net	<b>(169,005)</b>	(196,664)

At September 30, 2010, the Company had \$46,419,000 in non-capital losses carried forward, of which \$13,053,000 expire at various dates up to 2030 and \$33,366,000 have no expiry dates. The Company recognized a future tax asset of \$14,667,000 on the losses carried forward and recognized a valuation allowance of \$4,346,000. The decrease in the valuation allowance mainly results from the expiry of non capital losses. The resulting net future income tax asset of \$10,321,000 is the amount that is more likely than not to be realized.

Foreign earnings of certain of the Company's subsidiaries would be taxed only upon their repatriation to Canada. The Company has not recognized a future income tax liability for these retained earnings as management does not expect them to be repatriated. A future income tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable matter, such as the sale of the investment or through the receipt of dividends. On remittance, certain countries impose withholding taxes that, subject to certain limitations, are then available for use as tax credits against a federal or provincial income tax liability, if any.

Note 17

Costs of services, selling and administrative

Tax credits netted against costs of services, selling and administrative expenses are as follows:

	2010	2009	2008
	\$	\$	\$
Costs of services, selling and administrative	<b>3,116,425</b>	3,268,995	3,193,270

Tax credits	<b>(90,602)</b>	(98,589)	(82,510)
	<b>3,025,823</b>	3,170,406	3,110,760

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## Note 18

## Investments in subsidiaries

For all business acquisitions, the Company records the results of operations of the acquired entities as of their respective effective acquisition dates.

**2010 TRANSACTIONS****a) Acquisition**

The Company made the following acquisition:

*Stanley, Inc. ( Stanley )* On August 17, 2010, the Company acquired all outstanding shares of Stanley, a provider of information technology services and solutions to U.S. defence, intelligence and federal civilian government agencies, for a total cash consideration of \$923,150,000. The acquisition was financed through a withdrawal from the Company's existing unsecured revolving credit facility and cash on hand of \$832,160,000 and \$90,990,000, respectively. Stanley's operations will increase the scale and capabilities of the Company to serve the U.S. Federal Government expanding the offering into the defence and intelligence space.

The acquisition was accounted for using the purchase method. The purchase price allocation shown below is preliminary and based on the Company's management's best estimates. The final purchase price allocations are expected to be completed as soon as Company's management has gathered all of the significant information available and considered necessary in order to finalize this allocation.

	<b>Stanley</b>
	<b>\$</b>
Current assets <sup>1</sup>	<b>163,648</b>
Capital assets	<b>9,005</b>
Intangible assets	<b>123,897</b>
Goodwill <sup>2</sup>	<b>886,403</b>
Other long-term assets	<b>3,167</b>
Future income taxes	<b>3,564</b>
Current liabilities	<b>(176,110)</b>
Debt, classified as current	<b>(102,262)</b>
Other long-term liabilities	<b>(11,748)</b>
	<b>899,564</b>
Cash acquired	<b>23,586</b>
	<b>923,150</b>
	<b>923,150</b>
Cash consideration	<b>923,150</b>

1 The current assets include accounts receivable with a fair value of \$97,967,000 which approximates the gross amount due under the contracts.

2 The 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 U.S. and India segment and \$26,323,000 is deductible for tax purposes.

In connection with the acquisition of Stanley, the Company expensed \$20,883,000 during the year ended September 30, 2010. Included in that amount are acquisition-related costs of \$11,573,000 and integration costs of \$9,310,000. The acquisition-related costs consist mainly of professional fees incurred for the acquisition. The integration costs mainly include provisions related to leases for premises occupied by the acquired business, which the Company vacated, as well as costs related to the termination of certain employees of the acquired business performing

functions already available through its existing structure. The acquisition-related and integration costs are separately disclosed in the Company's consolidated statement of earnings.

Stanley's revenue in the year ended September 30, 2010 represents approximately 3% of the total consolidated revenue of the Company. Stanley's net earnings in the year ended September 30, 2010 is not significant. On a pro-forma basis, the revenue and net earnings of the combined Company for the year ended September 30, 2010 would have been approximately \$4,556,000,000 and \$411,000,000 respectively, had the Stanley acquisition occurred as of October 1, 2009. The pro forma financial information was constructed using the Company's 2010 annual results and Stanley's results from July 1, 2009 to June 30, 2010 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 and integration costs and related tax effects. The pro-forma financial information does not reflect synergies or changes to historical transactions and is not necessarily indicative of the results of operations of the Company that would have resulted had the acquisition actually occurred on October 1, 2009, or the results that may be obtained in the future.



**b) Business combination adjustments**

Certain unrecorded future income tax assets acquired from past acquisitions were recognized during the year ended September 30, 2010, resulting in a corresponding decrease in income tax expense of \$7,378,000. The transitional rules of the new Section 1582 require that a change in recognized acquired future income tax assets arising from past business combinations be recorded through the income tax expense. Prior to the adoption of Section 1582, the corresponding decrease would have been applied to the goodwill.

**2009 TRANSACTIONS**

**a) Acquisition**

There were no significant acquisitions during fiscal 2009.

**b) Disposal**

On February 20, 2009, the Company disposed of its actuarial services business for purchase consideration of \$3,780,000 less an estimated working capital adjustment. The Company received \$3,565,000 on February 27, 2009. The business was previously included in the Canada segment. As a result of the final agreement, net assets disposed of included goodwill of \$1,499,000. The transaction resulted in a gain of \$1,494,000.

**c) Modifications to purchase price allocations**

During the year ended September 30, 2009, the Company modified the purchase price allocation and made adjustments relating to certain business acquisitions, resulting in a net decrease of accounts payable and accrued liabilities of \$969,000 and a net increase of future income tax liabilities of \$338,000, whereas goodwill decreased by \$631,000.

Additionally, certain unrecorded future income tax assets acquired from past acquisitions were recognized during the year ended September 30, 2009, resulting in a corresponding decrease in goodwill of \$19,708,000.

**d) Consideration of purchase price**

During fiscal 2009, the Company paid a balance of purchase price of \$997,000 relating to a business acquisition.

**2008 TRANSACTIONS**

**a) Acquisition**

There were no acquisitions during fiscal 2008.

**b) Disposal**

On July 19, 2008, the Company disposed of its Canadian claims adjusting and risk management services business for purchase consideration of \$38,050,000 which was subject to subsequent adjustments. This business was included in the former BPS segment in prior years. The Company received \$31,671,000 in August 2008. Of the remaining balance, \$879,000 was received in fiscal year 2009 and \$4,100,000 was received in fiscal year 2010 as a final payment. The net assets disposed of included goodwill of \$7,732,000, which is net of an impairment of \$4,051,000. The transaction resulted in a loss of \$2,365,000.

**c) Modifications to purchase price allocations**

The Company modified the purchase price allocation and made adjustments relating to certain business acquisitions resulting in a net decrease of accounts payable and accrued liabilities, current portion of long-term debt, long-term debt, future income tax assets and other long-term liabilities of \$5,801,000, \$3,287,000, \$2,685,000, \$2,145,000 and \$320,000, respectively, and a net increase of cash and non-controlling interest of \$43,000 and \$75,000, respectively, whereas goodwill decreased by \$9,916,000.

**d) Consideration of purchase price**

During fiscal 2008, the Company paid balances of purchase price relating to certain business acquisition resulting in a net decrease of long-term debt by \$3,954,000.

## Note 19

## Discontinued operations

In fiscal 2008, the Company classified its Canadian claims adjusting and risk management services and actuarial services businesses as discontinued operations. The Canadian claims adjusting and risk management services business was divested in July 2008 and the actuarial services business was divested in February 2009 (Note 18b of 2009 Transactions and 2008 Transactions).

The following table presents summarized financial information related to discontinued operations:

	<b>2010</b>	2009	2008
	\$	\$	\$
Revenue		2,511	64,851
Operating expenses <sup>1</sup>		1,046	68,747
Amortization		14	1,624
Earnings (loss) before income taxes		1,451	(5,520)
Income tax expense (recovery) <sup>2</sup>		143	(386)
Earnings (loss) from discontinued operations		1,308	(5,134)

1 For the year ended September 30, 2009, operating expenses from discontinued operations include a gain on disposition of \$1,494,000. For the year ended September 30, 2008, it includes an impairment of goodwill of \$4,051,000 and a loss on disposition of \$965,000.

2 Income tax expense (recovery) does not bear a normal relation to earnings (loss) before income taxes since the sale includes goodwill of \$1,499,000 for the year ended September 30, 2009 (\$7,732,000 for the year ended September 30, 2008), which has no tax basis.

The related cash flow information of discontinued operations is as follows:

	<b>2010</b>	2009	2008
	\$	\$	\$
Cash provided by (used in) operating activities		164	(818)
Cash used in investing activities		(3)	(250)
Total cash provided by (used in) discontinued operations		161	(1,068)

## Note 20

## Joint venture: supplementary information

The Company's proportionate share of its joint venture investee's operations included in the consolidated financial statements is as follows:

	<b>2010</b>	2009
	\$	\$
Balance sheets		
Current assets	<b>38,148</b>	37,608
Non-current assets	<b>2,992</b>	2,998
Current liabilities	<b>15,609</b>	14,721
Non-current liabilities	<b>933</b>	445

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	<b>2010</b>	2009	2008
	\$	\$	\$
Statements of earnings			
Revenue	<b>91,015</b>	101,964	87,887
Expenses	<b>79,597</b>	88,552	77,381
Net earnings	<b>11,418</b>	13,412	10,506

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	<b>2010</b>	2009	2008
	\$	\$	\$
Statements of cash flows			
Cash provided by (used in):			
Operating activities	<b>13,763</b>	25,542	4,879
Investing activities	<b>(733)</b>	(570)	(412)
Financing activities	<b>(12,740)</b>	(12,250)	(13,720)

## Note 21

## Supplementary cash flow information

a) Net change in non-cash working capital items is as follows for the years ended September 30:

	<b>2010</b>	2009	2008
	\$	\$	\$
Accounts receivable	<b>125,928</b>	31,749	(13,164)
Work in progress	<b>(59,579)</b>	(22,450)	(43,785)
Prepaid expenses and other current assets	<b>17,933</b>	8,399	(12,692)
Accounts payable and accrued liabilities	<b>(46,810)</b>	(39,255)	5,762
Accrued compensation	<b>(74,443)</b>	38,009	(5,327)
Deferred revenue	<b>22,415</b>	15,194	(13,323)
Income taxes	<b>(8,386)</b>	25,974	(31,357)
	<b>(22,942)</b>	57,620	(113,886)

b) Non-cash operating, investing and financing activities related to continuing operations are as follows for the years ended September 30:

	<b>2010</b>	2009	2008
	\$	\$	\$
Operating activities			
Accounts receivable	<b>(693)</b>	(1,476)	408
Work in progress	<b>2,707</b>		
Accounts payable and accrued liabilities		(1,817)	(2,723)
Deferred revenue	<b>3,750</b>	4,779	
	<b>5,764</b>	1,486	(2,315)
Investing activities			
Purchase of capital assets	<b>(42,982)</b>	(27,040)	(17,559)
Purchase of intangible assets	<b>(23,708)</b>	(4,779)	(13,185)
	<b>(66,690)</b>	(31,819)	(30,744)
Financing activities			

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Increase in obligations under capital leases	<b>38,200</b>	27,040	17,559
Increase in obligations	<b>22,033</b>		13,185
Issuance of shares	<b>693</b>	1,476	(408)
Repurchase of Class A subordinate shares		1,817	2,723
	<b>60,926</b>	30,333	33,059

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c) Interest paid and income taxes paid are as follows for the years ended September 30:

	<b>2010</b>	2009	2008
	<b>\$</b>	\$	\$
Interest paid	<b>13,254</b>	16,558	26,847
Income taxes paid	<b>104,724</b>	63,125	139,803

Note 22

#### Segmented information

The Company is managed through three operating segments, in addition to Corporate services, namely: Canada, U.S. & India and Europe & Asia Pacific (Note 8). The segments are based on a delivery view and the results incorporate domestic activities as well as impacts from our delivery model utilizing our centers of excellence.

The following presents information on the Company's operations based on its management structure.

					<b>2010</b>
	<b>Canada</b>	<b>U.S. &amp; India</b>	<b>Europe &amp; Asia Pacific</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment revenue	<b>2,170,082</b>	<b>1,483,593</b>	<b>242,152</b>		<b>3,895,827</b>
Intersegment revenue elimination	<b>(57,670)</b>	<b>(83,194)</b>	<b>(22,846)</b>		<b>(163,710)</b>
Revenue	<b>2,112,412</b>	<b>1,400,399</b>	<b>219,306</b>		<b>3,732,117</b>
Earnings (loss) from continuing operations before acquisition-related and integration costs, interest on long-term debt, interest income, other (income) expense, gain on sale of capital assets and income tax expense <sup>1</sup>	<b>375,998</b>	<b>192,305</b>	<b>89</b>	<b>(56,490)</b>	<b>511,902</b>
Total assets	<b>2,083,675</b>	<b>2,166,397</b>	<b>180,780</b>	<b>176,339</b>	<b>4,607,191</b>

1 Amortization included in Canada, U.S. & India, Europe & Asia Pacific and Corporate is \$132,073,000, \$69,010,000, \$5,790,000 and \$11,584,000, respectively, for the year ended September 30, 2010.

					2009
	<b>Canada</b>	<b>U.S. &amp; India</b>	<b>Europe &amp; Asia Pacific</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment revenue	2,216,042	1,421,366	305,417		3,942,825
Intersegment revenue elimination	(36,383)	(59,579)	(21,702)		(117,664)
Revenue	2,179,659	1,361,787	283,715		3,825,161
Earnings (loss) from continuing operations before acquisition-related	320,702	171,965	18,639	(50,565)	460,741

and integration costs, interest on long-term debt, interest income, other (income) expense, gain on sale of capital assets and income tax expense<sup>1</sup>

Total assets	2,341,074	985,289	197,619	375,928	3,899,910
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1 Amortization included in Canada, U.S. & India, Europe & Asia Pacific and Corporate is \$116,243,000, \$78,819,000, \$7,247,000 and \$14,495,000, respectively, for the year ended September 30, 2009. Amortization includes an impairment of \$11,143,000 mainly related to other intangible assets in the U.S. & India segment.

		U.S. & India	Europe & Asia Pacific	Corporate	2008 Total
	Canada \$	India \$	Pacific \$	Corporate \$	Total \$
Segment revenue	2,356,629	1,137,457	296,745		3,790,831
Intersegment revenue elimination	(21,063)	(50,944)	(12,961)		(84,968)
Revenue	2,335,566	1,086,513	283,784		3,705,863

Earnings (loss) from continuing operations before acquisition-related and integration costs, interest on long-term debt, interest income, other (income) expense, gain on sale of capital assets and income tax expense<sup>1</sup>

Earnings (loss) from continuing operations before acquisition-related and integration costs, interest on long-term debt, interest income, other (income) expense, gain on sale of capital assets and income tax expense <sup>1</sup>	332,827	129,401	24,692	(56,434)	430,486
Total assets	2,274,589	1,113,303	197,900	94,766	3,680,558

1 Amortization included in Canada, U.S. & India, Europe & Asia Pacific and Corporate is \$111,903,000, \$54,358,000, \$5,069,000 and \$13,524,000, respectively, for the year ended September 30, 2008.

The accounting policies of each operating segment are the same as those described in the summary of significant accounting policies (Note 2). Intersegment revenue is priced as if the revenue was from third parties.

### GEOGRAPHIC INFORMATION

The following table provides information for capital assets based on their location:

	<b>2010</b>	2009
	\$	\$
Capital assets		
Canada	<b>161,993</b>	155,072
U.S.	<b>59,306</b>	40,528
Other	<b>16,725</b>	16,818
	<b>238,024</b>	212,418

The geographic revenue information based on client's location approximates the revenue presented under the operating segments.

### INFORMATION ABOUT SERVICES

The following table provides revenue information based on services provided by the Company:

	<b>2010</b>	2009	2008
	\$	\$	\$
Outsourcing			
IT Services	<b>1,870,804</b>	1,817,943	1,523,562
BPS	<b>412,341</b>	405,516	485,454
Systems integration and consulting	<b>1,448,972</b>	1,601,702	1,696,847
	<b>3,732,117</b>	3,825,161	3,705,863

### MAJOR CUSTOMER INFORMATION

Contracts with the U.S. federal government and its various agencies accounted for \$510,786,000 of revenues included within the U.S. & India segment for the year ending September 30, 2010 (\$394,436,000 and \$360,926,000 for the years ending September 30, 2009 and 2008, respectively).

Note 23

Related party transactions

In the normal course of business, the Company is party to contracts with Innovapost, a joint venture, pursuant to which the Company is its preferred IT supplier. The Company exercises joint control over Innovapost's operating, financing and investing activities through its 49% ownership interest.

Transactions and resulting balances, which were measured at commercial rates (exchange amount), are presented below.

Revenue was \$81,760,000, \$108,139,000 and \$124,461,000 for the years ending September 30, 2010, 2009 and 2008, respectively.

	<b>2010</b>	2009
	\$	\$
Accounts receivable	<b>681</b>	10,542
Work in progress	<b>1,076</b>	5,937
Contract costs	<b>6,210</b>	8,706
Deferred revenue	<b>1,012</b>	3,351





## Note 24

## Employee future benefits

Generally, the Company does not offer pension plan or post-retirement benefits to its employees with the exception of the following:

The Company has defined contribution pension plans mainly covering certain European employees. For the years ended September 30, 2010, 2009 and 2008, the plan expense was \$5,343,000, \$5,053,000 and \$5,303,000, respectively.

The Company maintains a 401(k) defined contribution plan covering substantially all U.S. employees. Since January 1, 2008, the Company matches employees' contributions to a maximum of US\$2,500 per year. Prior to that date, the maximum was US\$1,000 per year. For the years ended September 30, 2010, 2009 and 2008, the amounts of the Company's contributions were \$8,212,000, \$7,557,000 and \$5,069,000, respectively.

The Company maintains two non-qualified deferred compensation plans covering some of its U.S. management. One of these plans is an unfunded plan and the non-qualified deferred compensation liability totaled \$2,376,000 as at September 30, 2010 (\$3,211,000 at September 30, 2009). 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 totalled \$16,318,000 as at September 30, 2010 (\$13,108,000 as at September 30, 2009).

The Company maintains a post-employment benefits plan to cover certain former retired employees associated with the divested Canadian claims adjusting and risk management services business. The post-employment benefits liability totalled \$7,008,000 as at September 30, 2010 (\$7,201,000 at September 30, 2009). The Company measures its benefits liability as at September 30 of each year. An actuarial valuation was performed at September 30, 2008, and the next actuarial valuation will be as at September 30, 2011.

## Note 25

## Commitments, contingencies and guarantees

**A) COMMITMENTS**

At September 30, 2010, the Company is committed under the terms of operating leases with various expiration dates up to 2030, primarily for the rental of premises and computer equipment used in outsourcing contracts, in the aggregate amount of approximately \$917,834,000. Minimum lease payments due in the next five years and thereafter are as follows:

	\$
2011	135,003
2012	118,971
2013	104,238
2014	88,739
2015	84,135
Thereafter	386,748

The Company entered into long-term service and other agreements representing a total commitment of \$107,721,000. Minimum payments under these agreements due in each of the next five years and thereafter are as follows:

	\$
2011	54,237
2012	28,730

2013	17,644
2014	5,073
2015	1,409
Thereafter	628

As of April 19, 2007, the Company became committed under the agreement between shareholders of Conseillers en informatique d'affaires ( CIA ) to purchase the remaining shares of CIA by October 1, 2011. As at September 30, 2010, 32.44% of shares of CIA remains to be purchased. The purchase price of the remaining shares will be calculated by a formula as defined in the shareholders' agreement. If the Company had purchased the remainder of CIA's shares on September 30, 2010, the consideration would have been approximately \$10,363,000.

## **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. 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.

## **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 \$14,570,000 in total, 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. No amount has been accrued in the consolidated balance sheets relating to this type of indemnification as at September 30, 2010. 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, 2010, the Company provided for a total of \$128,161,000 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.

Note 26

Financial instruments

## **FAIR VALUE**

All financial assets classified as held-to-maturity or loans and receivables, as well as financial liabilities classified 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 classified as held for trading are measured at their fair values. Gains and losses related to periodic revaluations are recorded in net earnings.

The Company has made the following classifications:

Cash and cash equivalents (Note 3), short-term investments, and deferred compensation plan assets (Note 24) are designated as held for trading as this reflects management's intentions.

Trade accounts receivable (Note 4), work in progress, and funds held for clients are classified as loans and receivables.

Accounts payable and accrued liabilities, accrued compensation, long-term debt, excluding obligations under capital leases (Note 10), and clients' funds obligations are classified as other liabilities.

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 held for trading.

At September 30, 2010 and 2009, the estimated fair values of trade accounts receivable, work in progress, funds held for clients, accounts payable and accrued liabilities, accrued compensation, long-term debt, with the exception of Senior U.S. unsecured notes and the unsecured committed revolving term facility, and clients' funds obligations approximate their respective carrying values.

The fair values of Senior U.S. unsecured notes and the unsecured committed revolving term facility, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions, are \$112,937,000 and \$941,396,000 at September 30, 2010, respectively, as compared to their carrying value of \$109,899,000 and \$964,223,000, respectively. At September 30, 2009, the fair value of the Senior U.S.

unsecured notes was \$116,859,000 as compared to its carrying value of \$114,061,000, and the fair value of the revolving term facility approximated its carrying value of \$126,043,000 (Note 10).

The following table summarizes the fair value of outstanding hedging instruments:

	Recorded as	2010 \$	2009 \$
<b>Hedge on net investments in self-sustaining foreign subsidiaries</b>			
US\$920,000 debt designated as the hedging instrument to the Company's net investment in U.S. subsidiaries (US\$100,000 as at September 30, 2009)	Long term debt	<b>947,416</b>	107,220
12,000 debt designated as the hedging instrument to the Company's net investment in European subsidiaries (12,000 as at September 30, 2009)	Long term debt	<b>16,807</b>	18,823
<b>Cash flow hedges on future revenue</b>			
US\$130,380 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\$192,660 as at September 30, 2009)	Other current assets	<b>8,918</b>	8,303
	Other long-term assets	<b>11,433</b>	16,148
US\$44,820 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\$62,940 as at September 30, 2009)	Other current assets	<b>2,378</b>	1,495
	Other long-term assets	<b>1,121</b>	488
	Other long-term liabilities		78
\$89,040 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the Canadian dollar and the Indian rupee (\$110,315 as at September 30, 2009)	Accrued liabilities	<b>1,570</b>	2,005
	Other long-term liabilities	<b>3,396</b>	7,570
<b>Cash flow hedges on Senior U.S. unsecured notes</b>			
US\$107,000 foreign currency forward contracts (US\$107,000 as at September 30, 2009)	Other current asset	<b>1,277</b>	
	Other long-term assets	<b>763</b>	5,736

The Company expects that approximately \$11,096,000 of the accumulated net unrealized gains on all derivative financial instruments designated as cash flow hedges at September 30, 2010 will be reclassified in net income in the next 12 months.

#### **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.

The Company categorized the fair value measurement of cash and cash equivalents, short-term investments and deferred compensation plan assets in Level 1. For the cash flow hedges on future revenue and cash flow hedges on Senior U.S. unsecured notes, the Company categorized the fair value measurement in Level 2, as they are primarily derived from observable market inputs.

#### **MARKET RISK (INTEREST RATE RISK AND CURRENCY RISK)**

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 10) and does not currently hold any financial instruments that mitigate this risk. 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.

##### **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 forward contracts. The Company enters, from time to time, into foreign exchange forward contracts to hedge forecasted cash flows or contractual cash flows in currencies other than the functional currency of its subsidiaries (Note 2). Hedging relationships are designated and documented at inception and quarterly effectiveness assessments are performed during the year.

The Company is mainly exposed to fluctuations in the U.S. dollar and the euro. As at September 30, 2010, the portion of the cash and cash equivalents, accounts receivable, work in progress, accounts payable and accrued liabilities and accrued compensation denominated in U.S. dollars amount to US\$16,427,000, US\$184,237,000, US\$260,687,000, US\$116,353,000 and US\$78,340,000, respectively. Additionally, as at September 30, 2010, the portion of the same items denominated in euros amount to 13,881,000, 18,462,000, 943,000, 9,924,000, and 3,237,000, respectively.

The following table details the Company's sensitivity to a 10% strengthening of the U.S. dollar and the euro foreign currency rates on net earnings and comprehensive income against the Canadian dollar. The sensitivity analysis presents the impact of foreign currency denominated monetary items and adjusts their translation at period end for a 10% strengthening in foreign currency rates. For a 10% weakening of the U.S. dollar and the euro against the Canadian dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

	2010		2009
	U.S. dollar impact	Euro impact	U.S. dollar impact Euro impact
Increase in net earnings	16,485	116	11,739 938
Increase in comprehensive income	161,456	11,130	79,117 12,409

### 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 as at September 30, 2010. All amounts contractually denominated in foreign currency are presented in Canadian dollar equivalent amounts using the period-end spot rate.

	Carrying Amount	Contractual cash flows	Less than one year	Between one and two years	Between two and five years	Beyond 5 years
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	304,376	304,376	304,376			
Accrued compensation	191,486	191,486	191,486			
Senior U.S. unsecured notes	109,899	116,799	93,113	1,236	22,450	
Unsecured committed revolving term facility	964,223	977,861	9,092	968,769		
Obligations repayable in blended monthly instalments	22,049	23,961	6,292	5,052	11,211	1,406
Clients' funds obligations	248,695	248,695	248,695			
Derivative financial liabilities						
Cash flow hedge on future revenue						
Outflow	4,966	5,562	1,637	1,740	2,185	
(Inflow)	(23,850)	(24,658)	(11,447)	(7,323)	(5,888)	
	1,821,844	1,844,082	843,244	969,474	29,958	1,406

As at September 30, 2010, the Company is holding cash and cash equivalents and short-term investments of \$141,020,000 (\$343,427,000 at September 30, 2009). The Company also has available \$519,931,000 in unsecured revolving credit facilities and \$25,000,000 in demand lines of credit (Note 10) (\$1,359,279,000 and \$25,000,000, respectively, at September 30, 2009). In addition, the funds held for clients of \$248,695,000 (\$332,359,000 at



September 30, 2009) 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.

**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 and accounts receivable.

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 3). None of the cash equivalents are in asset backed commercial paper products. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

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:

	<b>2010</b>	2009
	\$	\$
Not past due	<b>301,106</b>	267,784
Past due 1-30 days	<b>28,864</b>	9,183
Past due 31-60 days	<b>5,738</b>	13,086
Past due 61-90 days	<b>5,018</b>	4,979
Past due more than 90 days	<b>20,147</b>	33,737
	<b>360,873</b>	328,769
Allowance for doubtful accounts	<b>(11,524)</b>	(11,122)
	<b>349,349</b>	317,647

The carrying amount of accounts receivable is reduced by an allowance account and the amount of the loss is recognized in the consolidated statement 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 statement of earnings. Overall, management does not believe that any single industry or geographic region represents a significant credit risk to the Company.

Note 27

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, 2010, total managed capital was \$3,447,527,000 (\$2,901,811,000 at September 30, 2009). Managed capital consists of long-term debt, including the current portion (Note 10), cash and cash equivalents (Note 3), short-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 and short-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 and depreciation and amortization. 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 credit facilities and its Senior U.S. unsecured notes. On the credit facilities, the ratios are as follows:

A leverage ratio, which is the ratio of total debt to EBITDA for the four most recent quarters.

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 plus rent expense.

A minimum net worth requirement, whereby shareholders' equity, excluding foreign exchange translation adjustments included in accumulated other comprehensive loss, cannot be less than a specified threshold.

The ratios for the credit facilities are calculated on a consolidated basis, excluding Innovapost, which is a joint venture.

On the Senior U.S. unsecured notes, the ratios are as follows:

A leverage ratio, which is the ratio of total debt adjusted for operating rent to EBITDAR for the four most recent quarters.

A fixed charges coverage ratio, which is the ratio of the EBITDAR to the sum of interest expense plus operating rentals for the period for the four most recent quarters.

A minimum net worth requirement, whereby shareholders' equity, excluding foreign exchange translation adjustments included in accumulated other comprehensive loss, cannot be less than a specified threshold.

The ratios for the Senior U.S. unsecured notes are calculated based on specific subsidiaries of the Company that represent a significant portion of the Company's consolidated operations.

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.

## Note 28

## Reconciliation of results reported in accordance with Canadian GAAP to U.S. GAAP

The material differences between Canadian and U.S. GAAP affecting the Company's consolidated financial statements are detailed as follows:

	2010	2009	2008
		(Restated Note 2a)	(Restated Note 2a)
	\$	\$	\$
<b>Reconciliation of net earnings:</b>			
Net earnings Canadian GAAP	<b>362,766</b>	317,205	294,000
Adjustments for:			
Stock-based compensation (i)	<b>(213)</b>	(3,759)	(4,127)
Warrants (ii)	<b>863</b>	1,404	(5,721)
Reversal of income tax provision (iii)		(517)	(7,452)
Other (iv)	<b>(140)</b>	594	216
<b>Net earnings U.S. GAAP</b>	<b>363,276</b>	314,927	276,916
<b>Attributable to:</b>			
Shareholders of CGI Group Inc.	<b>362,896</b>	314,188	276,048
Non-controlling interest	<b>380</b>	739	868
Basic earnings per share attributable to shareholders of CGI Group Inc. U.S. GAAP	<b>1.27</b>	1.02	0.87
Diluted earnings per share attributable to shareholders of CGI Group Inc. U.S. GAAP	<b>1.24</b>	1.01	0.86
Net earnings U.S. GAAP	<b>363,276</b>	314,927	276,916
Other comprehensive (loss) income	<b>(35,756)</b>	35,434	64,649
<b>Comprehensive income U.S. GAAP</b>	<b>327,520</b>	350,361	341,565
<b>Attributable to:</b>			
Shareholders of CGI Group Inc.	<b>327,140</b>	349,622	340,697
Non-controlling interest	<b>380</b>	739	868
<b>Reconciliation of shareholders' equity:</b>			
Equity attributable to shareholders of CGI Group Inc. Canadian GAAP	<b>2,152,631</b>	2,275,254	1,997,001
Adjustments for:			
Stock-based compensation (ix)	<b>58,411</b>	58,411	58,411
Warrants (ii)	<b>(7,125)</b>	(7,988)	(9,392)
Reversal of income tax provision (iii)	<b>(7,969)</b>	(7,969)	(7,452)
Unearned compensation (v)	<b>(3,694)</b>	(3,694)	(3,694)
Integration costs (vi)	<b>(6,606)</b>	(6,606)	(6,606)
Goodwill (vii)	<b>28,078</b>	28,078	28,078
	<b>9,715</b>	9,715	9,715

Income taxes and adjustment for change in accounting policy (viii)			
Other (iv)	<b>(3,405)</b>	(3,265)	(3,859)
<b>Equity attributable to shareholders of CGI Group Inc. U.S. GAAP</b>	<b>2,220,036</b>	2,341,936	2,062,202
<b>Equity attributable to non-controlling interest Canadian and U.S. GAAP</b>	<b>6,452</b>	6,342	5,922

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**(i) Stock-based compensation**

Beginning in fiscal 2008, the Company issued stock options with a three-year graded vesting period and a performance criteria. Under Canadian GAAP, the compensation cost for this type of option has been accounted for on a straight-line basis because the awards of graded vesting options have a similar expected life. Under U.S. GAAP, the graded vesting method must be used. The adjustment represents the compensation cost difference between using the straight-line and graded vesting method. This adjustment does not have an impact on shareholders' equity.

**(ii) Warrants**

Under Canadian GAAP, the fair value of warrants issued in connection with long-term outsourcing contracts is recorded as contract costs and amortized on a straight-line basis over the initial contract term. Under U.S. GAAP, the fair value of equity instruments issued was subtracted from the initial proceeds received in determining revenue. The 2010, 2009, and 2008 adjustments reflect the reversal of contract cost amortization, net of income taxes, which is included as a reduction to Canadian GAAP consolidated net earnings.

The fiscal 2008 adjustment also includes final determinations from agreements with tax authorities and expirations of statutes of limitations of prior year tax liabilities associated with the issuance of warrants that resulted in the reversal of \$7,125,000 in tax liabilities during fiscal 2008. The reversal of this recovery was included as an increase to Canadian GAAP consolidated earnings.

**(iii) Reversal of income tax provision**

During fiscal 2009 and fiscal 2008, the Company reversed one-time income tax provisions pertaining to the determination of prior year tax liabilities after final agreement with tax authorities and the expirations of statutes of limitations relating to business acquisitions. The reversal of the provisions was included as an increase to Canadian GAAP consolidated earnings. Under U.S. GAAP, the adjustment was applied to the goodwill attributable to the acquisition prior to the adoption of ASC Topic 805, "Business Combination" on October 1, 2009. (Refer to (x) Recent accounting changes).

**(iv) Capitalization of intangible assets**

Effective October 1, 2008, the Company adopted Section 3064, "Goodwill and Intangible Assets". As a result of the standard, there is new guidance relating to eligible capitalizable costs in the development of intangibles. Under U.S. GAAP, there were no changes to capitalization standards. This adjustment is one of the items included in other and represents the net effect of costs that were expensed or capitalized under Canadian GAAP for which the accounting treatment is different under U.S. GAAP. For the years ended September 30, 2010, 2009 and 2008, the adjustment to U.S. GAAP net earnings is a decrease of \$959,000, \$198,000 and \$368,000, respectively. As at September 30, 2010, 2009 and 2008, the adjustment to U.S. GAAP shareholders' equity is an increase of \$1,186,000, \$2,145,000 and \$2,341,000, respectively.

**(v) Unearned compensation**

Under Canadian GAAP, prior to July 1, 2001, unvested stock options granted as a result of a business combination were not recorded. The adjustment reflects the intrinsic value of unvested stock options (see (vii) below) that would have been recorded as a separate component of shareholders' equity for U.S. GAAP purposes. This unearned compensation was amortized over approximately three years, being the estimated remaining future vesting service period.

**(vi) Integration costs**

Under Canadian GAAP, prior to January 1, 2001, certain restructuring costs relating to the purchaser may be recognized in the purchase price allocation when accounting for business combinations, subject to certain conditions. Under U.S. GAAP, only costs relating directly to the acquired business may be considered in the purchase price allocation. This adjustment represents the charge to consolidated net earnings, net of goodwill amortization in 2001, recorded for Canadian GAAP purposes and net of income taxes.

**(vii) Goodwill**

The goodwill adjustment to shareholders' equity results principally from the difference in the value assigned to stock options issued to IMRglobal Corp. employees. Under Canadian GAAP, the fair value of the outstanding vested stock options is recorded as part of the purchase price allocation whereas under U.S. GAAP, the fair value of both vested and unvested outstanding stock options granted as a result of the business acquisition is recorded. See (v) above for a

further discussion relating to this item.

**(viii) Income taxes and adjustment for change in accounting policy**

On October 1, 1999, the Company adopted the recommendations of CICA Handbook Section 3465, *Income taxes*. The recommendations of Section 3465 are similar to the provisions of ASC Topic 740, *Income Taxes*, issued by the Financial Accounting Standards Board (FASB). Upon the implementation of Section 3465, the Company recorded an adjustment to reflect the difference between the assigned value and the tax basis of assets acquired in a business combination, which resulted in future income tax liabilities. The Company recorded this amount through a reduction of retained earnings as part of the cumulative adjustment. Under U.S. GAAP, this amount would have been reflected as additional goodwill.

**(ix) Stock-based compensation**

Under Canadian GAAP, stock-based compensation cost was accounted for using the fair value based method beginning October 1, 2004. Under U.S. GAAP, ASC Topic 718, *Compensation - Stock Compensation*, did not require adoption of this standard until fiscal years beginning on or after June 15, 2005. The 2005 adjustments represent the charge to consolidated net earnings recorded for Canadian GAAP purposes as no such expense was recorded or required under U.S. GAAP. Beginning October 1, 2005, there is no difference between Canadian and U.S. GAAP in connection to stock-based compensation cost.



**(x) Recent accounting changes**

In December 2007, FASB issued ASC Topic 805, *Business Combinations*, which became effective for the Company as of October 1, 2009 via prospective application to business combinations. This standard is similar to the corresponding provisions of CICA Section 1582, *Business Combinations*, (refer to Note 2a). As a result of the adoption of ASC Topic 805, tax adjustments for a total amount of \$29,716,000 related to the final determinations and expiration of limitation periods were recognized during the year ended September 30, 2010 as a reduction of the income tax expense rather than applied to goodwill. This new accounting treatment is consistent with CICA Section 1582. Consequently, there is no GAAP difference in the year ended September 30, 2010 with respect to these items.

In December 2007, FASB issued ASC Topic 810, *Consolidation*, which became effective for the Company as of October 1, 2009 via retrospective application. This standard is similar to the corresponding provisions of CICA Section 1601 *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interests*, (refer to Note 2a). The Company adopted ASC Topic 810 without significant effect on the Company's consolidated financial statements. The effects on future periods will depend on the nature and significance of business combinations subject to these standards.

**(xi) Future accounting changes**

In October 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements*, an amendment to FASB ASC Topic 605, *Revenue Recognition*, and ASU 2009-14, *Certain Revenue Arrangements That Include Software Elements*, an amendment to FASB ASC Subtopic 985-605, *Software Revenue Recognition*. ASU 2009-13 provides authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under this ASU, when VSOE or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. ASU 2009-13 also includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. ASU 2009-14 provides guidance on arrangements that include software elements, including tangible products that have software components that are essential to the functionality of the tangible product and will no longer be within the scope of the software revenue recognition guidance, and software-enabled products that will now be subject to other relevant revenue recognition guidance. These standards must be adopted in the same period using the same transition method and are effective prospectively, with retrospective adoption permitted, for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Effective October 1, 2010, the Company will adopt these standards, on a prospective basis. The effects on future periods will depend on the nature and significance of the future customer contracts subject to these standards.

## Management's Discussion and Analysis of Financial Position and Results of Operations

For the year ended September 30, 2010

November 9, 2010

### Basis of Presentation

This Management's Discussion and Analysis of 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 audited 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, 2010, 2009, and 2008. CGI's accounting policies are in accordance with Canadian generally accepted accounting principles ( GAAP ) of the Canadian Institute of Chartered Accountants ( CICA ). These differ in some respects from generally accepted accounting principles in the United States ( US GAAP ). Our reconciliation of results reported in accordance with GAAP to US GAAP can be found in Note 28 to the consolidated financial statements. All dollar amounts are in Canadian dollars unless otherwise indicated.

The following are the three primary objectives of this MD&A:

Provide a narrative explanation of the consolidated financial statements through the eyes of management;

Provide the context within which the 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:

**Corporate Overview** includes a description of our business and how we generate revenue as well as the markets in which we operate. In addition, we also summarize significant developments and certain financial highlights for the year;

**Financial Review** discusses year-over-year changes to operating results for the years ended September 30, 2010, 2009, 2008, and quarters ended September 30, 2010 and 2009, 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 and vertical market;

**Liquidity and Capital Resources** discusses changes in cash flows from operating, investing and financing activities and describes the Company's liquidity and available capital resources; and

**Critical Accounting Estimates, Future Accounting Changes, and Risks and Uncertainties** explains the areas in the financial statements where critical estimates and assumptions are used to calculate amounts in question. In addition, we provided an update on the status of the International Financial Reporting Standards ( IFRS ) changeover project. We have also included a discussion of the risks affecting our business activities and what may be the impact if these risks are realized.

### 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 IT 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 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 the Risks and Uncertainties section.

#### Non-GAAP Measures

The reader should note that the Company reports its financial results in accordance with GAAP. However, in this MD&A, certain non-GAAP financial measures are used:

1. Earnings from continuing operations before acquisition-related and integration costs, interest on long-term debt, interest income, other (income) expenses, gain on sale of capital assets, 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 GAAP 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 GAAP.

A reconciliation of adjusted EBIT to its closest GAAP measure can be found on page 17. Definitions of constant currency growth, DSO, ROIC, ROE, and net debt to capitalization are provided on pages 9 and 10. A discussion of net debt to capitalization, ROIC, ROE and DSO can be found on page 22.

#### Restatement of Prior Periods

As of the first quarter of fiscal 2010, CGI adopted Section 1602, Non-Controlling Interests retrospectively. This MD&A reflects the impacts of these restatements on the consolidated financial statements for the years ended September 30, 2010, 2009, and 2008. Please refer to Note 2 of our consolidated financial statements for further details.

#### **TRANSFER AGENT**

Computershare Investor Services Inc.  
(800) 564-6253

#### **INVESTOR RELATIONS**

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CGI group Inc. 2010 Annual report

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## Corporate Overview

### **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, utilizing a flexible, cost efficient delivery model. CGI and its affiliated companies have approximately 31,000 professionals across the globe. The Company's delivery model provides for work to be carried out onsite at client premises, or through one of its centres of excellence located in North America, Europe and India. 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 and may be renewable.

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 and healthcare, financial services, telecommunications and utilities, retail and distribution, and manufacturing.

Our 100+ proprietary business solutions help shape opportunities and drive incremental value for our clients.

Examples of these include Enterprise Resource Planning solutions, credit and debt collections, tax management, claims auditing and fraud detection, and energy management.

We take great pride in delivering high quality services to our clients. To do so consistently, we have implemented and maintained the International Organization for Standardization ( ISO ) quality program. We firmly believe that by designing and implementing rigorous service delivery quality standards, followed by continuous monitoring of conformity with those standards, we are best able to satisfy our clients' needs. As a measure of the scope of our ISO program, all of our revenue was generated by business units having successfully obtained certification.

Our operations are managed in three operating segments ( reporting segments or segments ), in addition to Corporate services, namely: Canada, the United States and India ( U.S. ), and Europe and Asia Pacific ( Europe ). The segments are based on a delivery view and the results incorporate domestic activities as well as impacts from our delivery model utilizing our centres of excellence.

### **VISION AND STRATEGY**

Most companies begin with a business vision, but CGI began with a dream: to create an environment in which members enjoy working together and, as owners, contribute to building a company they 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. CGI has been and will continue to be a consolidator in the IT services industry.

The first two pillars of our strategy focus on organic growth. The first 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.

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. Currently, our key growth target markets are the U.S. and Europe.

## 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. Our 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 ( verticals ) in which we have deep business and technical expertise covering 90% of global IT spend. These verticals are: government and healthcare, financial services, telecommunications and utilities, retail and distribution, and manufacturing. To compete effectively, CGI focuses on high-end systems integration, consulting and outsourcing where vertical 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 in today s global market, 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 three main markets Canada, the U.S. and Europe, collectively covering approximately 70% of global IT spending we are in a position to compete effectively on an international scale and win large contracts.

### 2010 HIGHLIGHTS

As a result of the restructuring initiatives implemented in 2009, we have positioned ourselves to compete strategically and seize opportunities as our economy emerges from the recession. Over the year, 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 have 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 the year are:

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 invest 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 shares of the Company.

**Acquisition of Stanley, Inc.**

On May 7, 2010, CGI announced a definitive merger agreement with Stanley, a provider of information technology services and solutions to U.S. defense, intelligence and federal civilian government agencies. CGI commenced the cash tender offer to acquire all of Stanley's outstanding shares of common stock at US\$37.50 per share. On August 17, 2010, CGI completed its cash tender offer which was funded from CGI's cash on hand and existing credit facilities. Total cash consideration for this transaction was \$923.2 million. In line with our fourth pillar of strategic growth, Stanley's operations will increase our scale and our capabilities to serve the U.S. federal government, expanding our offering into the defense and intelligence space.

Our results for the year incorporate the operations of Stanley subsequent to August 17, 2010. Since the completion of the transaction, we have focused on the integration of Stanley into CGI and to date, \$20.9 million of acquisition-related and integration costs have been incurred. We expect approximately \$5.4 million to be incurred over the next fiscal year. To date, on a run-rate basis, approximately 87% or \$23.4 million of our annual synergy target has been realized with the remainder expected to be achieved in the next nine months. The Company expects to realize an earnings per share accretion rate of approximately 15% to 20% for this transaction over the next 12 to 24 months.

**Capital Stock and Options Outstanding (as at November 3, 2010)**

238,053,130 Class A subordinate shares

33,608,159 Class B shares

32,620,501 options to purchase Class A subordinate shares

**FY 2010 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:	12.50
High:	16.80
Low:	12.07
Close:	15.49
Canadian* average daily trading volumes:	1,339,325

\* Includes the average daily volumes of both the TSX and Alternative Trading Systems.

NYSE	(US\$)
Open:	11.66
High:	16.40
Low:	11.11
Close:	15.03
U.S. average daily trading volumes:	194,369

**Stock Performance**

CGI STOCK PRICES (TSX) FOR FISCAL 2010

**Share Repurchase Program**

On January 27, 2010, the Company's Board of Directors authorized and received the approval from the TSX for the renewal of the Normal Course Issuer Bid ( NCIB ) to purchase of up to 10% of the public float of the Company's Class A subordinate shares during the next year. The NCIB enables CGI to purchase, on the open market, up to 25,151,058 Class A subordinate shares for cancellation. The Class A subordinate shares may be purchased under the NCIB commencing February 9, 2010 and ending on the earlier of February 8, 2011, or the date on which the Company has either acquired the maximum number of Class A shares allowable under the NCIB, or elects to terminate the NCIB.

During fiscal year 2010, the Company repurchased 35,602,085 of its Class A subordinate shares for \$516.7 million at an average price including commissions of \$14.51, under the current and previous NCIB. As at September 30, 2010, the Company may purchase up to an additional 7.0 million shares under the current NCIB.

Overview of Fiscal Year 2010

**KEY PERFORMANCE MEASURES**

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 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 costs and income taxes (see definition on page 5). Management believes this best reflects the profitability of our operations.</p> <p>Diluted earnings per share from continuing operations attributable to shareholders of CGI is a measure of earnings generated for shareholders on a per share basis, assuming all in-the-money options outstanding are exercised.</p>
Liquidity	<p>Cash provided by continuing 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 maintaining a DSO below its 45-day target.</p>
Growth	<p>Constant currency growth is a measure of revenue growth before foreign currency impacts. We believe that it is helpful to adjust revenue to exclude the impact of currency fluctuations to better understand trends in the business.</p> <p>Backlog represents management's best estimate of revenue to be realized in the future based on the terms of respective client agreements active at a point in time.</p> <p>Book-to-Bill ratio 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. 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 and short-term investment position. 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>

**SELECTED ANNUAL INFORMATION**

As at and for the years ended September 30 (in thousands of dollars unless otherwise noted)	2010	2009	2008	Change 2010/2009	Change 2009/2008
<b>Growth</b>					
Backlog <sup>1</sup> (in millions of dollars)	13,320	10,893	11,645	22.3%	-6.5%
Bookings (in millions of dollars)	4,643	4,059	4,145	14.4%	-2.1%
Book-to-bill ratio	124%	106%	112%		
Revenue	3,732,117	3,825,161	3,705,863	-2.4%	3.2%
Year-over-year growth	-2.4%	3.2%	2.0%		
Constant currency growth <sup>2</sup>	3.4%	-1.9%	5.3%		
<b>Profitability</b>					
Adjusted EBIT <sup>3</sup>	511,902	460,741	430,486	11.1%	7.0%
Adjusted EBIT margin	13.7%	12.0%	11.6%		
Earnings from continuing operations	362,766	315,897	299,134	14.8%	5.6%
Earnings from continuing operations margin	9.7%	8.3%	8.1%		
Net earnings	362,766	317,205	294,000	14.4%	7.9%
Net earnings margin	9.7%	8.3%	7.9%		
Basic EPS from continuing operations (in dollars) <sup>4</sup>	1.27	1.03	0.94	23.3%	9.6%
Diluted EPS from continuing operations (in dollars) <sup>4</sup>	1.24	1.02	0.92	21.6%	10.9%
Basic EPS (in dollars) <sup>4</sup>	1.27	1.03	0.92	23.3%	12.0%
Diluted EPS (in dollars) <sup>4</sup>	1.24	1.02	0.90	21.6%	13.3%
<b>Liquidity</b>					
Cash provided by continuing operating activities	552,367	630,244	355,670	-12.4%	77.2%
Days sales outstanding <sup>5</sup>	47	39	50	20.5%	-22.0%
<b>Capital structure</b>					
Net debt to capitalization ratio <sup>6</sup>	30.6%	n/a	14.0%		
Return on equity <sup>7</sup>	16.4%	14.2%	15.6%		
Return on invested capital <sup>8</sup>	16.3%	14.0%	14.0%		
<b>Balance sheet</b>					
Cash & cash equivalents and short-term investments	141,020	343,427	50,134	-58.9%	585.0%
Total assets	4,607,191	3,899,910	3,680,558	18.1%	6.0%
Long-term financial liabilities <sup>9</sup>	1,071,948	302,741	326,916	254.1%	-7.4%

1 Backlog includes new contract wins, extensions and renewals ( bookings ), partially offset by the backlog consumed during the year 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.

2 Constant currency growth is adjusted to remove the impact of foreign currency exchange rate fluctuations. Please refer to page 13 for details.

3 Adjusted EBIT is a non-GAAP measure for which we provide the reconciliation to its closest GAAP measure on page 17.

- 4 Earnings per share ( EPS ) amounts are attributable to shareholders of CGI. Quarterly EPS amounts may not add up to the annual amount due to rounding.
- 5 Days sales outstanding is 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.
- 6 The net debt to capitalization ratio represents the proportion of long-term debt, net of cash and cash equivalents and short-term investments ( net debt ) over the sum of shareholders' equity attributable to shareholders of CGI and long-term debt. Net debt and capitalization are both net of the fair value of forward contracts. At the end of fiscal 2009, the net debt to capitalization ratio was negative (a net cash position) and therefore shown as not applicable ( n/a ).
- 7 The return on equity ratio is calculated as the proportion of earnings from continuing operations for the year over the last four quarters' average equity attributable to shareholders of CGI.
- 8 The return on invested capital ratio represents the proportion of the after-tax adjusted EBIT for the year over the last four quarters' average invested capital, which is defined as the sum of equity attributable to shareholders of CGI and debt less cash and cash equivalents and short-term investments, net of the impact of the fair value of forward contracts.
- 9 Long-term financial liabilities include the long-term portion of debt and capital leases, integration and restructuring costs, asset retirement obligations, deferred compensation and any forward contracts in a liability position.

## **FINANCIAL REVIEW**

### **Bookings and Book-to-Bill Ratio**

The Company achieved a book-to-bill ratio of 124% for the year. 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%.

We provide information regarding bookings because we believe doing so provides useful information regarding changes in 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.

**SIGNIFICANT BOOKINGS IN THE YEAR**

Announcement Date	Client	Duration	Value
October 5, 2009	U.S. Environmental Protection Agency ( EPA )	Seven years	Not released
	CGI Federal will deliver IT infrastructure support services to the EPA under the newly established ITS-EPA II program and will assist 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.		
November 3, 2009	Yellow Pages Group	10-year extension	\$100 million
	CGI will manage 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.		
November 5, 2009	U.S. Department of Housing and Urban Development ( HUD )	One year renewal	US\$58.1 million
	CGI administers HUD multi-family housing programs in California, Florida, New York, Ohio and Washington, DC, in conjunction with its state and local housing agency partners.		
December 15, 2009	North American financial institutions	New contracts & renewals	\$1.1 billion
	CGI has signed new contracts and renewals with North American financial institutions totaling \$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.		
January 19, 2010	U.S. Department of State and U.S. Agency for International Development	10 years	US\$395 million
	CGI will provide 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 will be deployed to help TP Group consolidate its current multi application, multi vendor environment to improve overall time to market and total cost of ownership.		
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 will continue 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



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CGI will deliver managed application services for the State's AMS Advantage® enterprise resource planning system which supports financial management and procurement operations. CGI will host the State's AMS Advantage ERP system and provide disaster recovery services. CGI will also manage operations of all technical aspects of the system during the term of the contract.

June 29, 2010	Atlantic Lottery Corporation CGI will manage Atlantic Lottery's data center and provide related application support and development.	Seven years	\$125 million
July 7, 2010	The Beer Store This new 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.	Seven years	Not released
July 20, 2010	Rexel Group This new agreement, which will support productivity improvements, establishes CGI as not only one of the preferred IT suppliers for Rexel's Canadian operations, but also for Rexel's US operations.	Six years	\$50 million
July 29, 2010	Manulife Financial Under the contract renewal, CGI will continue to leverage its Halifax delivery center to provide systems development, maintenance and integration services to Manulife Financial.	Until 2013	Not released
August 9, 2010	eHealth Ontario CGI will design, build, implement and manage a province-wide chronic disease management system and portal which will be used initially to better manage diabetes care, a top clinical priority for eHealth Ontario.	Six years	\$46 million
August 11, 2010	Plexxus CGI will support 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.	Five years	\$34 million
September 30, 2010	U.S. General Services Administration Under the Data.gov Dataset Hosting Services BPA, CGI will provide hosting services for this important government information, as well as, technology tools for dataset analysis, and professional services.	Five years	US\$46 million
October 5, 2010	Bombardier Aerospace CGI will be 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.	Five years	US\$160 million

### 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 GAAP.

We used the closing foreign exchange rates below to value our assets, liabilities and backlog in Canadian dollars for the following periods:

	2010	2009	2008	Change 2010/2009	Change 2009/2008
U.S. dollar	<b>1.0298</b>	1.0722	1.0599	-4.0%	1.2%
Euro	<b>1.4006</b>	1.5686	1.4923	-10.7%	5.1%
Indian rupee	<b>0.0231</b>	0.0223	0.0228	3.6%	-2.2%
British pound	<b>1.6198</b>	1.7158	1.8868	-5.6%	-9.1%

We used the average foreign exchange rates below to value our revenues, expenses, and bookings:

	2010	2009	2008	Change 2010/2009	Change 2009/2008
U.S. dollar	<b>1.0407</b>	1.1804	1.0093	-11.8%	17.0%
Euro	<b>1.4116</b>	1.5944	1.5176	-11.5%	5.1%
Indian rupee	<b>0.0226</b>	0.0242	0.0246	-6.6%	-1.6%
British pound	<b>1.6227</b>	1.8235	1.9877	-11.0%	-8.3%

### Revenue Distribution

The following charts provide additional information regarding our revenue mix for the year:

#### By Contract Types

Management of IT and business functions  
(outsourcing)

**61%**

#### By Geography

IT services

**50%**

Canada

**56%**

Business process services

**11%**

U.S.

**38%**

Systems integration and consulting

**39%**

Europe

**6%**

#### By Vertical Market

Government and healthcare

**37%**

Financial services

**33%**

Telecommunications and utilities

**15%**

Retail and distribution

**10%**

Manufacturing

**5%**

### Client Concentration

Canadian GAAP 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 and considers the federal government, the provincial or territorial government, the local government, or a foreign government each to be a single customer. With the recent acquisition of Stanley, our work for the U.S. federal government and its various agencies has increased and collectively represented 13.7% of revenue for fiscal 2010 as compared to 10.3% in fiscal 2009, and 9.7% in fiscal 2008.

**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 exchange rate variations between the 2010 and 2009 periods. The 2009 and 2008 revenue by segment is recorded reflecting the actual foreign exchange rates for that year. The foreign exchange impact is calculated by assuming a constant exchange rate of foreign currencies between the respective fiscal years.

For the years ended September 30 (in 000 of dollars except for percentage)	2010	2009	2008	Change 2010/2009	Change 2009/2008
<b>Total CGI Revenue</b>	<b>3,732,117</b>	3,825,161	3,705,863	<b>-2.4%</b>	3.2%
Variation prior to foreign currency impact	<b>3.4%</b>	-1.9%	5.3%		
Foreign currency impact	<b>-5.8%</b>	5.1%	-3.3%		
Variation over previous period	<b>-2.4%</b>	3.2%	2.0%		
<b>Canada</b>					
Revenue prior to foreign currency impact	<b>2,121,123</b>	2,179,659	2,335,566	<b>-2.7%</b>	-7.0%
Foreign currency impact	<b>(8,711)</b>				
Canada revenue	<b>2,112,412</b>	2,179,659	2,335,566	<b>-3.1%</b>	-6.7%
<b>U.S.</b>					
Revenue prior to foreign currency impact	<b>1,588,746</b>	1,361,787	1,086,513	<b>16.7%</b>	8.5%
Foreign currency impact	<b>(188,347)</b>				
U.S. revenue	<b>1,400,399</b>	1,361,787	1,086,513	<b>2.8%</b>	25.3%
<b>Europe</b>					
Revenue prior to foreign currency impact	<b>245,522</b>	283,715	283,784	<b>-13.5%</b>	0.4%
Foreign currency impact	<b>(26,216)</b>				
Europe revenue	<b>219,306</b>	283,715	283,784	<b>-22.7%</b>	0.0%

The economic challenges of fiscal 2009 continued into the first quarter of fiscal 2010; by the second quarter, our results were showing modest signs of recovery in North America while our Europe segment continued to feel its effects. We ended fiscal 2010 with revenue of \$3,732.1 million, a decrease of \$93.0 million or 2.4% over fiscal 2009. On a constant currency basis, our revenue grew by 3.4% while fluctuations in foreign exchange rates unfavourably impacted our revenue by \$223.3 million or 5.8%. Our results also incorporate revenue from Stanley subsequent to August 17, 2010. On a constant currency basis, our government & healthcare vertical market grew the most over the year at 12% followed by our financial services vertical at 5%.

For fiscal 2009, revenue was \$3,825.2 million, an increase of \$119.3 million or 3.2% compared to fiscal 2008. On a constant currency basis, revenue decreased by 1.9% year-over-year. This decrease was more than offset by the net favourable impact of foreign currency exchange rate fluctuations in the amount of \$189.3 million or 5.1%, mainly due to the strengthening of the U.S. dollar. On a constant currency basis, the government & healthcare and financial services verticals increased by 8% and 7% over fiscal 2008, respectively. Decreases occurred in our telecommunications and utilities vertical as well as in our manufacturing vertical, representing declines of 29% and 6% respectively.

**CANADA**

Revenue in Canada reached \$2,112.4 million in fiscal 2010, a decrease of \$67.2 million or 3.1% over fiscal 2009. On a constant currency basis, revenue decreased by \$58.5 million or 2.7%. The decline was felt predominantly in the manufacturing and retail & distribution vertical markets where clients curtailed the volume of their IT projects. For the year ended September 30, 2009, revenue from our Canada operating segment was \$2,179.7 million, representing a decrease of \$155.9 million or 6.7% over fiscal 2008. Of this decrease, approximately \$92.0 million related to the non-renewal of a low margin contract, while the remainder related to various other clients having chosen to defer IT project spending or alternatively, have opted to have their services delivered through our offshore capabilities. We saw the continued demand for our long-term outsourcing and managed services since our broad portfolio of services have assisted our clients in remaining competitive through challenging times and allowed them to focus on their core business.

**U.S.**

U.S. revenue was \$1,400.4 million in fiscal 2010, an increase of \$38.6 million or 2.8% over fiscal 2009. On a constant currency basis, revenue in this segment rose by \$227.0 million or 16.7%. Part of this growth is from a combination of new contracts won in the current year and the contracts that came on stream in the latter part of the prior year. These contracts were mostly in the financial services and government & healthcare vertical markets. The increase is also partially attributed to the revenue growth generated by the acquisition of Stanley, reflecting approximately six weeks of operations.

For the year ended September 30, 2009, our U.S revenue was \$1,361.8 million, an increase of \$275.3 million or 25.3% when compared to fiscal 2008. The favourable impact of foreign currency fluctuations accounted for \$183.5 million. On a constant currency basis, revenue increased by \$91.8 million or 8.5% over the last year. The value proposition of our suite of solutions continued to be well received by our clients across our targeted vertical markets with particular interest to those in financial services and government & healthcare. Similar to our Canadian segment, we saw cautious behaviour from certain U.S. clients as

they either deferred the start-up of new projects or re-prioritized discretionary IT spending. Decreases from such clients were completely offset by growth with existing government contracts and new contracts from both financial services and government & healthcare clients.

## EUROPE

Revenue in Europe reached \$219.3 million in fiscal 2010 compared to \$283.7 million in fiscal 2009, a decrease of \$64.4 million or 22.7%. On a constant currency basis, foreign exchange negatively impacted revenue by \$26.2 million which is due mostly to the devaluation of the euro. Before foreign currency impacts, revenue decreased by \$38.2 million or 13.5%, reflecting the economic situation in this region where many of our clients took precautionary steps to conserve capital and therefore, decreased their spending on IT projects, similar to what we saw in 2009. Our clients in this segment are predominantly in the financial services and telecommunications & utilities vertical markets, which are also the two hardest hit by the economic recession.

For the year ended September 30, 2009, revenue from our Europe operating segment was \$283.7 million and was essentially flat when compared to fiscal 2008. On a constant currency basis, there was an increase of \$1.3 million or 0.4% year-over-year. Globally, the impacts of economic conditions have caused our European clients to defer discretionary projects, as clients prioritized investing in initiatives that would drive short-term margin and cash flow benefits. The constant currency growth came primarily from certain clients in the financial services vertical, largely offset by client initiated slow-downs of certain contracts in Australia, mainly in the government & healthcare and telecommunications & utilities vertical markets.

## OPERATING EXPENSES

For years ended September 30 (in 000 of dollars except for percentage)		% of 2010 Revenue		% of 2009 Revenue		% of 2008 Revenue
Costs of services, selling and administrative	<b>3,025,823</b>	<b>81.1%</b>	3,170,406	82.9%	3,110,760	83.9%
Foreign exchange (gain) loss	<b>(916)</b>	<b>0.0%</b>	(1,747)	0.0%	1,445	0.0%
Total amortization	<b>195,308</b>	<b>5.2%</b>	195,761	5.1%	163,172	4.4%
Capital assets	<b>72,067</b>	<b>1.9%</b>	61,412	1.6%	43,455	1.2%
Contract costs related to transition costs	<b>30,396</b>	<b>0.8%</b>	22,377	0.6%	17,925	0.5%
Other intangible assets	<b>92,845</b>	<b>2.5%</b>	100,829	2.6%	101,792	2.7%
Impairment of other intangible assets		<b>0.0%</b>	11,143	0.3%		0.0%

### Costs of Services, Selling and Administrative

When compared to fiscal 2009, costs of services, selling and administrative expenses decreased by \$144.6 million. The decrease came mostly from \$189.3 million of favourable foreign currency fluctuations, partially offsetting the \$223.3 million of unfavourable exchange rate fluctuations noted in our revenue section. In terms of a percentage of revenue, our costs of services, selling and administrative expenses improved from 82.9% to 81.1%. The decrease is due to the numerous initiatives taken in the past two years to improve our gross margin. In 2010, we incurred approximately \$26.4 million on severances and the elimination of excess real estate; compared to 2009 where \$44.9 million was incurred. The \$26.4 million excludes the charges from integrating the operations of Stanley. Our selling and administrative expenses as a percentage of revenue decreased slightly from the prior year by 0.2%. Our costs of services are primarily driven by expenses associated with our human resources which can vary due to profit sharing amounts and compensation adjustments in the period.

In 2009, we proactively managed our cost structure in response to prevailing economic conditions. When comparing fiscal 2009 to 2008, costs of services, selling and administrative expenses as a percentage of revenue decreased to 82.9% from 83.9%, primarily due to improvements in gross margin driven by past and current restructuring and productivity initiatives, while our selling and administrative expenses as a percentage of revenue rose slightly by 0.3%. During the year, approximately \$44.9 million was incurred, relating primarily to severances to realign our workforce, as well as to rationalize excess real estate in our operations. Year-over-year, the fluctuation of foreign

currency exchange rates have resulted in our costs of services, selling and administrative expenses to increase by \$169.4 million. This impact has been offset by the \$189.3 million exchange rate related benefits noted in our revenue section.

**Foreign Exchange (Gain) Loss**

This line item includes the realized and unrealized foreign exchange impact on our earnings. The Company, in addition to its natural hedge, has a strategy in place to manage its exposure, to the extent possible, to exchange rate fluctuations through the effective use of financial instruments.

**Amortization**

Total amortization for fiscal 2010 decreased by \$0.5 million compared to fiscal 2009. In fiscal 2010, amortization was favourably impacted by foreign exchange fluctuations for \$8.2 million. When comparing fiscal 2009 to fiscal 2008, total amortization increased by \$32.6 million, including an unfavourable effect of foreign exchange on amortization for \$7.5 million.

The amortization of capital assets increased by \$10.7 million in fiscal 2010. The majority of the increase related to the full year's impact of equipment purchased last year to support our new contracts and to improve our data centre infrastructure. This was partially offset by the decrease in amortization of leasehold improvements which resulted from accelerated amortization taken on excess space last year and workspace densification efforts over the past couple of years decreasing the need for leased space and improvements.

For year ended September 30, 2009, the increase in amortization expense for capital assets over 2008 is mainly due to additions of computer equipment made over the last year to support our clients and to improve our data centre infrastructure. In addition, we have relocated some of our offices and consequently have entered into more favourable lease agreements over the previous year. Leasehold improvements amortization has increased due to the investment in new additions as well as the accelerated amortization taken on excess space.

For the fiscal year 2010, the amortization of contract costs increased by \$8.0 million. This reflects the amortization associated on contract costs incurred for the modification of current contracts as well as the start-up of new, large contracts signed over the prior quarters. When comparing the amortization of contract costs in 2009 to 2008, amortization increased by \$4.5 million due to the full year's impact of new contracts signed during 2009 or near the end of 2008.

Amortization of intangible assets decreased in fiscal 2010 when compared to fiscal 2009. This is mainly attributable to the impairment charge taken in the last quarter of fiscal 2009 pertaining to certain finance-related business solutions in our U.S. operations, with no similar charge recorded in 2010. In addition, over the last couple of years, we have expanded the utilization of our offshore resources to reduce our investment cost in business solutions. This, along with certain client relationships being fully amortized, has also contributed favourably to the reduction in amortization expenses. Our results incorporate incremental amortization of \$3.6 million mainly pertaining to client relationships associated with the acquisition of Stanley. The fiscal 2009 amortization expense of other intangible assets is comparable to 2008, reflecting the normal amortization process of internal software, business solutions, and client relationships.

In the last quarter of fiscal 2009, the Company recorded an impairment charge in the amount of \$11.1 million which related predominantly to enhancements made to certain finance-related business solutions in our U.S. operations determined to have no future benefit due to the changing economic conditions. No impairment charges were recorded in fiscal 2010 or 2008.

#### ADJUSTED EBIT BY SEGMENT

For the years ended September 30 (in 000 of dollars except for percentage)	2010	2009	2008	Change 2010/2009	Change 2009/2008
Canada	<b>375,998</b>	320,702	332,827	<b>17.2%</b>	-3.6%
As a percentage of Canada revenue	<b>17.8%</b>	14.7%	14.3%		
U.S.	<b>192,305</b>	171,965	129,401	<b>11.8%</b>	32.9%
As a percentage of U.S. revenue	<b>13.7%</b>	12.6%	11.9%		
Europe	<b>89</b>	18,639	24,692	<b>-99.5%</b>	-24.5%
As a percentage of Europe revenue	<b>0.0%</b>	6.6%	8.7%		
Corporate	<b>(56,490)</b>	(50,565)	(56,434)	<b>11.7%</b>	-10.4%
As a percentage of revenue	<b>-1.5%</b>	-1.3%	-1.5%		
Adjusted EBIT	<b>511,902</b>	460,741	430,486	<b>11.1%</b>	7.0%
Adjusted EBIT margin	<b>13.7%</b>	12.0%	11.6%		

#### CANADA

Adjusted EBIT in Canada increased by \$55.3 million or 17.2% over fiscal 2009. As a percentage of revenue, the margin also increased from 14.7% to 17.8%. The increase in margin for Canada is due predominantly to improvements within our data centre operations and other improvements to gross margin due to prior year's initiatives. Severances and other restructuring costs taken this year were \$13.5 million as compared to \$35.0 million in the prior year.

In fiscal 2009, adjusted EBIT was \$320.7 million, a decrease of \$12.1 million or 3.6% when compared with fiscal 2008, while as a percentage of revenue, our margin improved from 14.3% to 14.7%. The year-over-year dollar decrease was primarily driven by the impact of our clients' decision to defer or delay certain projects as well as the impact of the time it takes to bring the newly signed outsourcing contracts on-stream. The decision of our clients to defer the start-up of projects not only caused a reduction in our revenue but also resulted in the incurrence of labour costs that did not get recovered as some of our members were unassigned. As noted above, during the year, we incurred approximately \$35.0 million for severances and the rationalization of some excess real estate to help align

our cost structure against planned revenues. We also continued to invest in automation and other initiatives to help lower our unit costs, especially in our data centres and centres of excellence.

**U.S.**

U.S. adjusted EBIT increased by \$20.3 million or 11.8% when compared to fiscal 2009. On a constant currency basis, the adjusted EBIT would have grown by \$43.9 million or 25.5%. The results for Stanley since August 17th were incorporated. As a percentage of revenue, our margin increased from 12.6% to 13.7%. We continue to improve our margins in this segment through increased productivity in both our domestic operations and our Indian Centre of Excellence.

Adjusted EBIT for our U.S. operating segment for fiscal 2009 was \$172.0 million, an increase of \$42.6 million or 32.9% when compared to fiscal 2008. On a constant currency basis, adjusted EBIT increased by \$24.9 million or 19.2%. The dollar increase was mainly attributable to growth from our business solutions primarily in the government & healthcare and financial services vertical markets. In addition, we improved utilization rates allowing us to improve our margins. As a percentage of revenue, our margin increased from 11.9% to 12.6%, through the continued benefit from improved productivity and profitability initiatives, leveraging our global delivery model while minimizing non-billable time.

**EUROPE**

Our Europe adjusted EBIT decreased \$18.6 million or 99.5% compared to fiscal 2009. As a percentage of revenue, our margin decreased from 6.6% in 2009 to 0.0% in 2010. The decline in margin is primarily due to the reduction in revenue outlined earlier contributing to excess capacity across all regions of the segment. However, in certain geographies, we were limited by regulations from restructuring the operations as quickly or as significantly as we would have preferred. Severances and other related charges were taken in the amount of \$6.6 million in an effort to return this segment back to historical profitable levels.

Adjusted EBIT for our Europe operating segment was \$18.6 million for the year ended September 30, 2009, a decrease of \$6.1 million or 24.5% compared to fiscal year 2008. As a percentage of revenue, our margin decreased from 8.7% to 6.6%. The decrease in margin in the Europe operating segment is primarily a



reflection of the client-initiated slow-downs of certain contracts in Australia and certain clients in the telecommunications vertical market, combined with the impact of restructuring costs of approximately \$2.3 million incurred in the fourth quarter to proactively manage our cost structure.

### Corporate

For the years ended September 30 (in 000 of dollars except for percentage)	2010	2009	2008	Change 2010/2009	Change 2009/2008
Corporate adjusted EBIT	<b>(56,490)</b>	(50,565)	(56,434)	<b>(5,925)</b>	5,869
As a percentage of revenue	<b>-1.5%</b>	-1.3%	-1.5%		
Foreign exchange (gain) loss	<b>(916)</b>	(1,747)	1,445	<b>831</b>	(3,192)
Corporate adjusted EBIT excluding foreign exchange (gain) loss	<b>(57,406)</b>	(52,312)	(54,989)	<b>(5,094)</b>	2,677
As a percentage of revenue	<b>-1.5%</b>	-1.4%	-1.5%		

Corporate expenses were \$5.9 million higher in fiscal 2010 compared to fiscal 2009, and rose from 1.3% to 1.5% of revenue. Included in corporate expenses are the impacts of realized and unrealized foreign exchange gains which were \$0.9 million in the current year. Removing these impacts for 2010 and the \$1.7 million foreign exchange gain for 2009, corporate expenses would have been 1.5% and 1.4% of revenue respectively.

In fiscal 2009, corporate expenses represented 1.3% of revenue, a decrease from 1.5% compared with fiscal 2008. The decrease is the result of our continued efforts to proactively manage our corporate expenses to align to our revenues. Included in corporate expenses are the impacts of realized and unrealized foreign exchange gains and losses; when these impacts are excluded, corporate expenses would have been 1.4% and 1.5% of revenue for fiscal 2009 and 2008, respectively.

As a result of our decentralized and highly accountable business model, we evaluate services provided to our business units and if necessary, will rationalize and integrate them into our operations.

### EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

The following table provides, for the periods indicated, a reconciliation between our adjusted EBIT and earnings from continuing operations before income taxes, which is reported in accordance with Canadian GAAP.

For the years ended September 30 (in 000 of dollars except for percentage)	2010	% of Revenue	2009	% of Revenue	2008	% of Revenue
Adjusted EBIT	<b>511,902</b>	<b>13.7%</b>	460,741	12.0%	430,486	11.6%
Acquisition-related and integration costs	<b>20,883</b>	<b>0.6%</b>		0.0%		0.0%
Interest on long-term debt	<b>17,123</b>	<b>0.5%</b>	18,960	0.5%	27,284	0.7%
Interest income	<b>(2,419)</b>	<b>-0.1%</b>	(2,908)	-0.1%	(5,570)	-0.2%
Other (income) expenses	<b>(952)</b>	<b>0.0%</b>	3,569	0.1%	3,341	0.1%
Gain on sale of capital assets	<b>(469)</b>	<b>0.0%</b>		0.0%		0.0%
Earnings from continuing operations before income taxes	<b>477,736</b>	<b>12.8%</b>	441,120	11.5%	405,431	10.9%

### Acquisition-related and Integration Costs

The \$20.9 million in expenses for fiscal 2010 pertained to the acquisition of Stanley. The expenses included professional fees associated with the transaction as well as costs to integrate the operations and to realize synergies.

### Interest on Long-Term Debt

The year-over-year decrease in interest expense is mainly due to the impact on our credit facilities of the favourable variation in interest rates, and of debt repayments made over the last fiscal years. This was partially offset by incremental interest expense associated with higher volumes of capital leases, and to a lesser extent, the debt used to finance the recent acquisition of Stanley.

**Interest Income**

Interest income includes interest and other investment income (net of interest expenses) related to cash balances, short-term investments, and tax assessments.

**Other (Income) Expenses**

Other (income) expenses reflects changes in the fair value of certain investments related to a deferred compensation arrangement we manage as a trustee on behalf of certain U.S. employees. For fiscal 2010, there was a favourable change of \$1.4 million in these investments versus a \$0.8 million unfavourable change in value in fiscal 2009. Any change in value related to the deferred compensation arrangement is totally offset in the compensation expense under costs of services, selling and administrative, thus not impacting our profitability. In fiscal 2009, we also had interest charges of \$2.8 million associated with the settlement of audits related to tax credits.

## Income Taxes

Income tax expense for fiscal 2010 and 2009 were \$115.0 million and \$125.2 million, respectively. Our effective income tax rates for fiscal years 2010 and 2009 were 24.1% and 28.4%, respectively. Included in the fiscal 2010 amount are favourable adjustments mainly from the final determinations and expirations of limitation periods in the amount of \$38.0 million, partly offset by \$3.6 million related to the non-deductible transaction costs incurred on the acquisition of Stanley. This is compared to the \$15.9 million of favourable adjustments in fiscal 2009. Excluding these impacts, our effective income tax rate would have been 31.2% and 32.0% in 2010 and 2009 respectively.

Income tax expense was \$125.2 million for the year ended September 30, 2009, compared to \$106.3 million in fiscal 2008, representing an \$18.9 million increase, while our effective income tax rate also increased from 26.2% to 28.4% year-over-year. During fiscal 2009, the Company settled tax liabilities related to prior years in CGI's favour in the amount of \$15.9 million. In fiscal 2008, similar circumstances yielded a reversal of \$20.3 million of income tax provisions along with \$6.3 million coming from the revaluation of our tax assets and liabilities due to newly enacted tax rates in Canada. Without these impacts, the effective tax rate for 2009 and 2008 would have been 32.0% and 32.8%, respectively.

We continue to expect our effective tax rate before any significant adjustments to be in the range of 30.0% to 32.5% in subsequent periods.

## NET EARNINGS

The following table sets out the information supporting the earnings per share calculation:

For the years ended September 30 (in 000 of dollars unless otherwise indicated)	2010	2009		Change 2010/2009	Change 2009/2008
Earnings from continuing operations	<b>362,766</b>	315,897	299,134	<b>14.8%</b>	5.6%
Margin	<b>9.7%</b>	8.3%	8.1%		
Earnings (loss) from discontinued operations, net of income taxes		1,308	(5,134)	<b>-100.0%</b>	-125.5%
Net earnings	<b>362,766</b>	317,205	294,000	<b>14.4%</b>	7.9%
Margin	<b>9.7%</b>	8.3%	7.9%		
<b>Weighted average number of shares</b>					
Class A subordinate shares and Class B shares (basic)	<b>284,826,257</b>	306,853,077	317,604,899	<b>-7.2%</b>	-3.4%
Class A subordinate shares and Class B shares (diluted)	<b>292,919,950</b>	310,345,241	322,804,287	<b>-5.6%</b>	-3.9%
<b>Earnings per share (in dollars)<sup>1</sup></b>					
Basic EPS from continuing operations	<b>1.27</b>	1.03	0.94	<b>23.3%</b>	9.6%
Diluted EPS from continuing operations	<b>1.24</b>	1.02	0.92	<b>21.6%</b>	10.9%
Basic EPS	<b>1.27</b>	1.03	0.92	<b>23.3%</b>	12.0%
Diluted EPS	<b>1.24</b>	1.02	0.90	<b>21.6%</b>	13.3%

1 EPS amounts are attributable to shareholders of CGI. Quarterly EPS amounts may not add up to the annual amount due to rounding.

Our fiscal 2010 earnings from continuing operations increased by \$46.9 million or 14.8% compared to fiscal 2009. The majority of the increase was due to the year-over-year improvement in our adjusted EBIT. This improvement was partially offset by \$20.9 million of acquisition-related and integration costs in 2010. Removing the impacts of the tax adjustments outlined earlier and the incremental costs associated with the acquisition and integration of Stanley, our earnings from continuing operations would have been \$342.0 million for the current year and \$300.0 million for the

prior year, representing a margin of 9.2% as compared to 7.8% respectively. Our diluted earnings per share from continuing operations would have been \$1.17 compared to \$0.97 for the same period last year, representing a year-over-year growth of 20.6%.

For the year ended September 30, 2009, earnings from continuing operations increased by \$16.8 million or 5.6% when compared to 2008, mainly due to the increased profitability in the U.S. segment and lower corporate and interest expenses. Much of this increase was offset by the decline in adjusted EBIT in the Canada and Europe segments, along with lower income tax benefits compared to 2008. Without the income tax benefits described in the section above, our margin would have been 7.8% and 7.4% in fiscal 2009 and 2008, respectively.

The loss from discontinued operations was mainly due to the Company's disposition of the net assets of our claims adjusting and risk management services business in July 2008.

CGI's basic and diluted weighted average number of shares for the fiscal year 2010 was down versus the prior year due to the repurchase of shares on the open market as part of the Normal Course Issuer Bid, partly offset by the issuance of Class A subordinate shares upon the exercise of stock options. During this year, 35.6 million shares were repurchased and 6.0 million options were exercised.

**Non-Controlling Interest**

The non-controlling interest in our statement of earnings represents the percentage of ownership of Conseillers en informatique d'affaires (CIA) held by minority shareholders and stood at 32.4% at September 30, 2010 and 34.2% at the end of fiscal 2009.

**Liquidity**

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, 2010, cash and cash equivalents were \$127.8 million. The following table provides a summary of the generation and utilization of cash for the years ended September 30, 2010, 2009 and 2008.

For the years ended September 30 (in 000 of dollars)	2010	2009	2008	Change 2010/2009	Change 2009/2008
Cash provided by continuing operating activities	<b>552,367</b>	630,244	355,670	<b>(77,877)</b>	274,574
Cash used in continuing investing activities	<b>(1,024,914)</b>	(127,585)	(93,579)	<b>(897,329)</b>	(34,006)
Cash provided by (used in) continuing financing activities	<b>267,311</b>	(198,227)	(300,166)	<b>465,538</b>	101,939
Effect of foreign exchange rate changes on cash and cash equivalents from continuing operations	<b>(10,367)</b>	(11,300)	398	<b>933</b>	(11,698)
Net (decrease) increase in cash and cash equivalents from continuing operations	<b>(215,603)</b>	293,132	(37,677)	<b>(508,735)</b>	330,809

**CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES**

Cash provided by continuing operating activities was \$552.4 million or 14.8% of revenue for fiscal 2010. This is compared with \$630.2 million or 16.5% 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. Last year, the cash flow from operations reflected the benefit of our initiatives to reduce our DSO. The reduction of 11 days from 50 days to 39 days generated a non-recurring \$113.2 million year-over-year improvement. Our cash flow from operations would have increased by approximately \$35.3 million over that generated last year when the benefit of the DSO improvement is removed. This improvement was primarily driven by the increase in our earnings for the year.

Cash provided by continuing operating activities was \$630.2 million or 16.5% of revenue for fiscal 2009. This is compared with \$355.7 million or 9.6% of revenue in 2008. The year-over-year increase of \$274.6 million resulted mainly from the net change in working capital items, primarily driven by improved collections of client receivables and the timing of client pre-payments, as evidenced by the reduction of our DSO by 11 days; and to a lesser extent, by improved profitability.

**CASH USED IN CONTINUING INVESTING ACTIVITIES**

Cash used in continuing investing activities increased by \$897.3 million in fiscal 2010 compared to fiscal 2009, which was almost entirely due to the acquisition of Stanley. Cash consideration for Stanley was \$899.6 million, net of the cash acquired.

Short-term investments, comprised of term deposits, have original maturities over three months, but not more than one year, at the date of purchase. The Company purchased \$12.9 million of short-term investments in the current year but made no such investments in the previous years.

Cash used for the purchase of capital assets amounted to \$47.7 million during the year, a decrease of \$21.5 million from prior year's investment level of \$69.2 million. The decrease was due to a higher investment in equipment in 2009

for infrastructure upgrades to our data centres. Also, as part of our restructuring efforts in 2009, less office space was needed and as a result, fewer investments were made on leasehold improvements.

Investments in intangible assets amounted to \$69.7 million, an increase of \$7.4 million from last year. The increase is partially due to new transition costs capitalized on contracts signed with new and existing clients, and additional software license costs capitalized in response to new contracts for our services.

The investments made during 2009 were primarily related to the expansion of our centres of excellence in Canada, the U.S., and India, to further the first two pillars of our growth strategy. For fiscal 2009, a total of \$127.6 million was invested, an increase of \$34.0 million compared with the \$93.6 million invested in 2008. The increase is due to the lower amount of proceeds received from the sale of assets and businesses. In fiscal 2008, we received \$29.2 million as net proceeds pertaining to the divestiture of our Canadian claims adjusting and risk management services business. In fiscal 2009, the Company received \$5.0 million in net proceeds from the disposal of assets of discontinued operations. Cash used for the purchase of capital assets amounted to \$69.2 million during 2009 and increased by \$8.2 million compared to 2008. The increase came mainly from our continued investment in computers and equipment supporting our growth and infrastructure upgrades to our data centres.

The investments in intangible assets were \$62.4 million, an increase of \$1.5 million when compared to the \$60.9 million invested in fiscal 2008. This increase was primarily due to new transition costs capitalized on contracts signed with new and existing clients, partly offset by lower investments in our business solutions and software licenses as we look to reduce our costs through the expanded utilization of our offshore resources.

**CASH USED IN CONTINUING FINANCING ACTIVITIES**

In fiscal 2010, continuing financing activities provided \$267.3 million compared to \$198.2 million consumed in fiscal 2009. The large increase in cash provided is due to the drawing on our credit facilities for the acquisition of Stanley. The Company drew US\$100.0 million from its credit facilities to create a hedge in the second quarter of 2010 to protect our U.S. dollar denominated cash balances from fluctuations in the exchange rate. In the last quarter of 2010, we drew another US\$800.0 million from our credit facilities to fund the acquisition of Stanley. In fiscal 2009 and 2008, we drew \$144.7 million and \$90.3 million from our credit facilities, respectively. We also repaid portions of our long-term debt and credit facilities in the amount of \$207.9 million this year, as compared to \$275.3 million in the prior year. Our repayment of long-term debt and credit facilities in fiscal 2008 was \$206.7 million.

We used \$516.7 million in the current year to purchase 35.6 million CGI shares under the current and previous NCIB. In fiscal 2009 and 2008, we used less funds as 9.5 million and 19.9 million CGI shares were bought back, respectively, at a lower average share price.

We also received \$53.0 million from the exercise of stock options in 2010 compared to \$16.1 million and \$32.4 million in 2009 and 2008, respectively. The increase in cash received is due to the increasing CGI share price in fiscal 2010 prompting more stock option holders to exercise some of their vested options.

In the second quarter of 2009, there was also a positive cash impact of \$18.3 million resulting from the settlement of our cash flow hedges associated with the payment of the first tranche of our Senior U.S. unsecured notes. No principal payments were due on these notes during fiscal 2010 or 2008.

**EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS**

For the years ended September 30, 2010 and 2009, we had \$10.4 and \$11.3 million decrease in cash coming from the effect of foreign exchange rate changes on cash and cash equivalents, respectively. These amounts had no effect on net earnings as they were recorded in other comprehensive income.

**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 in the aggregate amount of \$2,189.8 million. At the end of fiscal 2010, total contractual obligations increased by \$896.8 million, primarily due to drawing funds from our credit facilities to acquire Stanley.

Commitment type (in 000s of dollars)	Total	Payments due by period				
		Less than 1 year	2nd and 3rd years	4th and 5th years	Years 6 to 10	After 10 years
Long-term debt	1,096,171	95,169	973,386	26,225	1,391	
Capital lease obligations	57,705	19,408	27,764	9,038	1,495	
Operating leases						
Rental of office space <sup>1</sup>	870,035	113,573	197,650	172,064	310,542	76,206
Computer equipment	39,544	17,505	21,472	567		
Automobiles	8,255	3,925	4,087	243		
CIA purchase obligation	10,363	10,363				
Long-term service agreements	107,721	54,237	46,374	6,482	628	
<b>Total contractual obligations</b>	<b>2,189,794</b>	<b>314,180</b>	<b>1,270,733</b>	<b>214,619</b>	<b>314,056</b>	<b>76,206</b>

<sup>1</sup> Included in these obligations are \$16.8 million of office space leases from past acquisitions.

In addition, following changes to the shareholders' agreement of CIA which occurred in the third quarter of fiscal 2007, CGI committed to purchase the remaining 39.3% of shares of CIA by October 1, 2011. As of September 30,

2010, 32.4% of the shares of CIA remain to be purchased. If CGI had purchased the remainder of CIA's outstanding shares on September 30, 2010, the consideration would have been approximately \$10.4 million.



## Capital Resources

(in thousands of dollars)	<b>Total commitment</b>	Available at September 30, 2010	Outstanding at September 30, 2010
	\$	\$	\$
Cash and cash equivalents		127,824	
Short-term investments		13,196	
Unsecured committed revolving facilities <sup>1</sup>	<b>1,500,000</b>	519,931	980,069 <sub>2</sub>
Lines of credit and other facilities <sup>1</sup>	<b>25,000</b>	25,000	
<b>Total</b>	<b>1,525,000</b>	685,951	980,069 <sub>2</sub>

1 Excluding any existing credit facility under non-majority owned entities.

2 Consists of drawn portion of \$964.2 million and Letters of Credit for \$15.8 million.

Our cash position and bank lines are sufficient to support our growth strategy. At September 30, 2010, cash and cash equivalents and short-term investments were \$141.0 million. The amount available under our credit facilities was \$519.9 million and \$25.0 million is available under another demand line of credit. The long-term debt agreements contain covenants which require us to maintain certain financial ratios. At September 30, 2010, CGI was in compliance with these covenants.

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 an initial maturity of less than three months.

Total long-term debt increased by \$870.7 million to \$1,153.9 million at September 30, 2010, compared with \$283.1 million at September 30, 2009. The variation resulted primarily from two drawings: the drawing of US\$100 million against our credit facilities for hedging purposes to protect our cash balances from the fluctuations of foreign currencies against the Canadian dollar, and the drawing of \$US800 million for the acquisition of Stanley.

#### Financial Instruments and Hedges

The Company uses various financial instruments to manage its exposure to fluctuations of foreign currency exchange rates. The Company does not hold or use any derivative instruments for trading purposes. Foreign exchange translation gains or losses on the net investments in self-sustaining foreign subsidiaries are recorded under other comprehensive loss. Any realized or unrealized gains or losses on instruments covering the U.S. denominated debt are also recognized in the other comprehensive loss.

The Company has the following outstanding hedging instruments:

#### **HEDGES ON NET INVESTMENTS IN SELF-SUSTAINING FOREIGN SUBSIDIARIES**

US\$920.0 million debt designated as the hedging instrument to the Company's net investment in U.S. subsidiaries;

12.0 million debt designated as the hedging instrument to the Company's net investment in European subsidiaries.

#### **CASH FLOW HEDGES ON FUTURE REVENUE**

US\$130.4 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\$44.8 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;

\$89.0 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 SENIOR U.S. UNSECURED NOTES**

US\$107.0 million foreign currency forward contracts.

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 statement of earnings. The effective portion of the change in fair value of the derivatives is reclassified out of other comprehensive income into earnings as an adjustment to revenue when the hedged revenue is recognized. The assessment of effectiveness is based on forward rates utilizing the hypothetical derivative method. During the year ended September 30, 2010, there was no ineffectiveness recorded in the consolidated statement of earnings.

The Company expects that approximately \$11.1 million of the accumulated net unrealized gains on derivative financial instruments designated as cash flow hedges at September 30, 2010 will be reclassified in net income in the next 12 months.

## Selected Measures of Liquidity and Capital Resources

As at September 30	2010	2009	2008
Net debt to capitalization ratio	30.6%	n/a	14.0%
Return on equity	16.4%	14.2%	15.6%
Return on invested capital	16.3%	14.0%	14.0%
Days sales outstanding	47	39	50

The Company uses the net debt to capitalization ratio as an indication of its financial leverage in order to pursue any large outsourcing contracts, expand global delivery centres, or make acquisitions. At September 30, 2010, the Company had a net debt to capitalization ratio of 30.6%. The main cause for the sharp increase in this ratio is the Stanley acquisition, where we drew \$US800.0 million against our credit facilities to fund this acquisition.

Return on equity is a measure of the return we are generating for our shareholders. At the end of fiscal 2010, ROE stood at 16.4% compared to 14.2% at the end of the prior year. The increase is due to the stronger net earnings margin and the repurchase of CGI shares under the NCIB.

Return on invested capital was 16.3%, which increased from 14.0%. Our efforts over the last 12 to 18 months to rationalize our cost structure and improve productivity have increased our net earnings causing this measurement to increase. The favourable tax adjustments in fiscal 2010 also helped boost our earnings and in turn, increase ROIC. DSO increased to 47 days from 39 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 can affect the DSO fluctuations. Our DSO increased this quarter due to the addition of the Stanley acquisition as its main clientele is government entities as well as having only six weeks of their operations in our fourth quarter's revenue. We will continue to proactively focus on the collection of our receivables and to ensure that services rendered are billed on a timely basis. We continue to work to achieve our DSO target of 45 days.

## Off-Balance Sheet Financing and Guarantees

We do not engage in the practice of off-balance sheet financing, except for the use of operating leases for office space, computer equipment and vehicles. In accordance with 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 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 many of the agreements specify a maximum potential exposure totaling approximately \$14.6 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.

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 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, 2010, we had committed for a total of \$128.2 million for these types of 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.

#### Capability to Deliver Results

Sufficient capital resources and liquidity are required for supporting ongoing business operations 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. Use of these funds has been primarily aimed at accretive acquisitions; procuring new large outsourcing and managed services contracts; buying back CGI shares and investing in our business solutions. 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 2011.

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 key 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. Excluding the employees who recently joined CGI from Stanley, approximately 87% 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, help in providing for a consistent high standard of quality service to our clients. CGI's offices maintain appropriate certifications in accordance with service requirements such as the ISO and Capability Maturity Model Integration quality programs.

#### Related Party Transactions

In the normal course of business, CGI is party to contracts with Innovapost Inc. (Innovapost), a joint venture, pursuant to which CGI is its preferred IT supplier. The Company exercises joint control over Innovapost's operating, financing and investing activities through its 49% ownership interest. The value of the transactions between the Company and Innovapost, and resulting balances, which were measured at commercial rates, are presented below:

As at and for the years ended September 30  
(in 000 of dollars)

	<b>2010</b>	2009	2008
Revenue	<b>81,760</b>	108,139	124,461
Accounts receivable	<b>681</b>	10,542	12,050
Work in progress	<b>1,076</b>	5,937	5,939
Contract costs	<b>6,210</b>	8,706	11,206
Deferred revenue	<b>1,012</b>	3,351	2,715

#### Joint Venture: Supplementary Information

The Company's proportionate share of its joint venture investee's operations included in the consolidated financial statements is as follows:

As at and for the years ended September 30  
(in 000 of dollars)

	<b>2010</b>	2009	2008
Revenue	<b>91,015</b>	101,964	87,887
Net earnings	<b>11,418</b>	13,412	10,506
Current assets	<b>38,148</b>	37,608	36,543
Non-current assets	<b>2,992</b>	2,998	1,333
Current liabilities	<b>15,609</b>	14,721	15,040
Non-current liabilities	<b>933</b>	445	518

#### Fourth Quarter Results

In the fourth quarter of fiscal 2010, our priority was to successfully close the acquisition of Stanley. As discussed earlier, Stanley has been integrated with the majority of the annualized synergies realized on a run-rate basis. The Company also remained focused on its business development activities to grow our sales funnel and increase our bookings.

**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 2010 and 2009. The 2009 revenue by segment is recorded reflecting the actual foreign exchange rates for that year. The foreign exchange impact is calculated by assuming a constant exchange rate of foreign currencies between the respective periods.

For the three months ended September 30  
(in 000 of dollars except for percentage)

	<b>2010</b>	2009	<b>Change</b>
<b>Total CGI Revenue</b>	<b>1,007,056</b>	926,051	<b>8.7%</b>
Variation prior to foreign currency impact	<b>13.8%</b>	-1.4%	
Foreign currency impact	<b>-5.1%</b>	1.1%	
Variation over previous period	<b>8.7%</b>	-0.3%	
<b>Canada</b>			
Revenue prior to foreign currency impact	<b>508,903</b>	527,363	<b>-3.5%</b>
Foreign currency impact	<b>(1,135)</b>		
Canada revenue	<b>507,768</b>	527,363	<b>-3.7%</b>
<b>U.S</b>			
Revenue prior to foreign currency impact	<b>482,680</b>	334,868	<b>44.1%</b>
Foreign currency impact	<b>(37,438)</b>		
U.S. revenue	<b>445,242</b>	334,868	<b>33.0%</b>
<b>Europe</b>			
Revenue prior to foreign currency impact	<b>62,238</b>	63,820	<b>-2.5%</b>
Foreign currency impact	<b>(8,192)</b>		
Europe revenue	<b>54,046</b>	63,820	<b>-15.3%</b>

For the fourth quarter of 2010, revenue increased by \$81.0 million or 8.7%. This is due predominantly to the acquisition of Stanley as its results have been consolidated in our U.S. segment since August 17th. Assuming a constant exchange rate between the Canadian dollar and the currencies of our foreign operations, our revenue grew by 13.8% as the devaluation of the Euro and the weakened U.S. dollar had an unfavourable effect on our revenue, causing a 5.1% decrease. On a constant currency basis, the largest growth in our vertical markets was from government & healthcare and financial services.

**CANADA**

Revenue in Canada decreased by \$19.6 million or 3.7% in the fourth quarter ended September 30, 2010. While we have seen modest growth across many of the vertical markets, Canada was impacted this quarter by lower work volumes within our retail and distribution and financial services verticals. We continue to see improvements in our bookings as evidenced by a 117% book-to-bill ratio over the last 12 months.

**U.S.**

Revenue in the U.S. grew by \$110.4 million or 33.0% for the three months ended September 30, 2010. Assuming a constant exchange rate between the Canadian and U.S. dollar, revenue would have grown \$147.8 million or 44.1%. The increase is driven by the inclusion of approximately six weeks of Stanley's revenue and the recent contract wins in

the federal government civilian space.

**EUROPE**

Revenue in Europe decreased by \$9.8 million or 15.3% from the same quarter of the prior year. Assuming a constant exchange rate between the Canadian dollar and the foreign currencies in Europe, revenue decreased by \$1.6 million or 2.5%. In response to the economic challenges in Europe, many of our clients in this segment who had previously cut their spending in various initiatives including IT projects, continued to do so this quarter, but we expect these clients to return to investing in IT once the European economy regains momentum.



**ADJUSTED EBIT BY SEGMENT**

For the three months ended September 30

(in 000 of dollars except for percentage)

	<b>2010</b>	2009	<b>Change</b>
Canada	<b>93,887</b>	98,729	<b>-4.9%</b>
As a percentage of Canada revenue	<b>18.5%</b>	18.7%	
U.S.	<b>56,612</b>	36,825	<b>53.7%</b>
As a percentage of U.S. revenue	<b>12.7%</b>	11.0%	
Europe	<b>1,028</b>	2,267	<b>-54.7%</b>
As a percentage of Europe revenue	<b>1.9%</b>	3.6%	
Corporate	<b>(11,726)</b>	(11,693)	<b>0.3%</b>
As a percentage of revenue	<b>-1.2%</b>	-1.3%	
Adjusted EBIT	<b>139,801</b>	126,128	<b>10.8%</b>
Adjusted EBIT margin	<b>13.9%</b>	13.6%	

**CANADA**

Adjusted EBIT in Canada decreased by \$4.8 million or 4.9% when compared with the fourth quarter of 2009. The margin also decreased from 18.7% to 18.5%. The decrease is primarily due to the impact of lower revenue as identified earlier. Despite this slight decrease year-over-year, our adjusted EBIT as a percentage of revenue improved significantly for the fiscal year.

**U.S.**

Adjusted EBIT in our U.S. operating segment increased by \$19.8 million or 53.7% over the same quarter last year. As a percentage of revenue, this segment's profitability was 12.7%, up from 11.0% a year ago. The increase is mainly due to three factors; first, our U.S. operations, excluding Stanley, improved its profitability through recent contract wins and gross margin improvement mainly as a result of increased member utilization; second, a \$10.3 million impairment was taken last year predominantly for enhancements developed on certain finance-related business solutions. No such impairment was taken this year. Lastly, our adjusted EBIT incorporated the results of Stanley since August 17th.

**EUROPE**

Adjusted EBIT decreased by \$1.2 million when compared to the fourth quarter of 2009, while our margin decreased from 3.6% to 1.9%. The decrease is a result of the economic downturn in Europe, which caused our clients to conserve capital and cut their IT projects. This in turn caused our margins to decline as our members remained unassigned and costs were not recovered. Furthermore, our ability to quickly respond to changing market conditions within certain jurisdictions were limited by local laws and practices thus constraining the speed at which we could take corrective action. Severances of \$0.9 million were incurred in the current quarter. Initiatives that were introduced earlier are already yielding positive results in some regions of Europe.

**CORPORATE**

Corporate expenses were relatively consistent with last year, representing 1.2% of revenue, compared with 1.3% of revenue in the prior year. Excluding the foreign exchange gains, corporate expenses as a percentage of revenue would have fallen from 1.5% to 1.2% in the fourth quarter of 2010 and 2009, respectively. We continue to implement initiatives to strengthen the Company's competitive position by cost containment and improved efficiencies through ongoing investments in toolsets and process improvements.

**NET EARNINGS**

For the three months ended September 30

(in 000 of dollars unless otherwise indicated)

	<b>2010</b>	2009	<b>Change</b>
Adjusted EBIT	<b>139,801</b>	126,128	<b>10.8%</b>
Acquisition-related and integration costs	<b>16,655</b>		<b>N/A</b>
Interest on long-term debt	<b>5,206</b>	3,497	<b>48.9%</b>
Interest income	<b>(649)</b>	(1,125)	<b>-42.3%</b>
Other (income) expenses	<b>(1,432)</b>	1,397	<b>-202.5%</b>
Gain on sale of capital assets	<b>(73)</b>		<b>N/A</b>
Earnings from continuing operations before income taxes	<b>120,094</b>	122,359	<b>-1.9%</b>
Income tax expense	<b>36,018</b>	39,719	<b>-9.3%</b>
Earnings from continuing operations	<b>84,076</b>	82,640	<b>1.7%</b>
Margin	<b>8.3%</b>	8.9%	
Net earnings	<b>84,076</b>	82,640	<b>1.7%</b>
Margin	<b>8.3%</b>	8.9%	
<b>Weighted average number of shares</b>			
Class A subordinate shares and Class B shares (basic)	<b>274,524,411</b>	302,739,070	<b>-9.3%</b>
Class A subordinate shares and Class B shares (diluted)	<b>281,951,998</b>	307,221,737	<b>-8.2%</b>
<b>Earnings per share (in dollars)<sup>1</sup></b>			
Basic EPS from continuing operations	<b>0.31</b>	0.27	<b>14.8%</b>
Diluted EPS from continuing operations	<b>0.30</b>	0.27	<b>11.1%</b>
Basic EPS	<b>0.31</b>	0.27	<b>14.8%</b>
Diluted EPS	<b>0.30</b>	0.27	<b>11.1%</b>

<sup>1</sup> EPS amounts are attributable to shareholders of CGI.

Income tax expense for the quarters ended September 30, 2010 and 2009 was \$36.0 million and \$39.7 million, respectively. Our effective income tax rate for the fourth quarter of 2010 and 2009 were 30.0% and 32.5%, respectively. Included in income tax expense this quarter were favourable adjustments mainly from the final determinations and expirations of limitation periods in the amount of \$2.5 million, partly offset by \$2.3 million related to the non-deductible transaction costs incurred in relation to the acquisition of Stanley. There were no such adjustments in the fourth quarter of fiscal 2009. Excluding these impacts, our effective income tax rate would have been 30.2%.

Our earnings from continuing operations in the current quarter of fiscal 2010 increased by \$1.4 million or 1.7% compared to the same period in fiscal 2009. Removing the impacts of the tax adjustments outlined earlier and the incremental costs associated with the acquisition and integration of Stanley, our earnings from continuing operations would have been \$94.5 million for the current year and \$82.6 million for the prior year, representing a margin of 9.4% and 8.9% respectively. Our diluted earnings per share from continuing operations would have been \$0.34 compared to \$0.27 for the same period last year, representing a year-over-year growth of 25.9%.

During the fourth quarter of fiscal 2010, we repurchased 8,118,700 of our Class A subordinate shares for \$123.4 million at an average price of \$15.20 under our Normal Course Issuer Bid.



## SUMMARY OF QUARTERLY RESULTS

For the three months ended (in millions of dollars unless otherwise noted)	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009
Revenue	<b>13,320</b>	11,358	11,420	11,410	10,893	11,772	12,019
Operating income	<b>1,083</b>	838	1,131	1,591	549	1,059	1,676
Operating margin	<b>108%</b>	93%	124%	174%	59%	111%	177%
Operating income growth	<b>1,007,056</b>	901,614	910,441	913,006	926,051	950,419	948,319
Operating margin growth	<b>8.7%</b>	-5.1%	-4.0%	-8.7%	-0.3%	0.0%	1.9%
Operating margin change	<b>13.8%</b>	0.7%	3.5%	-3.7%	-1.4%	-4.5%	-5.6%
Operating income	<b>139,801</b>	128,702	123,963	119,436	126,128	113,135	107,250
Operating margin	<b>13.9%</b>	14.3%	13.6%	13.1%	13.6%	11.9%	11.3%
Operating income from continuing operations	<b>84,076</b>	85,880	81,591	111,219	82,640	76,678	76,590
Operating margin from continuing operations	<b>8.3%</b>	9.5%	9.0%	12.2%	8.9%	8.1%	8.1%
Operating income from continuing operations	<b>84,076</b>	85,880	81,591	111,219	82,640	76,678	77,813
Operating margin from continuing operations	<b>8.3%</b>	9.5%	9.0%	12.2%	8.9%	8.1%	8.2%
Operating income from continuing operations (in millions of dollars)	<b>0.31</b>	0.30	0.28	0.38	0.27	0.25	0.25
Operating margin from continuing operations (in millions of dollars)	<b>0.30</b>	0.30	0.28	0.37	0.27	0.25	0.25
Operating income from continuing operations (in millions of dollars)	<b>0.31</b>	0.30	0.28	0.38	0.27	0.25	0.25
Operating margin from continuing operations (in millions of dollars)	<b>0.30</b>	0.30	0.28	0.37	0.27	0.25	0.25
Operating income by continuing operating activities	<b>158,473</b>	102,750	125,016	166,128	192,450	170,894	187,299
Operating margin by continuing operating activities	<b>47</b>	36	35	30	39	41	42
Operating margin	<b>30.6%</b>	0.2%	n/a	n/a	n/a	0.6%	4.0%
Operating margin	<b>16.4%</b>	16.1%	15.5%	15.2%	14.2%	14.3%	15.1%
Operating margin	<b>16.3%</b>	16.9%	16.0%	15.4%	14.0%	13.8%	14.1%
Operating income	<b>141,020</b>	406,475	419,110	346,445	343,427	271,974	186,427
Operating margin	<b>4,607,191</b>	3,813,138	3,872,980	3,785,231	3,899,910	3,988,216	3,938,735
Operating margin	<b>1,071,948</b>	324,236	305,409	290,625	302,741	319,647	345,904

In fiscal 2009, we responded to the tough economic conditions by restructuring our cost base and by continuously pursuing new contract wins, renewals, extensions, and large outsourcing contracts. Our efforts yielded positive results in the latter part of 2009 continuing into fiscal 2010.

In fiscal 2010, despite our Europe segment results, we continue to improve across our key indicators. The fourth quarter results of 2010 incorporate approximately six weeks of Stanley's operations and the associated acquisition costs. As of September 30, 2010, the integration of the acquired operations of Stanley has been essentially completed.

## QUARTERLY VARIANCES

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 and outsourcing contracts, the timing of the reimbursements for various tax credits as well as profit sharing payments to members and the timing of restructuring cost payments.

Foreign exchange fluctuations also contribute to quarterly variances, and these variances are likely to increase as the percentage of revenue in foreign currencies changes. From a margin perspective, CGI benefits from a natural hedge against currency fluctuations driven mainly by U.S. dollar expenses incurred in Canada, such as licenses, maintenance, insurance and interest expenses.

#### Summary of Significant Accounting Policies

The audited, consolidated financial statements for the years ended September 30, 2010, 2009, and 2008 include all adjustments that CGI's management considers necessary for the fair presentation of its financial position, results of operations, and cash flows.

Certain comparative figures have been reclassified to conform to the current period's presentation and have been restated upon the adoption of Section 1602, Non-Controlling Interests.

#### Changes in Accounting Policies

On October 1, 2009, the Company elected to adopt the following Handbook Sections issued by the CICA during the year as they primarily converge with IFRS and U.S. GAAP:

- a) Section 1582, Business Combinations, which replaces Section 1581, Business Combinations. The Section establishes standards for the accounting for a business combination. It is similar to the corresponding provisions of IFRS 3 (Revised), Business Combinations and of U.S. GAAP standard, Accounting Standards Codification (ASC) Topic 805, Business Combinations. The new Section requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at their acquisition-date fair values including non-controlling interest and contingent consideration. Subsequent changes in fair value of contingent consideration classified as liabilities are recognized in earnings. Acquisition-related and integration costs are also to be expensed as incurred rather than considered as part of the purchase price allocation. In addition, changes in estimates associated with future income tax assets after the measurement period are recognized as income tax expense rather than as a reduction of goodwill, with prospective application to all business combinations regardless of the date of acquisition.
- b) Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These sections are similar to the corresponding provisions of IFRS standard, International Accounting Standards 27 (Revised), Consolidated and Separate Financial Statements and of U.S. GAAP standard, ASC Topic 810, Consolidation. Section 1602 requires the Company to report non-controlling interests as a separate component of shareholders equity rather than as a liability on the consolidated balance sheets. Transactions between an entity and non-controlling interests are considered as equity transactions. In addition, the attribution of net earnings and comprehensive income between the Company's shareholders and non-controlling interests is presented separately in the consolidated statements of earnings and comprehensive income rather than reflecting non-controlling interests as a deduction of net earnings and total comprehensive income.
- c) In June 2009, the CICA amended Section 3862 Financial Instruments Disclosures to adopt the amendments proposed by the International Accounting Standards Board (IASB) to IFRS 7 Financial Instruments: Disclosures. The amendments were made to enhance disclosure requirements about the liquidity risk and fair value measurement of financial instruments. The amendments are effective for annual financial statements relating to fiscal years ending after September 30, 2009, and comparative information is not required in the first year of adoption. The Company adopted these amendments in fiscal 2010. The adoption of these amendments had no impact on the consolidated financial statements. The new disclosures are included in Note 26 of the consolidated financial statements.

#### Critical Accounting Estimates

The Company's significant accounting policies are described in Note 2 to the September 30, 2010 audited consolidated financial statements. The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 inherent in the financial reporting process, actual results could differ from those estimates.

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.

	Consolidated balance sheets	Consolidated statements of earnings
Areas impacted by estimates	Revenue	Costs of services, selling and administrative Impairment/ Income taxes
Purchase accounting and goodwill		
Income taxes		
Contingencies and other liabilities		
Accrued integration charges		
Revenue recognition		
Stock-based compensation		
Investment tax credits and government programs		
Impairment of long-lived assets and goodwill		

1 Accounts receivable, work in progress and deferred revenue.

#### **PURCHASE ACCOUNTING AND GOODWILL**

The Company accounts for its business combinations using the purchase method of accounting. Under this method, estimates we made 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 capital assets. Acquired liabilities can include litigation and other contingency reserves existing at the time of the acquisition. The Company allocates the purchase consideration to tangible and intangible assets assumed based on estimated fair values at the date of acquisition with the excess of the purchase price amount being allocated to goodwill.

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, future income producing capabilities 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.

#### **INCOME TAXES**

The Company measures income tax assets and liabilities, both current and future, according to enacted or substantively enacted income tax legislation that is expected to apply when the asset is realized or the liability settled. The applicable income tax legislation and regulations are subject to the Company's interpretation. An assessment of the ultimate realization of the future income taxes generated from temporary differences between the book value and the tax value of assets and liabilities as well as tax losses carried forward is performed regularly. The conclusion of whether it is more likely than not that future assets will be realized includes making assessments of expectations of future taxable income. The ultimate amount of future income taxes and income tax provisions could be materially different from those recorded, as it is influenced by future operating results of the Company and its tax interpretations.

#### **CONTINGENCIES AND OTHER LIABILITIES**

The Company accrues for costs incurred to restructure and integrate acquired businesses and for other liabilities requiring significant judgment. Contingencies for pending or threatened litigation, guarantees and other possible



liabilities involve uncertainty as 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 liabilities 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 consolidated financial statements is required.

#### **ACCRUED INTEGRATION CHARGES**

Accrued integration charges are comprised mostly of provisions related to leases for premises which the Company vacated. The costs of closure of facilities are estimated at the decision date. Key assumptions include the discount rate and the possibility to sublease vacated premises. The discount rate assumption used to calculate the present value of the Company's projected payments is determined using the interest rate on the unsecured notes of the Company. The possibility to sublease vacated premises is determined using the experience of the Company's management and the knowledge of the Company's advisers regarding specific regions and characteristics of premises. In addition, at each reporting date, the Company evaluates the accruals for closed facilities associated with its restructuring programs.

## **REVENUE RECOGNITION**

The majority of our revenue is recognized based on criteria which do not require us to make significant estimates. However, CGI provides services containing other pricing mechanisms such as fixed-price arrangements under percentage-of-completion and benefits-funded arrangements. The percentage-of-completion method requires estimates of costs and profits over the entire term of the arrangement, including estimates of resources and costs necessary to complete performance. Further, if total costs from a contract are more likely than not to exceed the total revenue from the contract, then a provision for the probable loss is made in the period in which the loss first becomes evident. Revenue from system integration and consulting services under benefits-funded arrangements is recognized only to the extent it can be predicted, with reasonable certainty, that the benefit stream will generate amounts sufficient to fund the value on which revenue recognition is based.

Another assessment, related to a contract which involves the provision of multiple-service elements, is to determine whether the total estimated contract revenue that is allocated to each element is based on the relative fair value or vendor specific objective evidence of each element. Revenue is then recognized for each element as for single-element contracts.

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.

## **STOCK-BASED COMPENSATION**

CGI accounts for its stock option plan in accordance with section 3870, Stock-based Compensation and Other Stock-based Payments of the CICA Handbook. Pursuant to the recommendations of this section, CGI has elected to value the options granted as part of its share-based payment transactions using the Black-Scholes valuation 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 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 LONG-LIVED ASSETS AND GOODWILL**

The Company tests the recoverability of long-lived assets, such as intangibles and capital assets, at the end of each year in the case of business solutions or when events or changes in circumstances exist that the carrying amount may not be recoverable. For business solutions, software licenses and client relationships, estimates and assumptions include determining the appropriate period over which to amortize the capitalized costs based on the estimated useful lives and estimating the related future cash flows, and assessing these against the unamortized balances. For internal-use software and capital assets, the appropriate amortization period is based on estimates of the Company's ability to utilize these assets on an ongoing basis. To assess the recoverability of capitalized software costs, the Company must estimate future revenue, costs and future cash inflows and outflows. With respect to the recoverability assessment of contract costs, the undiscounted estimated cash flows are projected over its remaining life and compared to the contract costs carrying amount. Changes in the estimates and assumptions used in long-lived assets impairment testing will not impact the cash flows generated by the Company's operations.

Goodwill is assessed for potential impairment at the reporting unit level, at least annually or when events or changes in circumstances exist such that the carrying amount may not be recoverable. Such an assessment requires a comparison of the fair value of the reporting unit to its carrying value. Our three operating segments are our reporting units. The estimate of fair value of a reporting unit is based on a discounted cash flows analysis using management approved key assumptions such as future cash flows, growth projections, terminal values, discount rates and industry data. Any change in the estimates used could have a material impact on the calculation of fair value and the resulting impairment charge. Significant changes in the estimates and assumptions used in goodwill impairment testing will not

impact cash flows generated from our operations.

Future Accounting Changes

**EIC 175**

In December 2009, the CICA issued Emerging Issue Committee Abstract ( EIC ) 175, Revenue Arrangements with Multiple Deliverables , an amendment to EIC 142, Revenue Arrangements with Multiple Deliverables . EIC 175 provides guidance on certain aspects of the accounting for arrangements under which the Company will perform multiple revenue-generating activities. Under the new guidance, when vendor specific objective evidence ( VSOE ) or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. EIC 175 also includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. EIC 175 is effective prospectively, with retrospective adoption permitted, for revenue arrangements entered into or materially modified in fiscal years beginning on or after January 1, 2011. Early adoption is also permitted. Effective October 1, 2010, the Company will early adopt this new EIC, on a prospective basis. The effects on future periods will depend on the nature and significance of the future customer contracts subject to this EIC.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards would be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. Accordingly, our first quarter under the IFRS reporting standards will be for the three-month period ending December 31, 2011. Financial reporting under IFRS differs from current GAAP in a number of respects, some of which are significant. IFRS on the date of adoption may also differ from current IFRS due to new standards that are expected to be issued before the changeover date.

We describe below our IFRS changeover plan, key deliverables and their status, and the significant known impacts on our financial reporting. This is provided to allow readers to obtain a better understanding of our IFRS changeover plan and the resulting possible effects on our financial statements and operating performance measures. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. This information also reflects our most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations. We will continue to monitor and adjust for any movements in the standards made to ensure the reader is kept abreast of such developments.

In preparation for the conversion to IFRS, the Company has developed an IFRS changeover plan consisting of four phases: 1) diagnostic, 2) detailed impact assessment, 3) design and 4) implementation. We have completed the diagnostic phase which involved a high-level review of the differences between current GAAP and IFRS, as well as a review of the alternatives available on adoption. These differences were prioritized along with our initial assessment of impacts on our financial statements, business processes and/or IT systems in order to determine the scope of the project.

The second phase of our plan started in February 2009 and was completed in July 2010. This phase encompassed a detailed impact assessment addressing differences between Canadian GAAP and IFRS. Deliverables from this phase included documentation of the rationale supporting initial accounting policy choices, new disclosure requirements, authoritative literature supporting these choices and the quantification of any impacts. As the implications of the transition and conversion were identified, the impacts on the other key elements of our conversion plan were also assessed. These key elements included: information technology changes, education and training requirements, impacts on business activities, and lastly any changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures.

The remaining two phases, design and implementation, are being conducted jointly up until the changeover date. The deliverables include: i) the adjusting or redesigning of appropriate systems and business processes; ii) the updating and development of any accounting policies, disclosure controls and procedures, and internal controls over financial reporting; as well as iii) the preparation of our opening balance sheet and the parallel run of our comparative year financial statements with Canadian GAAP. Education and training will continue especially in those areas that will have the most significant impact on our operations. In addition, the working team will continue to monitor the development of any new accounting standards and their impact on the choices and exemptions made by the Company to date. Working jointly with our external auditors, we will also be conducting an assurance engagement addressing our opening financial position upon conversion.

We have a dedicated project manager, a detailed project plan and a progress reporting mechanism in place to support and communicate the evolution of the changeover plan. In addition to the working team, we have established an IFRS Steering Committee responsible for monitoring the progress and approving recommendations from the working team. The working team meets weekly, while the Steering Committee meets monthly, and quarterly updates are provided to the Audit and Risk Management Committee.

In order to establish IFRS financial reporting expertise at all levels, our Company has established a training plan. Beyond the technical training for the key finance working team, we have been delivering training to other finance and operational personnel throughout the current phase. Our strategy has been to gather and retain the expertise in-house as much as possible supplementing with external resources as necessary. On a quarterly basis, our Audit and Risk Management Committee members also gather the necessary knowledge through training topics at each meeting. We will provide our Board of Directors with a briefing in November 2010.

The Company has completed its assessment of the following standards which are outlined below. Please note that the information to follow is a high level summary only of the impacts. In addition, at this time, we cannot reliably quantify the impact that the future adoption of IFRS will have on our financial statements and operating performance measures. Such information will be provided as we move towards the changeover date.

IFRS 1 requires that first-time adopters select accounting policies that are in compliance with each IFRS effective at the end of the Company's first IFRS reporting period and apply those policies to all periods presented in their first IFRS financial statements. The general requirement of IFRS 1 is full retrospective application of all accounting standards; however, certain exceptions and exemptions are available. We are currently completing the assessment of these exceptions and exemptions and information will be provided as we move towards the changeover date.

**PROPERTY PLANT AND EQUIPMENT**

We have assessed IFRS against our current GAAP and at this time we do not see a major impact to our financial statements outside of additional disclosure. We do not expect any modifications to the groupings of our major assets. Management will continue to use historical cost as its measurement basis and in addition, indicators of impairment will be assessed at transition date and annually thereafter if there are triggering events.

## **LEASES**

We do not see a material impact to our financial statements outside of enhanced disclosure. Unlike GAAP today, when classifying capital leases (or finance leases ) under IFRS, more judgement is applied due to the lack of quantitative thresholds. IFRS includes additional qualitative indicators that assist in determining lease classification. After our review during the detailed assessment phase, we concluded that we had no classification issues. In addition, the Company is signing fewer operating leases under current GAAP. When quantifying the value of a finance lease, IFRS requires the use of the interest rate implicit in the lease. This differs from current GAAP in that the rate to use is the lower of the incremental borrowing rate and the implicit rate. Any adjustment to our opening balance sheet on transition is expected to be immaterial. An IFRS exposure draft on leases was issued in August 2010, which if adopted, would result in all leases being recognized on the balance sheet.

## **FINANCIAL INSTRUMENTS**

We do not foresee any material impact in terms of accounting and disclosure. There are certain differences between current GAAP and IFRS standards relating to the definitions and the classification criteria for financial assets and liabilities, but these slight differences do not impact our current classification under current GAAP. Designated hedging relationships qualifying for hedge accounting under current GAAP are also qualifying under IFRS; however, the hedging documentation has been adjusted at the transition date in order to comply with the IFRS requirements upon transition.

## **CONSOLIDATION**

We do not expect any material impact to our financial statements. Uniform accounting policies and reporting periods are applied throughout the Company under current GAAP. Under IFRS, minority interest is initially recognised at fair value as opposed to carrying value under current GAAP. However, it should not lead to material differences as we just have one non-controlling interest. The impact will be quantified in the current phase. As noted above, we elected for the early adoption of Sections 1601 and 1602 of the CICA Handbook which are similar to the corresponding provisions of IFRS standard, International Accounting Standards ( IAS ) 27 (Revised).

## **FOREIGN EXCHANGE**

We do not foresee any material differences to our financial statements. Functional currencies have been reassessed for each entity of CGI and translation concepts have been reviewed with no adjustments expected. IFRS 1 allows a first-time adopter on its day of transition to record its foreign currency translation adjustment ( CTA ) from all its foreign operations to retained earnings and reset the CTA balance to nil. At this time, we have elected to exercise this option.

## **PROVISIONS**

IFRS requires a provision to be recognized when it is probable (more likely than not) that an outflow of resources will be required to settle the obligation. We are expecting some impact in terms of the discount rate to be used to measure long-term liabilities, but it is not expected to be material to the Company. The Company will need to enhance its disclosure of provisions based on its assessment of classes. Even if the thresholds for the recognition and measurement criteria have been lowered under IFRS, we are not expecting to have a material impact in our financial statements.

## **BUSINESS COMBINATIONS**

We elected for the early adoption of Section 1582 of the CICA Handbook on October 1, 2009. This standard is similar to the corresponding provisions of IFRS 3 (Revised). The Company can choose not to apply IFRS 3 (Revised) retrospectively at the date of changeover or else apply it at an earlier date of its choosing. CGI has decided to apply IFRS 3 (Revised) as of the date of transition and therefore, no impact is expected.

## **INTANGIBLES**

IAS 38 is similar to CICA Handbook Section 3064 which was adopted by the Company during fiscal 2009. There is one difference pertaining to internal labour capitalization rates that is currently being assessed, which may require the Company to increase its value of intangibles upon conversion to IFRS. At this stage, its value is not expected to be material to the Company.

## **IMPAIRMENTS**

Impairments of assets other than for goodwill and indefinite-life intangibles are addressed under IAS 36 and may have an impact to the Company. As opposed to current GAAP, impairments are conducted in one step using discount rates that are asset specific. In addition, when profiling future cash flows of an asset, there are certain limitations in what can be included. With the more restrictive guidance under IFRS, there is a higher probability of asset impairment. However, there are also provisions under IFRS for the subsequent reversal of these impairment charges if circumstances change such that the previously determined impairment is reduced or eliminated.

#### **EMPLOYEE BENEFITS**

CGI maintains a post-employment benefits plan to cover certain former retired employees associated with a business previously divested by the Company. Upon conversion to IFRS, the Company will account for any actuarial gains or losses directly in equity. This amount is expected to be immaterial. Also, due to the immateriality of this plan, we do not expect any significant changes to our disclosure. Under IFRS, termination benefits are recognized when the entity is committed, without realistic possibility of withdrawal, which generally requires a detailed plan and formal communication.

#### **SHARE-BASED PAYMENTS**

With respect to compensation costs for stock options, IFRS requires the use of the graded vesting method for grants with vesting periods greater than one year. Currently, CGI accounts for the costs under the straight-line method for Canadian GAAP but reconciles to the graded vesting method for US GAAP purposes. CGI will need to retroactively apply IFRS to any unvested grant options on transition. As with other sections, we will also expand our disclosure to meet IFRS standards.

## **INCOME TAXES**

With respect to income taxes under IAS 12, deferred tax assets or liabilities cannot be recognized on acquisition of net assets that are not business combinations. Upon conversion, CGI will adjust its accounts accordingly and the impact will not have a significant effect on its balance sheet. Processes and procedures will need to be amended to address the additional disclosure requirements under IFRS, especially as it pertains to the continuity schedule for deferred tax assets and liabilities.

## **GOVERNMENT GRANTS**

No accounting impact is expected under IFRS for government grants as IAS 20 permits the same accounting treatment as current GAAP. In addition, the Company will not have any additional disclosure requirements.

## **BORROWING COSTS**

IAS 23 requires the Company to capitalize borrowing costs on certain qualifying assets. CGI is evaluating this impact focusing on any assets that will take more than one year to build or develop. Amounts capitalized will be amortized over the estimated useful life of the corresponding asset, similar to current GAAP. At this time, upon IFRS conversion, we are not expecting to have a material impact to our financial statements at the transition date.

## **PRESENTATION**

The presentation section is addressed through many International Accounting Standards most of which do not have significant differences from current GAAP. Certainly as outlined in all sections, there will be additional disclosure required in the notes to the financial statements. In certain cases, there will be a shift of information between the notes and the face of the financial statements. Under IFRS, it will mandatory for CGI to present a separate Statement of Equity whereas the Statement of Retained Earnings will be discontinued.

With respect to our reportable segment disclosure under IFRS 8, we do not see any differences from our current presentation.

## **JOINT VENTURES**

Currently under IAS 31, companies are allowed to account for any joint venture interest under either the proportionate consolidation or equity method. CGI currently accounts for its investment in Innovapost under the proportionate consolidation method and will not change upon conversion to IFRS. There is an exposure draft which proposes to only allow for interests under the equity method, however, we are not expecting the new standard to be effective before CGI's changeover date.

## **REVENUE RECOGNITION**

The revenue recognition area under IAS 11 and IAS 18 is generic in nature and is not as specific as many standards in use today. Over the past few months, the Company has been reviewing guidance from the standard setting authorities as well as accounting firms' interpretations in order to develop its proposed treatment based on current IFRS standards. The following provides a high level summary of the impacts upon conversion to IFRS using standards in place today.

In all cases, the impact on our opening balance sheet is under evaluation.

Under IFRS, if an arrangement involves the provision of separately identifiable components, the total arrangement value is allocated to each component based on their fair value. This stand-alone selling price method will maximize the use of observable inputs but also permits the use of estimation methods such as third party evidence and best estimate of selling price. The residual method will no longer be an appropriate method. Current GAAP, such as arrangements accounted in accordance with Accounting Standards Codification (ASC) 985-605 Software and ASC 605-25 Multiple Elements Arrangement requires the allocation of the consideration to each deliverable based on their relative fair value (i.e., VSOE or third party evidence in the case of multiple elements arrangements accounted under ASC 605-25) or the residual method when there is VSOE for all undelivered elements. On transition, any deferred revenue created because VSOE could not be supported or any difference in the allocation method will be reversed to retained earnings.

Currently, under ASC 985-605, software arrangements for the sale of software license with other services (i.e., customization or installation) are bundled as a single deliverable for revenue recognition when the services are essential to the functionality of the software license. Under IFRS, the standard permits the recognition of the software license separately from the other services if it meets the criteria of a separately identifiable component, and if the customer obtains control of the license.



Under IFRS, revenue from arrangements with extended payment terms could be recognized when the services are rendered and it is probable that the economic benefits associated with the transition will flow to the entity. Under current GAAP, the criteria are more restrictive and often revenue needs to be recognized on a cash basis. Fair value of revenue under IFRS will consider the time value of money, and therefore, the revenue will consist of a portion of interest and the fair value of the services or goods.

Under IFRS, an implicit financing transaction exists when the timing of payments differs from the delivery of goods and the rendering of services. In these cases, the Company will consider the effects of the time value of money on the total transaction amount for the financing portion of the arrangement.

Current GAAP requires revenue for long-term contracts under fixed-fee arrangements such as outsourcing and BPS arrangements to be recognized on a straight-line basis over the term of the arrangement, unless there is a better measure of performance or delivery. Under IFRS, revenue for those types of arrangement will be recognized as services are provided to the client, and therefore recognized based on contractual prices within an acceptable threshold based on demonstrated fair values. During the design phase, the working team will establish the appropriate procedures and policies.

Currently, under GAAP, revenue is limited to the amount not contingent. Under IFRS, revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the entity.

Recently, a joint exposure draft was issued by the International Accounting Standards Board and Financial Accounting Standards Board on revenue recognition and is open for comment until the fall of 2010. It is not expected to be the standard when CGI reports its first financial statements under IFRS; however, the working team is currently reviewing this document in relation to decisions recently made in this area.

#### **INFORMATION TECHNOLOGY AND DATA SYSTEMS**

To date, the Company did not identify any material system impact as we convert to IFRS. Development and testing of a dual-recordkeeping process is complete and dual-recordkeeping will commence with our first quarter of fiscal 2011.

#### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company has concluded that internal controls applicable to our reporting processes under current GAAP are fundamentally the same as those required in our IFRS reporting environment. During fiscal 2011, special attention will be given to the effectiveness of controls during our transition year.

#### **DISCLOSURE CONTROLS AND PROCEDURES**

During the current phase, the Company will be designing appropriate procedures and controls to ensure additional information can be gathered and reported upon. As communicated earlier, our financial statement note disclosures will be expanded. The working team is also producing a draft of our first set of interim financial statements under IFRS. Documentation will be amended in all areas including accounting policies, hedging documentation, and processes will be developed for the production and communication of asset or liability specific discount rates for all stakeholders.

#### **BUSINESS PROCESSES**

Over the past few months, training has been targeted to operations especially as it pertains to revenue recognition, provisions and asset impairments. In addition, we continue to provide guidance to those involved in client contracts to ensure they are aware of potential impacts once we convert to IFRS.

We are currently assessing the implications of IFRS to our debt covenants but do not expect any impacts that would cause debt covenants to be breached.

During the current phase, processes will be developed to prepare budgets and strategic plans under IFRS for fiscal 2012. In addition, we will be assessing impacts on the Company's incentive programs.

#### **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 length of the sales cycle for major outsourcing contracts** As outsourcing deals become larger and more complex, the Company is experiencing longer selling cycles lasting between 12 and 24 months. The lengthening sales cycle could affect our ability to meet annual growth targets.

**The availability and retention of qualified IT professionals** There is strong demand for qualified individuals in the IT industry. Therefore, it is important that we remain able to successfully attract and retain highly qualified staff. 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 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.

## **RISKS RELATED TO OUR BUSINESS**

**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 makes us subject to currency fluctuations; the burden of complying with a wide variety of national and local laws; differences in and uncertainties arising from local business culture and practices; multiple and sometimes conflicting laws and regulations, including tax laws; changes to tax laws including the availability of tax credits and other incentives that may adversely impact the cost of the services we provide; operating losses incurred in certain countries as we develop our international service delivery capabilities and the non-deductibility of these losses for tax purposes; the absence in some jurisdictions of effective laws to protect our intellectual property rights; restrictions on the movement of cash and other assets; restrictions on the import and export of certain technologies; restrictions on the repatriation of earnings; and political, social and economic instability including the threats of terrorism and pandemic illnesses. We have a hedging strategy in place to mitigate

foreign currency exposure; but, other than the use of financial products to deliver on our hedging strategy, we do not trade derivative financial instruments. Any or all of these risks could impact our global business operations and cause our profitability to decline.

**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.

**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 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 professional training programs and attrition rates among our personnel appropriately. To the extent that we fail 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.

**Government business risk** Changes in federal, provincial or state 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. Our client base in the government economic sector is very diversified with contracts from many different departments and agencies in the U.S. and Canada; however, 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 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 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 acquisitions** A significant part of our growth strategy is dependent on our ability to continue making large acquisitions to increase our critical mass in selected geographic areas, as well as niche acquisitions to increase the breadth and depth of our service offerings. The successful execution of our strategy 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. Without additional acquisitions, we are unlikely to maintain our historic or expected growth rates.

**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 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.

#### 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, 2010. 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.

The CEO and CFO have limited the scope of the design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Innovapost, a joint venture in which we have a 49% interest. The design was excluded from our evaluation as we do not have the ability to dictate or modify the entity's internal controls over financial reporting, and we do not have the practical ability to assess those controls. Our assessment is limited to the internal controls over the inclusion of our share of the joint venture and its results in our consolidated financial statements. CGI's interest in the joint venture represents approximately 1% of our consolidated total assets and approximately 2% of our consolidated revenue as at and for the year ended September 30, 2010.

Please refer to page 23 of this MD&A for supplementary financial information about Innovapost.

In addition, management's assessment and conclusion on the effectiveness of internal controls over financial reporting excludes the controls, policies and procedures of Stanley which was acquired six weeks prior to CGI's fiscal year-end. Our assessment is limited to the internal controls over the inclusion of its financial position and results in our consolidated financial statements. Stanley's operations represented approximately 3% of the Company's consolidated revenues for the year ended September 30, 2010, and assets associated with Stanley's operations (including intangible assets and goodwill) represent approximately 28% of the Company's consolidated total assets, as at September 30, 2010. The exclusion is due to the short time frame between the consummation date of the acquisition and the date of management's assessment.

#### 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.

**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.

By: /s/ André Imbeau

Name: André Imbeau

Title: Executive Chairman of the Board  
and Corporate Secretary

Date: December 23, 2010

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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.